

Comprehensive Annual Financial Report

for the Fiscal Year Ended
September 30, 2011



CITY OF NORTH MIAMI BEACH, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2011

Prepared by:

Finance Department

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I. INTRODUCTORY SECTION

March 28, 2012

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, 2011. The CAFR is issued pursuant to the following requirements:

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



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

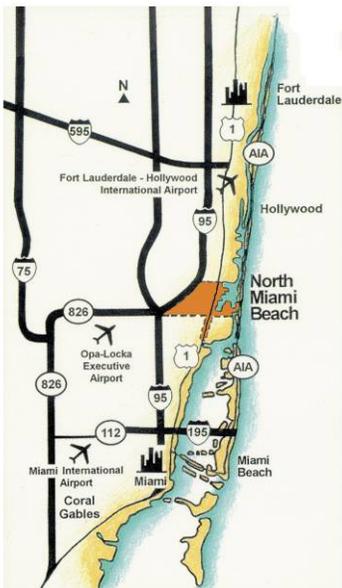
Sharpton, Brunson & Company, P.A., a licensed certified public accounting firm, has audited the City's financial statements. The goal of the independent audit was to provide reasonable assurance that the City's financial statements for the fiscal year ended September 30, 2011, were free of material misstatement. 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, 2011, 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 requires 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 covering an area of five square miles 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 international fund of the City of North Miami Beach and, therefore, has been included as a blended 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 31.

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 and for each non-major governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on pages 78 - 81 as part of the required supplementary information.

Factors Affecting Financial Condition

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

Local economy. The City has a population of more than 40,000. The local economy's difficulties mirror those on the national, state and regional scales. Real estate values continued to decline in FY 2011. Foreclosures also continued to exacerbate the sluggishness of the housing market. These two issues continue to directly affect the operations of municipal governments, including the City of North Miami Beach.

Long-term financial planning.

The City's primary focus related to economic growth is to enhance commercial and residential property values through the continued revitalization of the areas covered by the Community Redevelopment Agency. Economic development initiatives include:

- Potential development sites along the West Dixie Highway Corridor have been identified upon which a major hotel has expressed interest. Funding from the NMB CRA will be used for redevelopment activities and infrastructure projects consistent with the NMB CRA Redevelopment Plan.
- The old Winn-Dixie site on Hanford Boulevard has been identified as a potential site for a multi-use retail/hotel facility that would create jobs and new business activity in what is now a vacant building.
- Redevelopment of 1190 NE 163rd Street; the old structure has been demolished and is to be replaced by a new TD bank building.

The City will continue to employ cost-cutting measures including pension and other post employment benefits reform as well as seeking additional concessions during upcoming union negotiations. Additional refinancing opportunities will be pursued in order to decrease the City's debt service expenditures while the current interest rate environment is at historically low levels. Finally, the City will seek additional sources of recurring revenues whenever opportunities arise.

Major Initiatives

The following notes and bonds were refinanced at historically low interest rates in order to reduce the City's debt service:

- In Resolution No. R2011-6, The City chose to reduce its line of credit from \$3,500,000 to \$2,000,000. The City had not had any draws against the Revolving Taxable Ad Valorem Note Series 2010 in two (2) years and the fiscal impact of reducing this line of credit was a reduction in expenses of \$11,250 if the line is again not drawn against. The Finance Department recommended pursuing the renewal at this lower line of credit as a conservative course of action.
- Ordinance No. 2011-6 and Resolution No. R2011-24 - In November 2000, the City of North Miami Beach joined the Florida Municipal Loan Council of the Florida League of Cities in participating in a municipal tax-exempt bond issue. The Series 2000B bond issue was issued to the City in the amount of \$17,305,000 with a useful life of 30 years. This series of general obligation bonds was issued for improvements to thirteen (13) neighborhoods within the City for new sidewalks, drainage, road resurfacing, landscaping and improved streetlights. The Series 2000B bond issue had a balance of \$15,085,000 at the time of the refinancing with an interest rate ranging from 4.25% to 5.375%. This bond issue had been analyzed for opportunities to save money by refunding through a bank loan. Obtaining a bank loan to refinance the 2000B series resulted in a savings of approximately \$1.6 million or 11% over the remaining life of the loan with the interest rate being reduced to a fixed 4.18% and no change in the scheduled maturity date.

Interlocal Agreements with Miami-Dade County for the Building Better Communities General Obligation Bond (BBC-GOB) were amended to allow for a balance of \$1,393,832 from the completed Victory Pool Renovation to be transferred to the Uleta Community Center Expansion Project to facilitate in the completion of Phase I and part of Phase II at the Uleta Center which included:

- A new west wing which includes meeting rooms, kitchen, restrooms, fire alarm, cameras, computer lab and staff offices.
- Upgrades to the existing gym included, paint, new floor, bleachers, doors, scoreboard and cameras.
- The exterior of the building was painted and an awning added.
- Picket fencing was installed at the pool and community center.
- Landscaping and on-street parking were also upgraded.

Miami-Dade County (Office of Grants Coordination) Community Based Organizations Sports Grant – The City received \$11,200 in reimbursed grant funding for sports equipment for various programs throughout the city. The grant provides funding for organizations throughout Miami-Dade County to provide recreation and sports related youth programming to help battle childhood obesity. The funding enables the city to sustain structured and safe programs that convene during peak times when youth usually engage in criminal and dangerous unhealthy behavior.

State Aid Library Grant – The City received \$ 16,000 in grant funding from the State Library Association. The general purpose of the State Aid Program is to encourage local governments to establish and continue the development of free library services to all residents.

As of May 1, 2011 the City's CRS Class rating was officially increased and recognized in the National Flood Insurance Program (NFIP). The CRS Class 7 that was achieved gives NMB residents a 15% discount on their Flood Insurance. Moving from a Class 8 community to a Class 7 Community alone saved NMB residents an estimated \$102,000. Simply being in the CRS program as a Class 7 Community saves NMB residents an estimated \$313,000 annually. That averages out to be approximately a \$48 discount per policy for each NMB resident in the Special Flood Hazard Area (SFHA).

Other projects and initiatives include:

- *Fulford-by-the-Sea Fountain* - On November 29, 2010 the Fulford-by-the-Sea Fountain was officially inducted into the National Register of Historic Places. We are proud of the recognition we received in preserving this important element of Florida's cultural resources located in our City.
- *NE 172nd Street Drainage Improvement* -- This project is ongoing and includes the installation of a drainage system to reduce major flooding between NE 23 Avenue and West Dixie Highway because of low elevation and inadequate drainage.
- *173 Street Improvement* - The project included the installation of drainage system, improved roadway section, on-street parking, sidewalks and signage.
- *NE 18th Avenue* - between Glades Drive and Hanford Blvd. – The project included the installation of drainage system, improved roadway section, on-street parking, sidewalks and signage.
- *NE 181st & 182nd Streets* – Project involved the installation of on-street parking.
- *NE 19th Avenue Roadway Improvement* – The project included the construction of several roundabouts at various cross-street intersections, landscaping, curbing and sidewalks.
- *NE 169th Street* - The project involved the installation of curbing, on-street parking, bollards and landscaping.
- *City Hall Cashier Window* - additional cashier security (bullet proof) window.
- *Annual Swales Restoration Program* (final phase) - Regrading and installation of new sod in various locations at Allen Park, Oakgrove, and Uleta.
- *Crosswalks Restoration* – City-wide installation of brick pavers crosswalks and resealing the existing pavers.
- *City Wide Tree Planting* – Planted at various locations citywide.
- *600 KW Emergency Power Generator* - Installed at the City Hall Complex.
- *Library* - Installation of new air-conditioning units.

- The Community Redevelopment Agency continued the following projects and initiatives:
 - *Commercial Façade Program*: This program seeks to help businesses improve the attractiveness of properties, and thereby work to achieve the agency's goal of eliminating conditions that have a negative impact on economic growth in the CRA Area.
 - *Security Grants Program*: This program provides grants for security enhancements to businesses in the CRA Area such as security cameras, alarm systems, security doors and windows to improve building safety.
 - *Wayfinding Signage Program*: Plans have been initiated to replace and create new way finding signage which will clearly mark public parking, public facilities, welcome to and identify other key locations within the City of North Miami Beach.

- *CRA Area Clean-Up and Maintenance:* The NMB CRA provided funding for the maintenance of Hanford Blvd and NE 163rd Street (CRA Area only) including landscaping and banners.
- *CRA Marketing:* The NMB CRA created a new information packet that welcomes businesses and individuals to the North Miami Beach Community with facts about services and the economic environment.
- *Economic Development:* The NMB CRA is empowered to fund for promotional efforts, which includes a professional relationship with the Greater North Miami Beach Chamber of Commerce.

Continuing Initiatives. The City of North Miami Beach currently has the following projects underway:

Parks and Recreation Facilities

- **Tennis Center Rehabilitation** – While the planning phase of this project is complete, the City is seeking funding sources in order to make the recommended improvements. The facility's clay courts were renovated to include: laser grading and resurfacing; net post and net replacements; and the installation of new efficient lighting systems.
- **Mishcon Park** – Patricia Mishcon Athletic Field Phase I was completed with the installation of a metal perimeter security picket fence and bleachers. The City has received a grant from Miami-Dade County CDBG for \$500,000 and is expecting a grant from Miami-Dade County General Obligation Bond Program in order to complete improvements including upgrading the ball field with a synthetic surface, landscaping, and lighting.
- **Allen Park** – Improvements are moving forward to bring the De Leonardis Youth Center into compliance with the American Disabilities Act and the Miami-Dade County Fire Code. Funding is also being sought for rehabilitation of the ball field at the park.

Utility Enterprise Fund Initiatives and Projects.

- **Water Utility - Automatic Meter Reading (AMR) Program** - During FY08 the City of North Miami Beach Public Services Department conducted a Fixed Base Automated Meter Reading (AMR) pilot program. Over 300 digital water meters were installed throughout the water-distribution system. A majority of the funding for the pilot program came from a South Florida Water Management District grant. AMR utilizes digital water meters that employ wireless technology to send up-to-the-minute readings to collection units in the water service area, enabling the utility to detect leaks and notify the customers in a timely fashion. The success of the pilot program prompted the utility to seek additional funding from the Florida Department of Environmental Protection. The City was able to secure a commitment from the department through the State Revolving Loan Program sufficient to fully implement the AMR program. Once the entire 33,000 meters in the water service area have been updated, customers can expect more timely water bills and information regarding their water consumption. The utility will be able to monitor large and small water consumers and thus help them to conserve our precious water resources for the future. The total project is expected to cost approximately \$11 million.

- **Water Utility - Volatile Organic Compounds (VOC)** - Additional financing secured from the State Revolving Loan Program will fund a project to eliminate volatile organic compounds from the City's potable water supply. The City has worked with the Department of Environmental Protection to decontaminate areas around local dry-cleaning facilities that appear to have been the source of vinyl chloride contamination. Temporary air-stripping facilities were installed to provide additional treatment to the water supply. This project involves the construction and installation of two air-stripping towers and installation of additional membrane treatment at the water plant to provide a permanent solution. The total project is expected to cost approximately \$15 million.
- **Wastewater Utility** - The Wastewater Utility has also secured financing from the State Revolving Loan Program to fund a major wastewater rehabilitation design and construction project for the design and construction of ten pump stations. The project is expected to cost approximately \$6.5 million. An additional amount of approximately \$4.2 million was provided by the same agency for the reduction of inflow and infiltration which includes excavated point repairs, manhole rehabilitations, mainline lining, mainline laterals, and mainline section lining within our service area.

Relevant financial policies

In general, it is the City's policy to consistently add to the City's reserve each year and in Fiscal Year 2011 that policy continued. The commitment against unrestricted net asset balance is intended to be a bottom line for the City and its related governmental and business-type activities. While the City Council and City Administration may have varying commitments against these balances these choices are subject to be revised/changed by the Council.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of North Miami Beach for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2010. This was the twenty-third consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

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

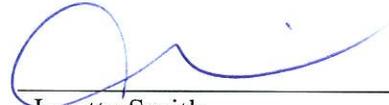
We express our appreciation to all members of other departments who assisted and contributed to the preparation of this report. A special note of thanks and appreciation is also extended to our auditors, Sharpton, Brunson & Company, P.A., for their professional approach and high standards in the conduct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

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

Respectfully submitted,



Lyndon Bonner
City Manager



Janette Smith
Finance Director



Roslyn B. Weisblum
Assistant City Manager



Mac Serda
Assistant City Manager

CITY OF NORTH MIAMI BEACH, FLORIDA
CERTIFICATE OF ACHIEVEMENT
SEPTEMBER 30, 2011

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, 2010

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.



Linda C. Dandson

President

Jeffrey R. Emer

Executive Director

**CITY OF NORTH MIAMI BEACH, FLORIDA
LIST OF CITY OFFICIALS
SEPTEMBER 30, 2011**

COUNCIL - MANAGER FORM OF GOVERNMENT

CITY COUNCIL

George Vallejo, Mayor

Barbara Kramer

Frantz Pierre

Philippe Derose

Beth Spiegel

Marlen Martell

Phyllis S. Smith

CITY MANAGER

Lyndon L. Bonner

CITY ATTORNEY

Darcee S. Siegel

CITY CLERK

Pamela L. Latimore, CMC

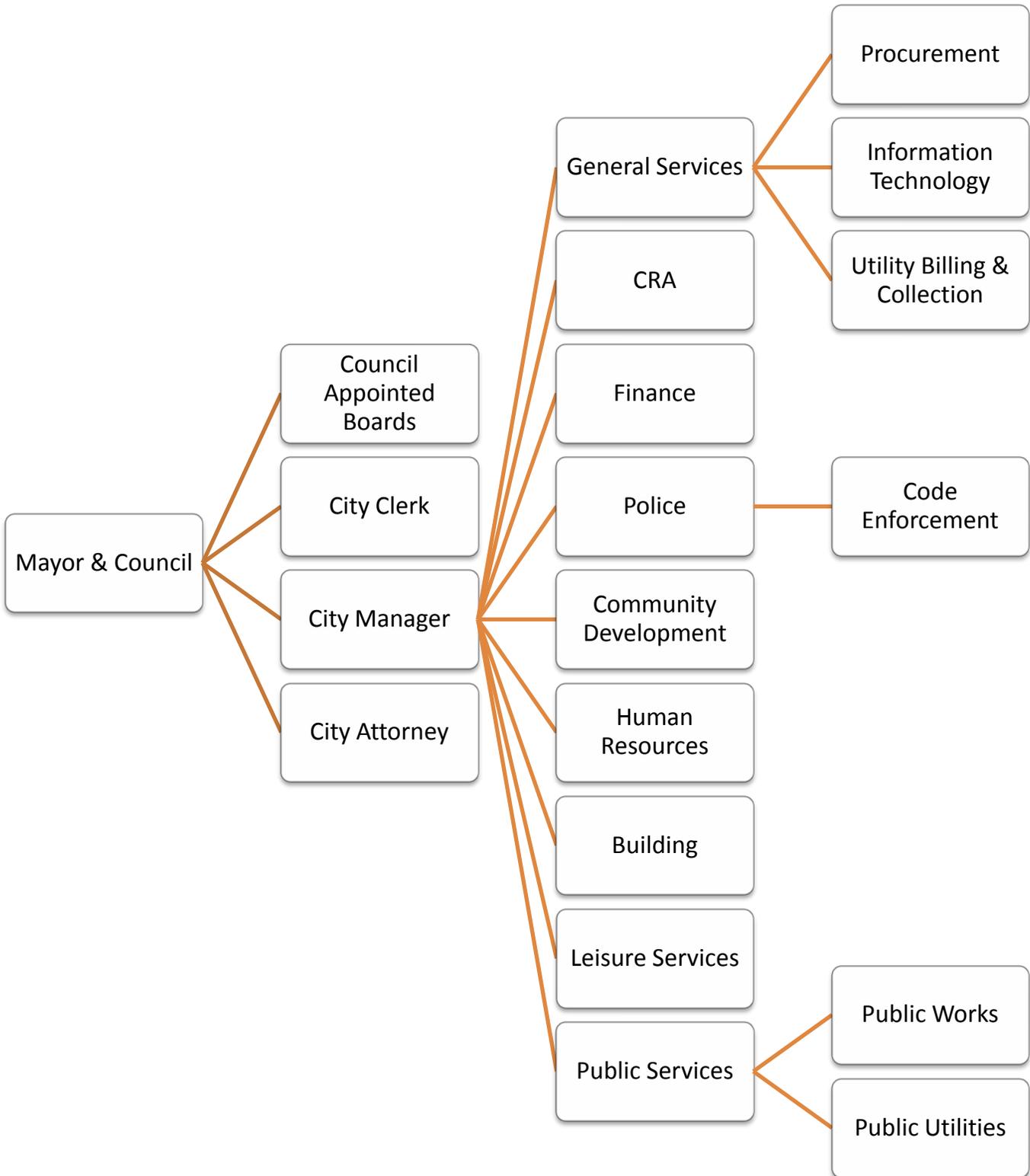
FINANCE DIRECTOR

Janette Smith, CPA

CITY AUDITORS

Sharpton Brunson and Company, P.A.

**CITY OF NORTH MIAMI BEACH, FLORIDA
ORGANIZATION CHART
SEPTEMBER 30, 2011**





II. FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT



SHARPTON, BRUNSON & COMPANY, P.A.

Certified Public Accountants & Business Consultants

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Suite 2100
Miami, FL 33131
Tel: (305) 374-1574
Fax: (305) 372-8161

110 East Broward Boulevard
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215 South Monroe Street
Suite 750
Tallahassee, FL 32301
Tel: (850) 727-8160
Fax: (850) 727-8183

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented components units, 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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of the General Employees and Police Officers and Firefighters Retirement Plan of the City of North Miami Beach, Florida which represent 37% and 42%, respectively, of the assets of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Retirement Plan for the General Employees of the City of North Miami Beach and the Retirement Plan for the Police Officers and Firefighters of the City of North Miami Beach, are based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of North Miami Beach, Florida, as of September 30, 2011 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued under separate cover our report dated March 23, 2012 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, schedule of employer contributions, and schedule of funding progress on pages 3 through 19, pages 78 through 80, page 82 and page 83, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Shayton Emmons & Company P.A.
March 28, 2012



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

CITY OF NORTH MIAMI BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011

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, 2011. 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 viii of this report.

Financial Highlights

- The assets of the City of North Miami Beach exceeded its liabilities at the close of fiscal year 2011 by \$154.7 million (*net assets*). Of this amount, \$20.2 million (*unrestricted net assets*) may be used for expenditures arising from the ongoing operations of the City. Total net assets increased by \$14.6 million or 10.4% over the prior fiscal year. Unrestricted net assets decreased by \$0.9 million or 4.3% as a result of the implementation of a new accounting standard which requires reclassification of governmental fund balances based on the extent that the City is bound to observe constraints imposed upon the reported amounts.
- *Total assets* increased by \$9.8 million or 3.5% in fiscal year 2011. *Capital assets* decreased by \$0.5 million and *Current assets – restricted* decreased by \$0.2 million. *Current assets – unrestricted* increased by about \$10.5 million or 22.2% largely as a result of increases in pooled cash and investments and receivables in the business-type activities.
- *Total liabilities* decreased by about \$4.8 million, or 3.4%, during the current year. *Current liabilities* decreased by about \$1.9 million, primarily due to the payment of amounts due to other governments by the business-type activities, while *Noncurrent liabilities* decreased by about \$2.9 million, primarily due to debt payments related to governmental activities.
- The City's enterprise funds reported combined unrestricted net assets of \$10.2 million, an increase of \$12.7 million over the previous fiscal year. The results of operations of the water and sewer funds provided the bulk of the increase.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$26.3 million, an increase of \$0.1 million over the prior fiscal year. Approximately 28% or \$7.4 million of this amount is available for spending at the City's discretion (*unassigned fund balance*).
- Total revenues increased by about \$8.1 million, or 9.0%, largely as a result of the business-type activities increase in consumption in the water and sewer funds and as the result of legal settlements in the same funds. Total expenses decreased \$2.6 million, 3% as a result of cost cutting measures primarily in general governmental expenditures.

CITY OF NORTH MIAMI BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of North Miami Beach's basic financial statements. The City's basic financial statements consist of these components:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

Other supplementary information is also included in this report. These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board (GASB).

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include public safety (fire protection is provided by Miami-Dade County), sanitation services, public works, parks and recreation facilities, 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 and building permitting.

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

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

**CITY OF NORTH MIAMI BEACH, FLORIDA
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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 non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

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

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

The proprietary fund statements provide 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 and building permitting, which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 25 through 28 of this report.

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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 29 - 30 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 15 includes information regarding the Community Redevelopment Agency.

The notes to the basic financial statements can be found on pages 31-77 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 78 - 83 of this report.

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

Combining statements and budgetary schedules can be found on pages 84-104 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 assets exceeded liabilities by \$154.7 million at the close of the current fiscal year. This was an increase of approximately ten percent compared to last year's net assets of \$140.2 million.

- *Invested in capital assets, net of related debt* - The largest portion of the City's net assets (80%) reflects its investment in capital assets (e.g.; land, buildings, and equipment), less any related debt used to acquire those assets that is still outstanding. Capital assets are used to provide services to citizens; and thus, they are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.
- *Restricted net assets* - Some of the City's net assets (5%) are subject to external restrictions on how they may be used. These assets have been set aside for capital projects, debt service payments, and other contractual obligations.

**CITY OF NORTH MIAMI BEACH, FLORIDA
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- *Unrestricted net assets* – this represents resources (15%) that may be used to meet the City's ongoing obligations to citizens and creditors.

The following chart provides a comparison of the government-wide statement of changes in net assets between the current and last fiscal years (in millions).

Government-wide Statement of Changes in Net Assets

	2011			2010		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program Revenues:						
Charges for Services	\$ 18.0	\$ 44.0	\$ 62.0	\$ 13.8	\$ 41.1	\$ 54.9
Operating grants & contributions	1.0	2.3	3.3	2.0	1.5	3.5
Capital grants & contributions	2.0	0.5	2.5	-	0.8	0.8
General Revenues:						
Property taxes	12.6	-	12.6	16.3	-	16.3
Other taxes	7.1	-	7.1	4.9	-	4.9
Intergovernmental (including sales tax)	8.1	-	8.1	9.4	-	9.4
Other miscellaneous	0.4	6.3	6.7	2.1	2.3	4.4
Total revenues	49.2	53.1	102.3	48.5	45.7	94.2
Expenses:						
General government	15.2	-	15.2	18.8	-	18.8
Public safety	25.1	-	25.1	22.1	-	22.1
Leisure services	5.0	-	5.0	5.4	-	5.4
Public services	10.6	-	10.6	10.7	-	10.7
Interest on long-term debt	1.7	-	1.7	1.9	-	1.9
Water	-	23.4	23.4	-	23.9	23.9
Sewer	-	4.5	4.5	-	5.3	5.3
Stormwater	-	0.9	0.9	-	0.9	0.9
Building permits	-	1.4	1.4	-	1.4	1.4
Total Expenses	57.6	30.2	87.8	58.9	31.5	90.4
Increase (decrease) in net assets before transfers	(8.4)	22.9	14.5	(10.4)	14.2	3.8
Transfers	13.8	(13.8)	-	13.1	(13.1)	-
Change in net assets	5.4	9.1	14.5	2.7	1.1	3.8
Net assets - beginning	55.3	84.9	140.2	52.6	83.8	136.4
Net assets - ending	\$ 60.7	\$ 94.0	\$ 154.7	\$ 55.3	\$ 84.9	\$ 140.2

**CITY OF NORTH MIAMI BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
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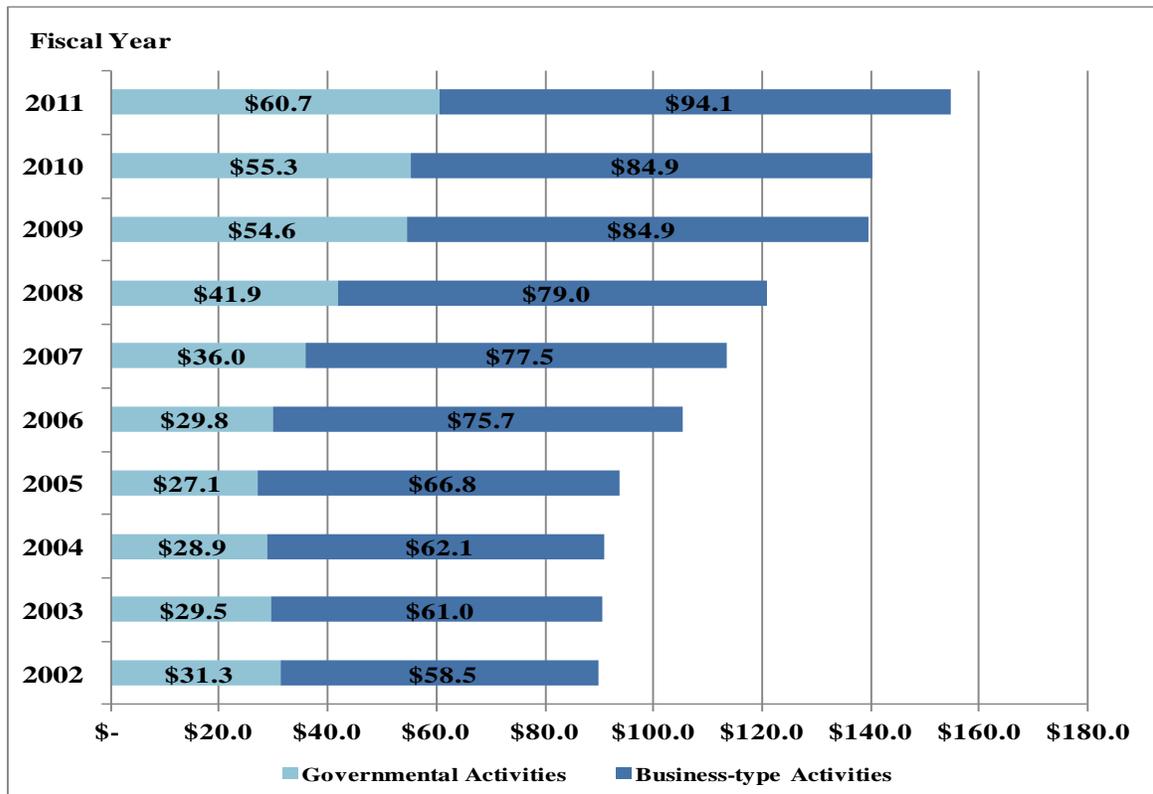
The following chart provides a condensed statement of government-wide net assets with comparative balances between the current and last fiscal year (in millions).

Condensed Government-wide Statement of Net Assets

	2011			2010		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 36.2	\$ 21.6	\$ 57.8	\$ 36.1	\$ 11.2	\$ 47.3
Restricted assets	-	0.9	0.9	0.3	0.8	1.1
Capital assets, net	73.1	158.9	232.0	70.9	161.6	232.5
Total assets	109.3	181.4	290.7	107.3	173.6	280.9
Long-term liabilities	43.5	76.9	120.4	46.4	75.9	122.3
Other liabilities	5.1	10.4	15.5	5.6	12.8	18.4
Total liabilities	48.6	87.3	135.9	52.0	88.7	140.7
Net Assets:						
Invested in capital assets, net of related debt	36.3	83.0	119.3	25.4	86.6	112.0
Restricted	14.4	0.9	15.3	6.3	0.8	7.1
Unrestricted	10.0	10.2	20.2	23.6	(2.5)	21.1
Total net assets	\$ 60.7	\$ 94.1	\$154.8	\$ 55.3	\$ 84.9	\$140.2

The following chart displays the total net assets over the last ten fiscal years (in millions).

Total Net Assets



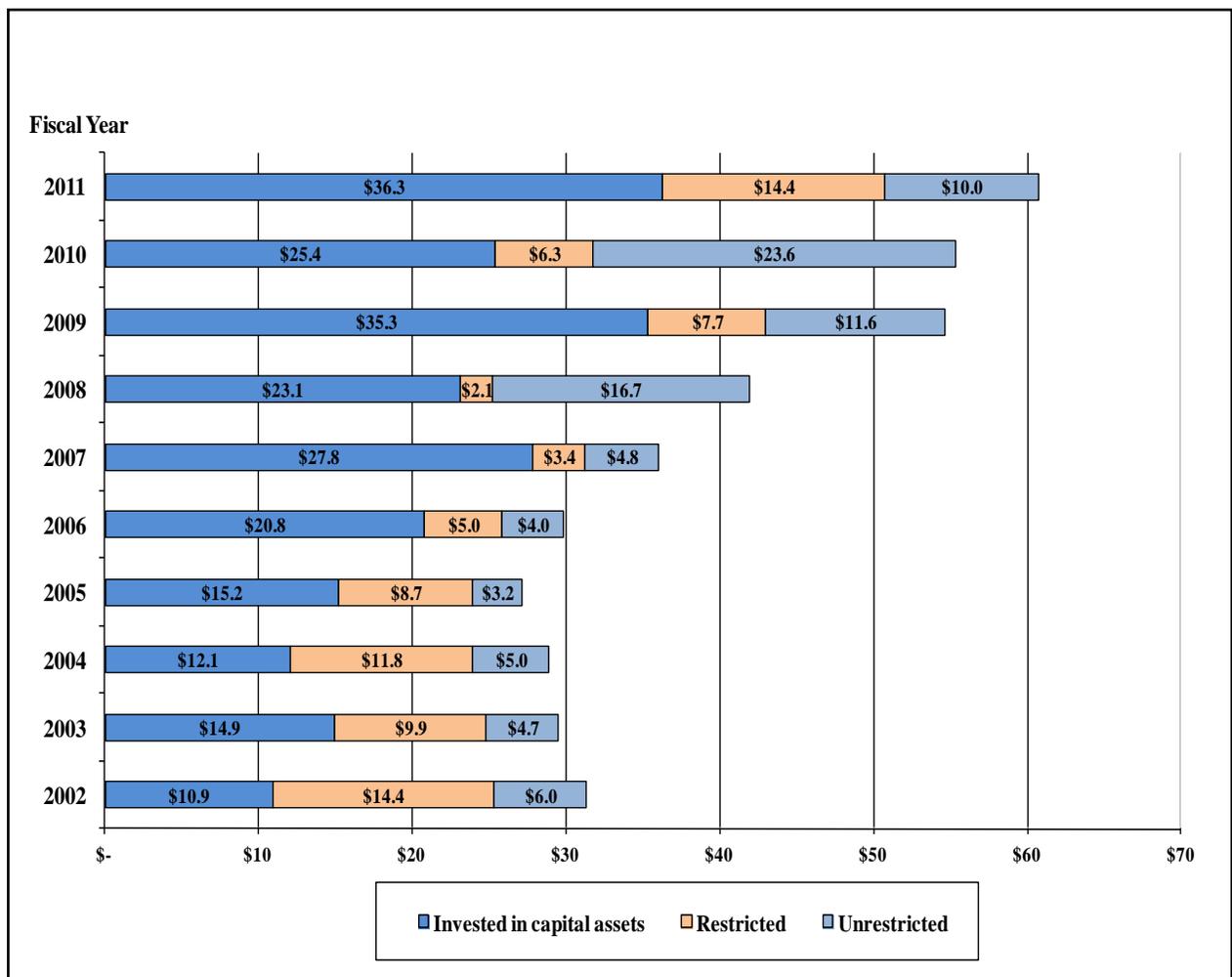
**CITY OF NORTH MIAMI BEACH, FLORIDA
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Governmental activities:

Net assets of the City's governmental activities increased by 9.8% from \$55.3 million in the last fiscal year compared to \$60.7 million in the current fiscal year.

Charges for services increased by \$4.2 million as a result of a \$2.9 million increase in fines and forfeitures, and slight increases in the fees charged for general government services and leisure services fees. Grants and contributions increased by \$1.0 million overall. Cost cutting measures, primarily in the general governmental expenses add an additional \$1.3 million to the increase in net assets.

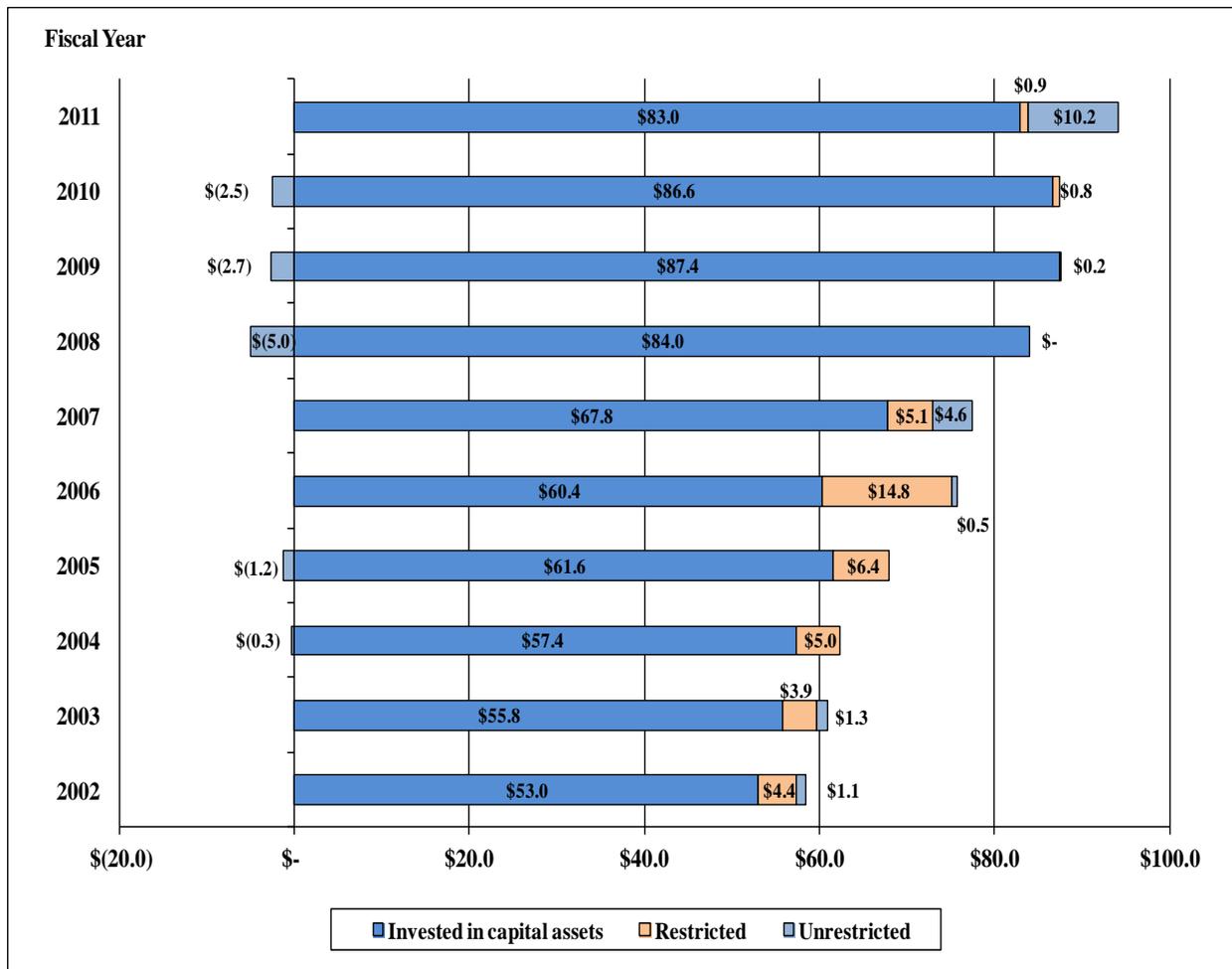
**Governmental Activities
Total Net Assets
(in millions)**



**CITY OF NORTH MIAMI BEACH, FLORIDA
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Business-type activities: The City's net assets of the business-type activities increased by approximately eleven percent from \$84.9 million in last fiscal year, compared to \$94.0 million in the current fiscal year. Notably, unrestricted net assets increased from prior year, by approximately \$12.7 million, partially because of the change in net assets increase of \$9.1 million which remains unrestricted at fiscal year end. Additionally, capital asset depreciation exceeded additions by \$2.7 million and capital related debt increased resulting in a decrease in the invested in capital assets net of related debt classification. *Charges for service* increased by \$2.9 million, or 7%, due to an increase in consumption for water, sewer. The other driving factor was the receipt of settlement payments from three large lawsuits that resulted in an increase of other income of approximately \$3.7 million.

**Business-type Activities
Total Net Assets
(in millions)**



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Financial Analysis of the City's Funds

The City of North Miami Beach uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Traditional users of the governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus of the Fund Financial Statements is on Major Funds, rather than fund types.

Governmental funds: The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. The Governmental Funds presentation is designed to show the sources and uses of liquid resources. This is the manner in which the budget is typically developed. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the City's current financial resources available for discretionary spending.

As of the end of the current fiscal year, the City's *governmental funds* reported combined ending fund balances (nonspendable, restricted, committed, assigned, and unassigned) of \$26.3 million, an increase of \$0.1 million over the prior year.

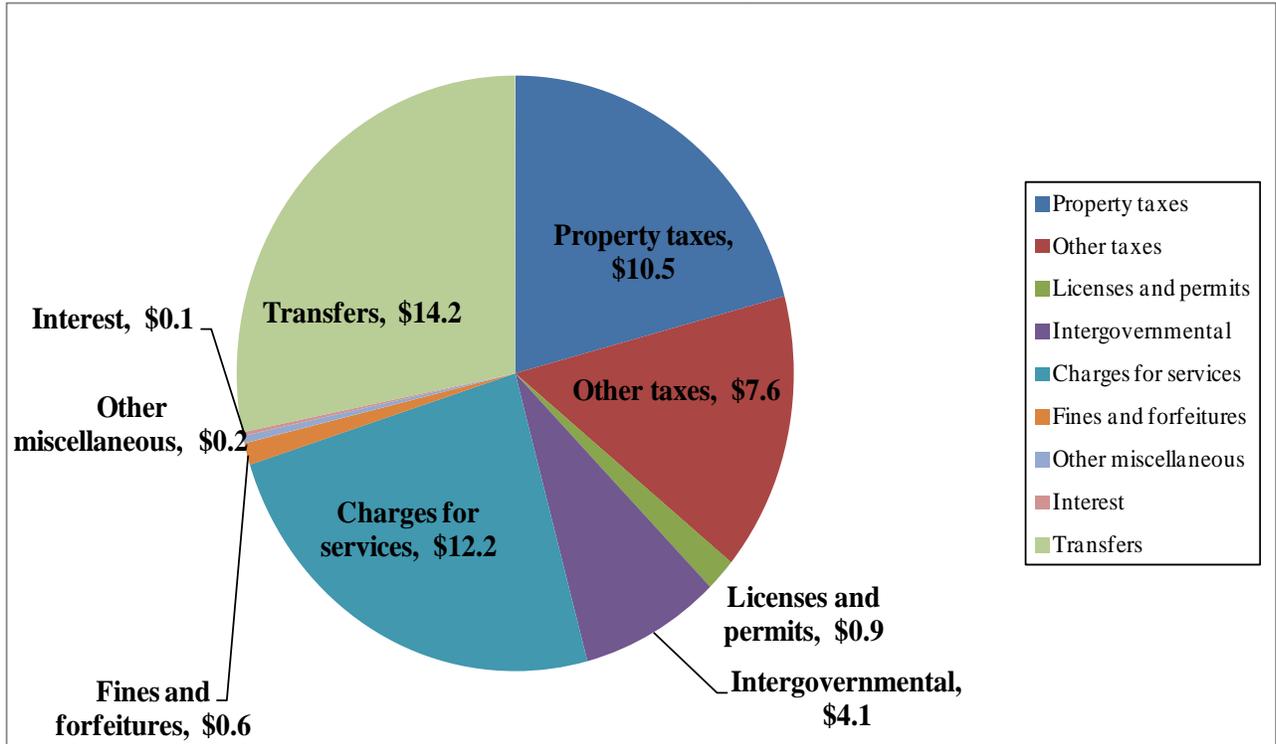
At September 30, 2011, 3.7% of the fund balance of the governmental funds was in nonspendable form. In other words, the assets are not cash and will not be converted into cash. This classification includes items such as prepaid costs and inventory. The use of 54.8% of fund balance is restricted by third parties such as grantors, creditors or other governmental entities for specific types of expenditures. The City Council through ordinance or resolution has committed 1.7% of fund balance to be used for specific purposes such as alley restoration and mitigation of the effect of development on parks and public safety. The City Manager has assigned approximately 11.7% of fund balance to be used for land acquisition, liability and workers' compensation claims and expenditures for next fiscal year. *Unassigned fund balance* is the portion of fund balance that is available for spending at the City's discretion. 28.0% of fund balance (\$7.4 million) constitutes unassigned fund balance.

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, fund balance in the general fund is \$12.4 million. The unassigned fund balance of \$8.9 million constitutes 71.5% of total general fund balance. Last fiscal year the General Fund's total fund balance was \$12.7 million, 60.4% of which was available for spending at the City's discretion.

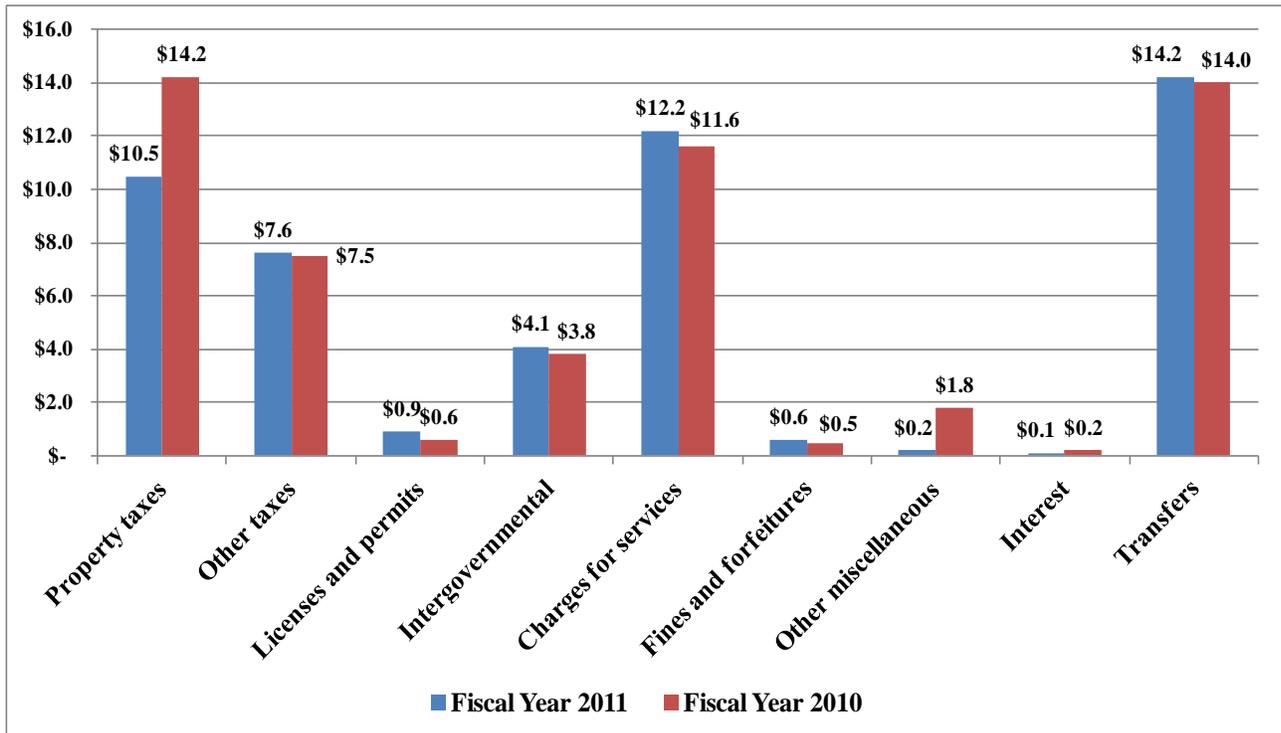
Total General Fund revenues decreased by \$3.7 million or 26% compared to the prior fiscal year. Property taxes continue to be the source of decline in general fund revenues. The outlook for the next fiscal year appears to be much the same as property values continue to erode. The following graphics display (in millions) the classifications of revenues relative to the total fiscal year 2011 general fund revenues and relative to the fiscal year 2010 general fund revenues.

**CITY OF NORTH MIAMI BEACH, FLORIDA
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General Fund Revenues by Source



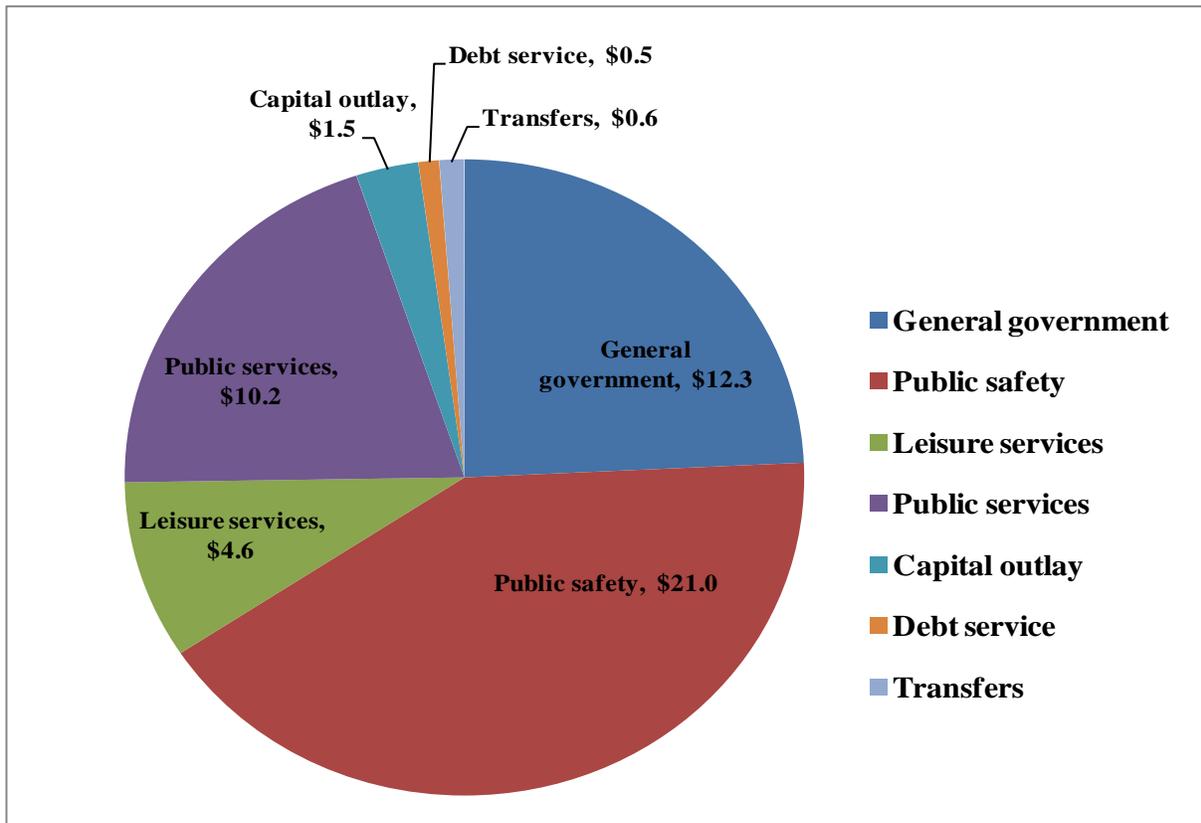
Current Year vs. Prior Year General Fund Revenues



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Total General Fund expenditures decreased by \$5.5 million, 9.8% as compared to the prior year. *General government* spending declined by approximately \$1.7 million, 12.1% which was due to the City's continued cost-cutting measures taken to offset the effects of the down-turn in the economy. *Transfers to other funds* decreased by approximately \$2.4 million and *Capital outlay expenditures* were delayed resulting in savings of an additional \$0.8 million. The following graphic displays (in millions) the classifications of expenditures relative to the total fiscal year 2011 general fund expenditures.

General Fund Expenditures



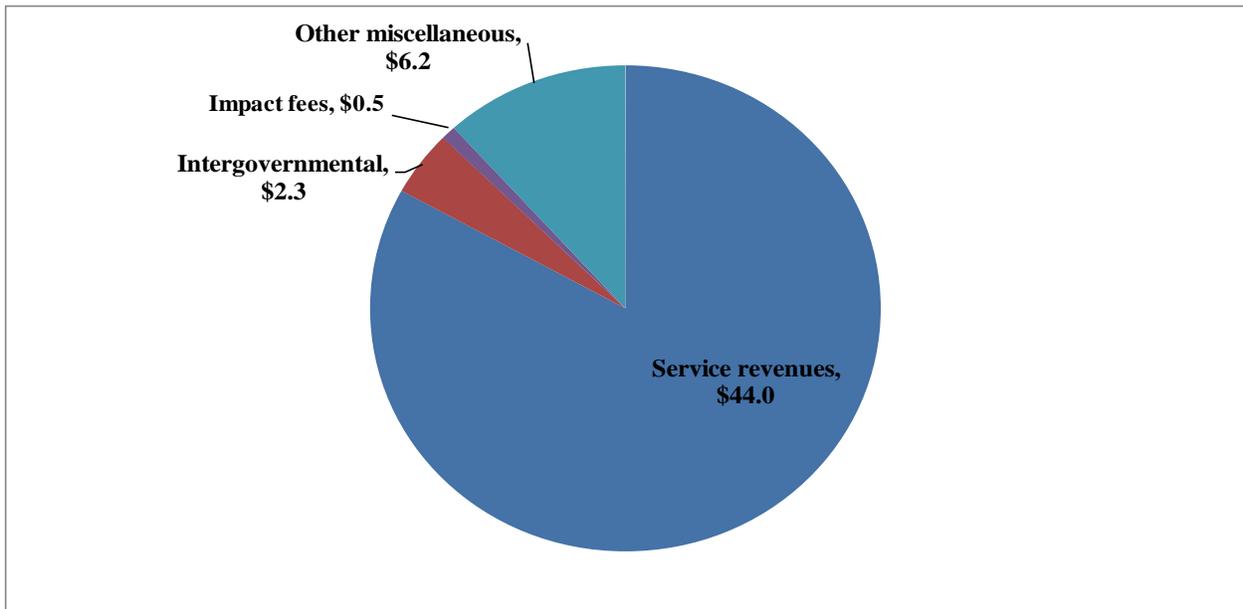
Proprietary funds: The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Proprietary funds account for services that are generally supported by user fees charged to customers. Proprietary funds are presented on a total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

Total Proprietary fund revenues increased by \$7.3 million or 16% compared to the prior fiscal year. The increase was driven by higher consumption and legal settlements in the water and sewer funds.

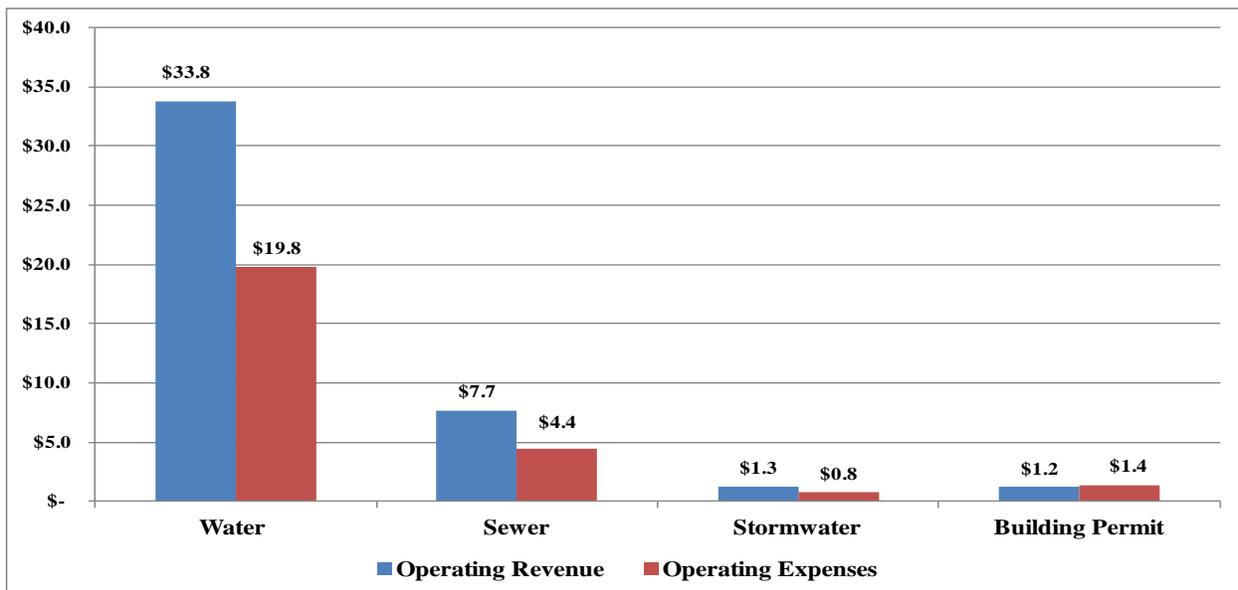
**CITY OF NORTH MIAMI BEACH, FLORIDA
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The proprietary funds were able to cover the cost of operations with operating revenues, or charges to customers for services provided except the building permit fund. Because of the slow economy, building and development have causing a deficit for the fiscal year in the building permit fund. This situation should reverse itself once the economy rebounds and building and development return to a normal level. The following graphics display (in millions) the sources of proprietary fund revenues relative to the total fiscal year 2011 proprietary fund revenue and a comparison between the operating revenues and expenses of each proprietary fund for fiscal year 2011.

Proprietary Fund Revenues by Source



Proprietary Fund Operating Revenues and Expenses (in millions)



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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 78-81 of this report.

Differences between the *original budget* and the *final amended budget* amounted to an increase of approximately \$1.2 million during the current fiscal year and can be briefly summarized as follows:

- Approximately \$750,000 additions were budgeted to prepay principal and interest on bond refunding.
- An additional \$425,000 contribution was required for the Management Pension Plan per the actuarial valuation.

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

- The City's housing market continues to suffer as Ad Valorem (Property) Taxes received were about \$800,000 less than budgeted.
- Various taxes and intergovernmental revenues rebounded to provide and an overall positive revenue variance of approximately \$1.2 million.
- Due to efficiencies of operation and tighter budget constraints, operating expenditures were held in check. However, the savings in operations were partially used to offset over-expenditures in capital outlay.

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, 2011 amounts to \$232.0 million (net of accumulated depreciation).

During the current year, the City experienced the unusual occurrence when depreciation expense exceeds capital asset additions. This is another indicator of the economic stress being absorbed by local governments as a result of the decline of the housing market.

This investment in capital assets includes land, buildings, improvements other than buildings, and machinery and equipment. The City's investment in capital assets for the current fiscal year decreased by \$0.5 million or 0.2 percent.

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The following chart provides a condensed schedule of government-wide capital assets with comparative balances between the current and last fiscal year.

**Capital Assets, net of depreciation
(in millions)**

	Governmental		Business-type		Total	
	Activities		Activities			
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 4.3	\$ 4.3	\$ 5.9	\$ 5.9	\$ 10.2	\$ 10.2
Buildings and plant	6.9	8.1	135.3	140.8	142.2	148.9
Improvements other than buildings	19.7	20.7	-	-	19.7	20.7
Furniture, fixtures, machinery and equipment	3.9	3.3	1.8	1.7	5.7	5.0
Infrastructure	2.9	3.0	-	-	2.9	3.0
Capital lease equipment	3.0	3.4	1.2	1.1	4.2	4.5
Construction in progress	32.4	28.1	14.7	12.1	47.1	40.2
Total capital assets	<u>\$ 73.1</u>	<u>\$ 70.9</u>	<u>\$ 158.9</u>	<u>\$ 161.6</u>	<u>\$ 232.0</u>	<u>\$ 232.5</u>

Additional information on the City's capital assets can be found in Note 5, starting on page 46 of this report.

Long-term Debt

In 2007, the City received an updated credit report and rating letter which indicated that Standard and Poor's Rating Services affirmed its "A" underlying rating (SPUR), with a stable outlook on the City's water revenue bonds. The City is expecting another update next fiscal year as a condition of planned debt-refunding.

At the end of the current fiscal year, the City had total bonded debt outstanding of \$82.6 million, total notes payable of \$23.4 million and loans outstanding of \$5.1 million. Of this amount, \$23.4 million was approved by referendum of the City's voters. State Revenue Sharing was pledged to secure a net outstanding balance of \$0.9 million in debt. Tax Increment Financing revenues has been pledged for the CRA debt totaling \$6.9 million. \$16.1 million of the bonds, notes and loans has been secured by specified revenue sources, such as water and sewer utility operating income and transit surtaxes. The remainder of the City's debt (\$63.8 million) is secured solely by non-specified revenue sources.

Each year, the City renews a short-term line of credit to be used for unanticipated emergencies, such as hurricane expenses, as well as any cash flow issues that may arise. The line was reduced to \$2.0 million during the fiscal year and the City did not utilize any short-term borrowing.

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New debt was issued in the form of a promissory note payable to JP Morgan Chase, N.A. during the current fiscal year. The note in the principal amount of \$14,835,000 was used to refinance the Series 2000B bonds that were originally issued for the principal amount of \$17,305,000. The transaction resulted in an economic gain of \$1.66 million and a reduction of \$2.4 million in future debt service payments. The City will continue to seek opportunities to refinance its debt at lower interest rates as issues become callable. Additionally, normal debt service payments resulted in an overall \$0.8 million decrease in outstanding long-term debt.

The following chart provides information on the City's outstanding long-term debt with comparative balances between the current and last fiscal year.

**Denominated Long-Term Debt Outstanding
(in millions)**

	Governmental activities		Business-type activities		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
General obligation bonds	\$ 14.5	31.0	\$ -	\$ -	\$ 14.5	\$ 31.0
Revenue bonds	-	-	68.1	70.0	68.1	70.0
Notes payable	21.7	7.3	1.7	1.9	23.4	9.2
State Revolving Loans	-	-	<u>5.1</u>	<u>1.8</u>	<u>5.1</u>	<u>1.7</u>
Total	<u>\$ 36.2</u>	<u>\$ 38.3</u>	<u>\$ 74.9</u>	<u>\$ 73.7</u>	<u>\$ 111.1</u>	<u>\$ 111.9</u>

Additional information on the City's long term debt can be found in Note 9, starting on page 49 of this report.

Economic Factors and Next Year's Budgets and Rates

The national and local economies continue to be weak as they have over the last few years. The City of North Miami Beach was not immune from its effect as the property tax base declined, primarily due to an ever increasing number of foreclosures. High unemployment rates continue to have a sagging effect on the economy as well.

Along with the economic pressures, recent property tax reform legislature has limited the City's available property tax revenue. Yet, the City's operational expenditures, such as salaries, health insurance, and pension contributions, continue to increase. During these times of economic hardship, taxpayer requests for services tend to increase as well. Like many local governments across the country, the City is working to strike the delicate balance of maintaining service levels while keeping taxes and service charges as low as possible.

While the City's property tax base (gross taxable value) has decreased from its peak of approximately \$2.7 billion in 2008 to \$1.7 billion in 2011, operating millage rates have been lowered from \$6.6905 per thousand to \$6.6036 over the same period. This combination has resulted in a loss of over \$9 million in property tax revenue over the three years.

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SEPTEMBER 30, 2011

The City is planning for negotiations with the unions. The contracts with both the police and the general employee's unions expired on September 30, 2011. In light of the ongoing economic conditions, the City will likely be seeking concessions from both sets of employees.

The City is also pursuing other cost-saving measures such as pension reform and outsourcing. All of the pension plans as well as other post-employment benefits (OPEB) are being analyzed to determine the potential costs and benefits of making various changes to the employee benefit packages. The City has also initiated cost-benefit analyses of outsourcing several of the services that it provides to the taxpayers. Solid waste services are the first and perhaps largest division to undergo the in-depth analysis. However, the City continues to investigate other services that are amenable to outsourcing that could provide overall savings while maintaining the level of service that the City currently provides.

During the next two fiscal years, the City has the opportunity to call several of its debt issues. Should the historically low interest rates persist, the City will have the ability to dramatically reduce its debt service costs potentially for the next 20 years. In fact, just after year end, the City was able to refinance the final balloon payment on its Series 2000A bond at an interest rate of 2.18%. The City issued a \$1,672,000 promissory note, Series 2011A to Branch Banking and Trust Company (BB&T) to provide for the final principal payment due on the loan from the Florida Local Government Finance Commission in the original principal amount of \$1,880,000. The effect of the transaction was essentially to extend the maturity of the debt.

Other opportunities on the horizon include the refunding of the Series 2002A bonds that will yield a net present savings to the City of approximately \$1.4 million, or about \$136,000 per year for the next 12 years. The refunding of the Series 2002B bonds scheduled for next summer should yield a net present savings to the City of between \$9.5 million and \$10.5 million over the next twenty years. The last two bonds, the Series 2003B and the Series 2005C have call dates of December 2013 and April 2015 respectively. Potential savings are lower on these issues; nevertheless, the City will evaluate the merits of refinancing these issues prior to the call dates.

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 2011 budget, no adjustment was made to the rates charged for water and sewer consumption. The expansion of the Norwood Water Treatment Facility has afforded the City the opportunity to expand its service area. The pursuit of additional customers is an ongoing strategy that the utility employs to achieve its goal of full-capacity production. The utility has not had a rate study since 2007, but an update is expected as a condition of planned debt refinancing.

Again, as preparation begins on next year's budget, the focus will remain on revenue enhancements and expenditure containment. The housing market and the economy in general have begun to show intermittent signs of rebound. Tourism appears to have returned to near pre-recession levels which will serve to stabilize the City's sources of state shared revenue. Several threats to those shared revenues were thwarted during the last legislative session. In particular, changes to or elimination of business tax receipts and communication service taxes were the subjects of failed legislation, but remain areas of vulnerability for municipal governments.

**CITY OF NORTH MIAMI BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011**

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:

Janette Smith, CPA
Finance Director
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, 2011

	<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	\$ 23,236,970	\$ 7,531,684	\$ 30,768,654
Receivables	6,861,676	12,399,171	19,260,847
Inventories	226,484	647,698	874,182
Prepaid costs	752,873	-	752,873
Deferred charges	-	1,050,605	1,050,605
Other assets	45,100	-	45,100
Net pension asset	5,309,225	-	5,309,225
Restricted assets:			
Pooled cash and investments	-	699,097	699,097
Escrow funds held by agent	-	873	873
Escrow funds held by lessor	17,279	207,893	225,172
Capital assets, not being depreciated	36,731,923	20,551,444	57,283,367
Capital assets, net of accumulated depreciation	<u>36,362,186</u>	<u>138,315,117</u>	<u>174,677,303</u>
Total assets	<u>109,543,716</u>	<u>181,403,582</u>	<u>290,947,298</u>
<u>LIABILITIES</u>			
Vouchers payable and accrued liabilities	3,836,456	5,873,692	9,710,148
Due to other governmental units	-	765,747	765,747
Customer deposits	-	3,812,881	3,812,881
Unearned revenue	1,201,624	-	1,201,624
Deposits held in trust	366,878	-	366,878
Noncurrent liabilities:			
Due within one year	3,350,117	3,973,415	7,323,532
Due in more than one year	40,078,964	72,894,145	112,973,109
Net pension obligation	<u>96,717</u>	<u>-</u>	<u>96,717</u>
Total liabilities	<u>48,930,756</u>	<u>87,319,880</u>	<u>136,250,636</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	36,278,080	82,976,872	119,254,952
Restricted for:			
Grant related	487,396	-	487,396
Debt service	221,486	-	221,486
Community Redevelopment	5,633,272	-	5,633,272
Interlocal agreements	1,126,663	-	1,126,663
Public safety	6,953,112	-	6,953,112
Inplant	-	699,097	699,097
Capital equipment	-	207,893	207,893
Unrestricted net assets	<u>9,912,951</u>	<u>10,199,840</u>	<u>20,112,791</u>
Total net assets	<u>\$ 60,612,960</u>	<u>\$ 94,083,702</u>	<u>\$ 154,696,662</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		<u>Total</u>
		<u>Governmental Activities</u>	<u>Business- type Activities</u>				
Primary government:							
Governmental activities:							
General government	\$ 15,278,609	\$ 3,096,717	\$ 620	\$ -	\$ (12,181,272)	\$ -	\$ (12,181,272)
Public safety	25,069,576	5,095,243	675,717	39	(19,298,577)	-	(19,298,577)
Leisure services	4,950,092	821,079	351,098	8	(3,777,907)	-	(3,777,907)
Public services	10,630,825	8,956,260	-	2,013,299	338,734	-	338,734
Interest on long-term debt	1,734,989	-	-	-	(1,734,989)	-	(1,734,989)
Total governmental activities	57,664,091	17,969,299	1,027,435	2,013,346	(36,654,011)	-	(36,654,011)
Business-type activities:							
Water	23,366,445	33,790,362	1,565,467	352,365	-	12,341,749	12,341,749
Sewer	4,486,823	7,701,395	768,525	129,329	-	4,112,426	4,112,426
Stormwater	864,408	1,268,169	-	-	-	403,761	403,761
Building Permits	1,436,974	1,203,496	-	-	-	(233,478)	(233,478)
Total business-type activities	30,154,650	43,963,422	2,333,992	481,694	-	16,624,458	16,624,458
Total	\$ 87,818,741	\$ 61,932,721	\$ 3,361,427	\$ 2,495,040	(36,654,011)	16,624,458	(20,029,553)
General revenues:							
Property taxes					12,552,081	-	12,552,081
Utility taxes					2,750,727	-	2,750,727
Franchise fees on gross receipts					2,019,052	-	2,019,052
Communication service tax					2,314,615	-	2,314,615
Sales taxes					2,475,430	-	2,475,430
State revenue sharing and other unrestricted intergovernmental					5,670,522	-	5,670,522
Unrestricted interest earnings					130,854	45,551	176,405
Miscellaneous					283,798	6,260,777	6,544,575
Transfers					13,768,671	(13,768,671)	-
Total general revenues and transfers					41,965,750	(7,462,343)	34,503,407
Change in net assets					5,311,739	9,162,115	14,473,854
Net assets - beginning					55,301,221	84,921,587	140,222,808
Net assets - ending					\$ 60,612,960	\$ 94,083,702	\$ 154,696,662

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

BALANCE SHEET GOVERNMENTAL FUNDS

SEPTEMBER 30, 2011

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Pooled cash and investments	\$ 7,726,217	\$ 15,510,753	\$ 23,236,970
Accounts receivables	5,408,417	1,453,259	6,861,676
Due from other funds	2,487,629	61,899	2,549,528
Inventories	226,484	-	226,484
Prepaid costs	795	752,078	752,873
Escrow funds held by agent	-	-	-
Escrow funds held by lessor	17,279	-	17,279
Other assets	45,100	-	45,100
Total assets	<u>\$ 15,911,921</u>	<u>\$ 17,777,989</u>	<u>\$ 33,689,910</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Vouchers payable and accrued liabilities	2,388,865	907,500	3,296,365
Deposits held in trust	366,878	-	366,878
Due to other funds	-	2,549,528	2,549,528
Deferred revenue	783,396	418,228	1,201,624
Total liabilities	<u>3,539,139</u>	<u>3,875,256</u>	<u>7,414,395</u>
Fund balances:			
Nonspendable:			
Inventories	226,484	-	226,484
Prepaid costs	795	752,078	752,873
Restricted			
Grant related	-	487,396	487,396
Debt service	-	221,486	221,486
Community Redevelopment	-	5,633,272	5,633,272
Interlocal agreements	-	1,126,663	1,126,663
Public safety	-	6,953,112	6,953,112
Committed			
Impact fees	35,093	-	35,093
Alley restoration	-	258,871	258,871
Assigned			
Encumbrances	643,567	-	643,567
Liability claims	1,249,412	-	1,249,412
Workers' compensation claims	1,263,113	-	1,263,113
Land acquisition	115,996	-	115,996
Unassigned			
Grant related	-	(689,088)	(689,088)
Debt service	-	(841,057)	(841,057)
General fund	<u>8,838,322</u>	<u>-</u>	<u>8,838,322</u>
Total fund balances	<u>12,372,782</u>	<u>13,902,733</u>	<u>26,275,515</u>
Total liabilities and fund balances	<u>\$ 15,911,921</u>	<u>\$ 17,777,989</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.	73,094,109
Net pension asset	5,309,225
Net pension obligation	(96,717)
Accrued interest on long term debt	(540,091)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(43,429,081)
Net assets of governmental activities	<u>\$ 60,612,960</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, 2011

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Property taxes	10,541,833	\$ 2,010,248	\$ 12,552,081
Franchise fees	2,019,052	-	2,019,052
Utility taxes	2,750,727	-	2,750,727
Communication service tax	2,314,615	-	2,314,615
Other taxes	627,846	-	627,846
Licenses and permits	885,089	-	885,089
Intergovernmental	4,091,189	3,426,917	7,518,106
Charges for services	12,210,437	-	12,210,437
Fines and forfeitures	587,278	4,286,495	4,873,773
Grants	-	3,040,733	3,040,733
Other	151,919	131,927	283,846
Interest	61,126	69,728	130,854
Total revenues	<u>36,241,111</u>	<u>12,966,048</u>	<u>49,207,159</u>
Expenditures:			
Current:			
General government	12,306,968	808,507	13,115,475
Public safety	20,987,701	3,513,449	24,501,150
Leisure services	4,604,382	340,492	4,944,874
Public services	10,190,129	24,318	10,214,447
Capital outlay	1,498,679	4,397,987	5,896,666
Debt service:			
Principal	510,880	1,882,265	2,393,145
Interest and other fiscal charges	46,174	1,784,102	1,830,276
Total expenditures	<u>50,144,913</u>	<u>12,751,120</u>	<u>62,896,033</u>
Deficiency of revenues over expenditures	<u>(13,903,802)</u>	<u>214,928</u>	<u>(13,688,874)</u>
Other financing sources (uses):			
Proceeds from credit facilities	-	14,835,000	14,835,000
Payments to escrow agent on debt refunding	-	(14,835,000)	(14,835,000)
Transfers in	14,152,052	1,598,097	15,750,149
Transfers out	(583,950)	(1,397,528)	(1,981,478)
Total other financing sources (uses)	<u>13,568,102</u>	<u>200,569</u>	<u>13,768,671</u>
Net change in fund balances	(335,700)	415,497	79,797
Fund balances, beginning	12,708,482	13,487,236	26,195,718
Fund balances, ending	<u>\$ 12,372,782</u>	<u>\$ 13,902,733</u>	<u>\$ 26,275,515</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, 2011

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)	\$	79,797
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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	\$ 6,399,705	
Depreciation expense	<u>(4,210,443)</u>	
Net adjustment		2,189,262

The issuance of long-term debt (e.g., bonds, master leases) provides

current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

The details of the difference are as follows:

Debt issued:		
Proceeds from credit facilities	<u>(14,835,000)</u>	
Principal payments:		
General obligation and capital improvement bonds	16,522,820	
Notes payable	444,445	
Master leases	<u>510,880</u>	
	<u>17,478,145</u>	
Net adjustment		2,643,145

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:

Decrease in compensated absences		180,740
Decrease in accrued interest		95,287
Decrease in estimated claims		95,000
Increase in net pension assets		51,225
Increase in net pension obligations		(96,717)
Net pension obligation (OPEB)		<u>74,000</u>
Change in net assets of governmental activities (Page 21)	\$	<u><u>5,311,739</u></u>

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

SEPTEMBER 30, 2011

Business-type Activities -
Enterprise Funds

	Major Funds				Totals
	Water Utility System	Sewer Utility System	Stormwater Utility System	Building Permits	
<u>ASSETS</u>					
Current assets:					
Pooled cash and investments	\$ 3,656,032	\$ 3,069,315	\$ 136,876	\$ 669,461	\$ 7,531,684
Accounts receivable, net	8,189,268	2,993,149	340,106	499	11,523,022
Inventories	647,698	-	-	-	647,698
Restricted assets:					
Pooled cash and investments - inplant	294,476	404,621	-	-	699,097
Escrow funds held by agent	873	-	-	-	873
Escrow funds held by lessor	-	205,944	1,949	-	207,893
Total current assets	<u>12,788,347</u>	<u>6,673,029</u>	<u>478,931</u>	<u>669,960</u>	<u>20,610,267</u>
Non-current assets:					
Loans receivable	-	876,149	-	-	876,149
Deferred charges - unamortized issuance costs	1,050,605	-	-	-	1,050,605
Capital assets, net of accumulated depreciation	<u>133,855,394</u>	<u>20,487,474</u>	<u>4,516,425</u>	<u>7,268</u>	<u>158,866,561</u>
Total non-current assets	<u>134,905,999</u>	<u>21,363,623</u>	<u>4,516,425</u>	<u>7,268</u>	<u>160,793,315</u>
Total assets	<u>147,694,346</u>	<u>28,036,652</u>	<u>4,995,356</u>	<u>677,228</u>	<u>181,403,582</u>
<u>LIABILITIES AND NET ASSETS</u>					
Current liabilities:					
Vouchers payable and accrued liabilities	\$ 4,374,729	\$ 954,915	\$ 8,140	\$ 533,086	\$ 5,870,870
Due to other governmental units	765,747	-	-	-	765,747
Customer deposits	3,430,006	382,875	-	-	3,812,881
Current portion of compensated absences	36,508	7,828	974	763	46,073
Current portion of revenue bonds payable	1,921,761	-	-	-	1,921,761
Current portion of notes payable	17,862	59,929	1,672,000	-	1,749,791
Current portion of master lease payable	24,704	155,080	76,006	-	255,790
Current liabilities payable from restricted assets:					
Vouchers payable and accrued liabilities - bonds	873	-	1,949	-	2,822
Total current liabilities	<u>10,572,190</u>	<u>1,560,627</u>	<u>1,759,069</u>	<u>533,849</u>	<u>14,425,735</u>
Non-current liabilities:					
Compensated absences	816,408	48,883	26,045	40,462	931,798
Notes payable	3,514,831	1,548,147	-	-	5,062,978
Master lease payable	16,396	232,038	86,737	-	335,171
Revenue bonds payable	66,211,174	-	-	-	66,211,174
Unamortized bond premium	353,024	-	-	-	353,024
Total non-current liabilities	<u>70,911,833</u>	<u>1,829,068</u>	<u>112,782</u>	<u>40,462</u>	<u>72,894,145</u>
Total liabilities	<u>81,484,023</u>	<u>3,389,695</u>	<u>1,871,851</u>	<u>574,311</u>	<u>87,319,880</u>
Net assets:					
Invested in capital assets, net of related debt	61,795,642	18,492,280	2,681,682	7,268	82,976,872
Restricted for inplant	294,476	404,621	-	-	699,097
Restricted for capital equipment	-	205,944	1,949	-	207,893
Unrestricted net assets	<u>4,120,205</u>	<u>5,544,112</u>	<u>439,874</u>	<u>95,649</u>	<u>10,199,840</u>
Total net assets	<u>\$ 66,210,323</u>	<u>\$ 24,646,957</u>	<u>\$ 3,123,505</u>	<u>\$ 102,917</u>	<u>\$ 94,083,702</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, 2011

Business-type Activities -
Enterprise Funds

	Major Funds				Totals
	Water Utility System	Sewer Utility System	Stormwater Utility System	Building Permit	
Operating revenues:					
Service revenues	\$ 33,790,362	\$ 7,701,395	\$ 1,268,169	\$ 1,203,496	\$ 43,963,422
Operating expenses:					
Operating, administrative and maintenance	14,885,191	3,597,173	607,976	1,435,662	20,526,002
Depreciation	4,940,663	850,300	227,124	1,312	6,019,399
Total operating expenses	<u>19,825,854</u>	<u>4,447,473</u>	<u>835,100</u>	<u>1,436,974</u>	<u>26,545,401</u>
Operating income	<u>13,964,508</u>	<u>3,253,922</u>	<u>433,069</u>	<u>(233,478)</u>	<u>17,418,021</u>
Non-operating revenue (expense):					
Intergovernmental	1,565,467	768,525	-	-	2,333,992
Interest income	34,042	11,477	32	-	45,551
Interest expense	(3,540,591)	(39,350)	(29,308)	-	(3,609,249)
Other income	2,758,073	3,355,932	23,750	123,022	6,260,777
Total non-operating revenue (expense)	<u>816,991</u>	<u>4,096,584</u>	<u>(5,526)</u>	<u>123,022</u>	<u>5,031,071</u>
Income before contributions and transfers	<u>14,781,499</u>	<u>7,350,506</u>	<u>427,543</u>	<u>(110,456)</u>	<u>22,449,092</u>
Capital contributions	12,319	-	-	-	12,319
Impact fees	340,046	129,329	-	-	469,375
Transfers out	(9,830,807)	(3,519,889)	(405,078)	(12,897)	(13,768,671)
	<u>(9,478,442)</u>	<u>(3,390,560)</u>	<u>(405,078)</u>	<u>(12,897)</u>	<u>(13,286,977)</u>
Change in net assets	<u>5,303,057</u>	<u>3,959,946</u>	<u>22,465</u>	<u>(123,353)</u>	<u>9,162,115</u>
Net assets, beginning	<u>60,907,266</u>	<u>20,687,011</u>	<u>3,101,040</u>	<u>226,270</u>	<u>84,921,587</u>
Net assets, ending	<u>\$ 66,210,323</u>	<u>\$ 24,646,957</u>	<u>\$ 3,123,505</u>	<u>\$ 102,917</u>	<u>\$ 94,083,702</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2011

	Business-type Activities - <u>Enterprise Funds</u>				
	<u>Major Funds</u>				
	Water Utility System	Sewer Utility System	Stormwater Utility System	Building Permit	Totals
Cash flows from operating activities:					
Cash received from customers	\$ 35,689,212	\$ 10,296,489	\$ 1,296,006	\$ 1,329,211	\$ 48,610,918
Cash payments to suppliers	(10,919,784)	(3,460,210)	(130,670)	(227,983)	(14,738,647)
Cash payments to employees	(7,632,794)	(836,478)	(492,544)	(1,283,991)	(10,245,807)
Net cash provided by operating activities	<u>17,136,634</u>	<u>5,999,801</u>	<u>672,792</u>	<u>(182,763)</u>	<u>23,626,464</u>
Cash flows from noncapital financing activities:					
Transfers to other funds	<u>(9,830,807)</u>	<u>(3,519,889)</u>	<u>(405,078)</u>	<u>(12,897)</u>	<u>(13,768,671)</u>
Cash flows from capital and related financing activities:					
Capital contributions	12,319	-	-	-	12,319
Impact fees	340,046	129,329	-	-	469,375
Intergovernmental revenue	1,565,467	768,525	-	-	2,333,992
Acquisition and construction of capital assets	-	(717,853)	(152,127)	(2,801)	(872,781)
Interest paid	(3,540,591)	(39,350)	(29,308)	-	(3,609,249)
Deferred charges - issuance costs	50,230	-	-	-	50,230
Payments on master lease payable	(19,302)	(183,308)	(68,492)	-	(271,102)
Payments on bonds payable	(1,852,180)	-	-	-	(1,852,180)
Payments on notes payable	-	(33,217)	(214,000)	-	(247,217)
Net cash used in capital and related financing activities	<u>(3,444,011)</u>	<u>(75,874)</u>	<u>(463,927)</u>	<u>(2,801)</u>	<u>(3,986,613)</u>
Cash flows from investing activities:					
Interest income	<u>34,042</u>	<u>11,477</u>	<u>32</u>	<u>-</u>	<u>45,551</u>
Net (decrease) increase in pooled cash and investments	3,895,858	2,415,515	(196,181)	(198,461)	5,916,731
Pooled cash and investments, beginning	<u>55,523</u>	<u>1,264,365</u>	<u>335,006</u>	<u>867,922</u>	<u>2,522,816</u>
Pooled cash and investments, ending	<u>\$ 3,951,381</u>	<u>\$ 3,679,880</u>	<u>\$ 138,825</u>	<u>\$ 669,461</u>	<u>\$ 8,439,547</u>
Pooled cash and investments per statement of net assets:					
Unrestricted	\$ 3,656,032	\$ 3,069,315	\$ 136,876	\$ 669,461	\$ 7,531,684
Restricted	<u>295,349</u>	<u>610,565</u>	<u>1,949</u>	<u>-</u>	<u>907,863</u>
	<u>\$ 3,951,381</u>	<u>\$ 3,679,880</u>	<u>\$ 138,825</u>	<u>\$ 669,461</u>	<u>\$ 8,439,547</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, 2011

Business-type Activities -
Enterprise Funds

	Major Funds				<u>Totals</u>
	<u>Water Utility System</u>	<u>Sewer Utility System</u>	<u>Stormwater Utility System</u>	<u>Building Permit</u>	
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ 13,964,508	\$ 3,253,922	\$ 433,069	\$ (233,478)	\$ 17,418,021
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	4,940,663	850,300	227,124	1,312	6,019,399
Disposal of capital assets	893,419	-	-	-	893,419
Other income	2,758,073	3,355,932	23,750	123,022	6,260,777
Other expense					
Changes in operating assets and liabilities:					
(Increase) decrease in:					
Accounts receivables	(906,378)	(772,423)	4,087	2,693	(1,672,021)
Inventories	(41,583)	-	-	-	(41,583)
Prepaid costs	-	(699,485)	-	-	(699,485)
Increase (decrease) in:					
Customer deposits	47,155	11,585	-	-	58,740
Vouchers payable and accrued liabilities	276,540	631,853	(15,238)	(76,312)	816,843
Due to other funds	(2,269,453)	-	-	-	(2,269,453)
Due to other governmental units	<u>(2,526,310)</u>	<u>(631,883)</u>	<u>-</u>	<u>-</u>	<u>(3,158,193)</u>
Total adjustments	<u>3,172,126</u>	<u>2,745,879</u>	<u>239,723</u>	<u>50,715</u>	<u>6,208,443</u>
Net cash provided by operating activities	<u>\$ 17,136,634</u>	<u>\$ 5,999,801</u>	<u>\$ 672,792</u>	<u>\$ (182,763)</u>	<u>\$ 23,626,464</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

SEPTEMBER 30, 2011

	<u>Trust Funds</u>	<u>Police Holding Account Agency Fund</u>
<u>ASSETS</u>		
Cash	\$ -	\$ 1,306,749
Cash held with trustee	11,083	-
Investments:		
Mutual funds	16,455,751	-
U.S. Government securities	22,054,494	-
Corporate bonds	25,723,200	-
Common stocks	67,417,066	-
Accrued interest and dividends	678,940	-
Other receivables	170,510	-
Total assets	<u>132,511,044</u>	<u>1,306,749</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Vouchers payable and accrued liabilities	373,090	-
Deposits held in trust	<u>-</u>	<u>1,306,749</u>
Total liabilities	<u>373,090</u>	<u>1,306,749</u>
 Net assets held in trust for pension benefits	 <u>\$ 132,137,954</u>	 <u>\$ -</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2011

	<u>Trust Funds</u>
ADDITIONS	
Contributions:	
Employees	\$ 2,180,493
Employer	10,125,500
State/County	<u>614,927</u>
Total contributions	<u>12,920,920</u>
Investment income:	
Net appreciation in fair value of investments	(2,960,970)
Interest and dividends	4,030,841
Other income	32,340
Investment expenses	<u>(680,492)</u>
Net investment gain	<u>421,719</u>
Total additions	<u>13,342,639</u>
DEDUCTIONS	
Pension benefits	9,904,314
Refunds of contributions	536,486
Administrative expenses	<u>397,237</u>
Total deductions	<u>10,838,037</u>
Net increase	2,504,602
Net assets held in trust for pension benefits:	
Beginning	<u>129,633,352</u>
Ending	<u>\$ 132,137,954</u>

See notes to basic financial statements.



NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2011

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CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2011

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 services provided to its residents, the City operates water, sewer, solid waste and stormwater utilities and maintains various trust and agency funds in a fiduciary capacity. The City does not provide educational, fire or hospital facilities. Those services are provided by the Miami-Dade County School Board and Miami-Dade County, respectively.

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

Financial Reporting Entity

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

Component units are included in the reporting entity as blended or as discretely presented. Although legally separate entities, blended component units are, in substance, part of the City's operations. Accordingly, data from these component units are combined with data of the primary government. Based upon the application of the criteria described above, the financial activity of the North Miami Beach Community Redevelopment Agency (CRA) has been included in the City's financial reporting entity. 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 fiscal 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
FISCAL YEAR ENDED SEPTEMBER 30, 2011

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

Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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.

CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2011

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

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

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

The City reports the following major governmental fund:

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

The City reports the following major proprietary funds:

The *Water Utility System Fund* accounts for the activities of providing water treatment and distribution service to the utility's customers.

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 within the City.

The *Building Permit Fund* accounts for activities as they relate to the issuance of building permits to residences and businesses within the City.

Additionally, the City reports the following fund types:

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

The *OPEB Trust Fund* accounts for the activities related to the City's commitment to provide benefits other than pensions to certain employees after separation from the City.

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

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

CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2011

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's various utility functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

Assets, Liabilities and Net Assets or Equity

1. Pooled Cash and Investments

Resources of all funds, with the exception of the pension and OPEB 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. Pooled cash and investments include cash on hand and investments with the State Board of Administration Investment Pool and the Florida Municipal Investment Trust. Cash and cash equivalents include pooled cash and investments and are defined as short-term, highly liquid investments with original maturities of three months or less. All investments of the City, except the Florida PRIME and State Board of Administration (SBA) Fund B Surplus Funds Trust Fund (Fund B), are recorded at fair value, which is based on quoted market prices. The Florida PRIME is recorded at the value of the pool shares (2A-7 Pool), which is fair value. SBA Fund B is a fluctuating net asset value (NAV) pool and is reported based on the fair value factor.

2. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds". 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
FISCAL YEAR ENDED SEPTEMBER 30, 2011

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

3. Inventories and Prepaid Items

Inventories are stated at average cost on a specific identification basis and are recorded as an asset when purchased and as an expense when consumed (consumption method).

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

4. Capital Assets

Capital assets, including property, plant and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks) 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 for tangible capital assets, \$30,000 for software, and \$75,000 for easements, and an estimated useful life in excess of one year. Outlays for capital assets and improvements, including design, engineering, installation and similar costs 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. Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

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

5. Restricted Assets

Restricted assets include resources subject to externally imposed restrictions such as creditors, grantors, laws and regulations. Restricted assets are also set aside to make debt service payments. 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 accounts and their use is limited by applicable bond covenants. Escrow funds held by agent are used to report the proceeds of revenue bond issuances that are restricted for use in construction.

CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2011

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

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

5. Restricted Assets (cont'd)

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

6. Unearned Revenues

Unearned revenue is recorded for governmental fund receivables that are not both measurable and available. In addition, inflows that do not meet the criteria for revenue recognition, such as occupational licenses collected in advance, are recorded as unearned revenue in government-wide and the fund financial statements.

7. 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 fund in which the employee's payroll expense has been recorded is used to liquidate such amounts. Typically the general fund and the Community Redevelopment Agency are the governmental funds used for liquidation of the liability.

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

CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2011

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

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

9. 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 approximate fair market value. The County bills and collects all property taxes for the City. Due to the immaterial amount of any additional property taxes receivable after the 60 day period, no additional accrual is made in the government-wide financial statements, or in the fund financial statements.

Under Florida law, the assessment of all properties and the collection of all county, municipal, school district and special district property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The City is permitted by Article 7, Section 8 of the Florida Constitution to levy taxes up to \$10 (10 mills) per \$1,000 of assessed valuation for general governmental services (other than the payment of principal and interest on general obligation long-term debt). In addition, unlimited amounts may be levied for the payment of principal and interest on general obligation long-term debt, subject to a limitation on the amount of debt outstanding. The Florida Legislature passed House Bill 1B on Thursday, June 14, 2007. This legislation includes substantial requirements affecting our millage and budget adoption process over which the Department of Revenue has been given oversight responsibilities. The millage rate to finance general governmental services for the year ended September 30, 2011, was 6.6036 mills per \$1,000 of assessed valuation; the millage rate for bonded debt service was 1.2060 mills.

10. Use of Estimates

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

CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2011

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

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

11. Fund Equity

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

The initial distinction that is made in reporting fund balance information is identifying amounts that are considered non-spendable, such as fund balance associated with inventories. This Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. The requirements of this Statement are effective for periods beginning after June 15, 2010. Consequently, the City is implementing GASB Statement No. 54 “*Fund Balance Reporting and Governmental Fund Type Definitions*” for the fiscal year ended September 30, 2011. The City reports the following fund classifications:

Nonspendable fund balance. Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form—such as inventory or prepaid amounts or (b) legally or contractually required to be maintained intact—such as a trust that must be retained in perpetuity.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the City Council—the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance. This classification reflects the amounts constrained by the City’s “intent” to be used for specific purposes, but are neither restricted nor committed. The City Council and City Manager have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2011

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

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

11. Fund Equity (cont'd)

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

Note 2 - Stewardship, Compliance and Accountability

Fund Deficit

At September 30, 2011, the City reported negative unassigned fund balances in various non-major governmental funds. These deficiencies are anticipated to be eliminated during the next fiscal year.

Note 3 - Deposits and Investments

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

In accordance with GASB Statement No. 40, the following disclosures are made regarding the City's deposit and investment balances as of September 30, 2011:

Deposits

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

CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2011

Note 3 - Deposits and Investments (cont'd)

Investments

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

The SBA administers the Florida PRIME Fund, formerly known as the Local Government Surplus Funds Trust Fund (LGIP), and the Fund B Surplus Funds Trust Fund (Fund B), both of which are governed by Chapter 19-7 of the Florida Administrative Code and Chapters 218 and 215 of the Florida Statutes. These rules provide guidance and establish the policies and general operating procedures for the administration of the Florida PRIME and Fund B. The Florida PRIME is not a registrant with the Securities and Exchange Commission (SEC); however, the Board has adopted operating procedures consistent with the requirements for a 2a-7 fund, which permits money market funds to use amortized cost to maintain a constant NAV of \$1 per share. The fair value of the position in the Florida PRIME is equal to the value of the pool shares. The Fund B does not meet the requirements of an SEC 2a-7-like fund and therefore is accounted for as a fluctuating NAV pool. As of September 30, 2011, the fair value factor for Fund B was \$0.7568386 per share. The Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to the Florida PRIME, consistent with the pro rata allocation of pool shareholders of record at the creation of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within the Florida PRIME. The investments in the Florida PRIME and Fund B are not insured by FDIC or any other governmental agency.

The Florida Municipal Investment Trust (FMIVT) is an authorized investment under Section 218.415(15), Florida Statutes, for units of local government in Florida. It was created to offer diversified and professionally managed portfolios for the investment of the assets of participating municipalities. The 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 Board of Trustees is designated as having oversight authority and official custody of the funds, which are invested by the purchase of shares of beneficial interest in the Trust. The City's investment is the FMIVT portfolio, not the individual securities held within each portfolio. The fair value of the City's position in the FMIVT is equal to the value of the portfolio shares.

The investment policy of each pension plan has been adopted by its respective Board of Trustees. The policies have been designed to maximize their Plan's asset value while assuming a risk that is consistent with the respective Board's risk tolerance. As is prudent, the Boards have adopted individual policies to diversify investment risk among several institutionally acceptable asset classes including bonds, debentures and other corporate obligations, equity securities and domestic real estate.

CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2011

Note 3 - Deposits and Investments (cont'd)

Deposits and Investment Risk Disclosures

Credit Risk

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. A credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to meet its obligations. GASB Statement No. 40 requires disclosure of credit quality ratings for investments in debt securities as well as investments in external investment pools, money market funds, and other pooled investments of fixed income securities.

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

It is the City's intention to limit its investment in these investment types to the top rating issued by NRSROs. Excess funds are sent to the Florida State Board of Administration (SBA) for investment. The SBA does not have a rating from a NRSRO. As of September 30, 2011 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, 2011, Standard & Poor's rated the portfolio's investment, AAf/S1.

FMIvT investment guidelines require that each fund will seek to maintain a bond funds credit rating from a nationally recognized statistical rating organization of AAA. Investments may be aggregated by rating categories within the disclosure. Ratings are set by nationally recognized rating organizations (Fitch, Moody's, and S&P). The City only invested in the FMIvT 1-3 Year High Quality Bond Fund. At September 30, 2011, Fitch rated the portfolio's investment AAA/V2.

The Pension Trust Plan's investment policy utilizes portfolio diversification in order to control this risk. The Plans are 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.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2011**

Note 3 - Deposits and Investments (cont'd)

Deposits and Investment Risk Disclosures (cont'd)

Credit Risk (cont'd)

<u>Investment Type</u>	<u>Credit Quality Rating</u>	<u>Fair Value</u>
Governmental and business-type		
SBA	Not rated	\$ 3,970,685
FMIvT 1-3 Year High Quality Bond Fund	AAA/V2	16,940,357
Deposits - pooled cash	Not rated	<u>10,782,754</u>
Total governmental and business-type investments		<u><u>\$ 31,693,796</u></u>
General Employees Pension Plan		
Equity	Not rated	\$ 31,828,073
Mutual funds	Not rated	1,332,762
US Treasuries	AAA	213,700
US Agencies	Not rated	9,837,594
Corporate Bonds	A1	1,054,544
Corporate Bonds	A2	1,947,860
Corporate Bonds	A3	4,415,350
Corporate Bonds	Aa2	1,024,332
Corporate Bonds	Aa3	2,114,084
Corporate Bonds	Baa1	<u>1,747,228</u>
Total General Employees Pension Plan investments		<u><u>\$ 55,515,527</u></u>
Police Officers' and Firefighters' Pension Plan		
Equity	Not rated	\$ 35,588,993
Mutual funds	Not rated	2,770,329
US Treasuries	AAA	254,405
US Agencies	Not rated	11,748,795
Corporate Bonds	A1	1,171,716
Corporate Bonds	A2	1,930,123
Corporate Bonds	A3	5,612,938
Corporate Bonds	Aa2	1,215,691
Corporate Bonds	Aa3	2,287,906
Corporate Bonds	BA1	<u>1,201,428</u>
Total Police Officers' and Firefighters' Pension Plan investments		<u><u>\$ 63,782,324</u></u>
Management Employees Pension Plan		
FMIvT Broad Market High Quality Bond Fund	AA/V4	<u><u>\$ 11,860,967</u></u>

CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2011

Note 3 - Deposits and Investments (cont'd)

Deposits and Investment Risk Disclosures (cont'd)

Custodial Credit Risk

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

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

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

Concentration Credit Risk

GASB Statement No. 40 requires disclosure of the concentration of credit risk when 5% or more of the total assets of the portfolio are invested with a single issuer. Investments issued or explicitly guaranteed by the US government and investments in mutual funds or pools are excluded from the concentration of credit risk disclosures requirements.

The City does not have a formal concentration of credit risk policy. Both the SBA and 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 representing 5% or more of any Plan's net assets that require disclosure at September 30, 2011.

Interest Rate Risk

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

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2011**

Note 3 - Deposits and Investments (cont'd)

Deposits and Investment Risk Disclosures (cont'd)

Interest Rate Risk (cont'd)

The City does not have a formal policy regarding the interest rate risk. It is the City's intention to make investments to provide sufficient liquidity to pay obligations as they become due. For City funds, SBA meets the 2a-7 pool requirements; thus, no interest rate disclosures are necessary. The City's investment in the FMIvT 1-3 Year High Quality Bond Fund reports a duration of 1.57 and a WAM of 1.64.

At September 30, 2011, the General Employees Pension Plan has approximately 40% of its portfolio invested in securities that are at risk due to the portfolio's exposure to fair value losses arising from increasing interest rates. The fund's investments in government securities and corporate bonds had the following distribution of maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More than 10</u>
Corporate bonds	\$ 12,303,398	\$ -	\$ -	\$ 11,704,607	\$ 598,791
US Agencies	9,837,594	-	-	282,808	9,554,786
US Treasuries	213,700	213,700	-	-	-
Total	<u>\$ 22,354,692</u>	<u>\$ 213,700</u>	<u>\$ -</u>	<u>\$ 11,987,415</u>	<u>\$ 10,153,577</u>

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 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 investments by maturity at September 30, 2011.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More than 10</u>
Corporate bonds	\$ 13,419,802	\$ -	\$ -	\$ 12,587,999	\$ 831,803
US Agencies	11,748,795	-	-	2,212,292	9,536,503
US Treasuries	254,405	254,405	-	-	-
Total	<u>\$ 25,423,002</u>	<u>\$ 254,405</u>	<u>\$ -</u>	<u>\$ 14,800,291</u>	<u>\$ 10,368,306</u>

The General Management Employees Pension Plan's investments are all mutual funds which do not meet the definition of a 2a-7 like pool. The plan uses the weighted average maturity method (WAM) for the FMIvT Broad Market High Quality Bond which results in a duration of 5.11 and a weighted average method (WAM) of 6.74.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2011**

Note 3 - Deposits and Investments (cont'd)

Deposits and Investment Risk Disclosures (cont'd)

Foreign Currency Risk

Foreign currency risk is the risk that fluctuations in currency exchange rates may affect transactions conducted in currencies other than U.S. dollars and the carrying value of foreign investments. The City does not invest in securities denominated in foreign currencies. The fair value of investments of the Retirement Plan for General Employees subject to foreign currency risk at September 30, 2011 is \$4,925,887, approximately 9% of total plan investments. The fair value of investments of the Retirement Plan for Police Officers and Firefighters subject to foreign currency risk at September 30, 2011 is \$5,108,900, approximately 8% of total plan investments. The investment policy of both plans limits foreign investments to 15% of the portfolio.

Note 4 - Receivables

Accounts receivable at September 30, 2011 for the City's individual major funds and non-major in the aggregate, are as follows:

	<u>General</u>	<u>Water</u>	<u>Sewer</u>	<u>Stormwater</u>	<u>Building Permits</u>	<u>Non-major</u>	<u>Total</u>
Accounts Receivable							
Billed	\$1,348,891	\$ 5,721,991	\$ 1,353,221	\$ 221,159	\$ -	\$ -	\$ 8,645,262
Unbilled	1,212,797	2,430,778	813,868	118,947	-	-	4,576,390
Franchise and utility	853,654	-	-	-	-	-	853,654
Intergovernmental	690,740	10,143	563	-	499	305,425	1,007,370
Grants	-	-	-	-	-	1,083,218	1,083,218
Other	681,285	26,356	825,497	-	-	64,616	1,597,754
Property taxes	621,050	-	-	-	-	-	621,050
Total receivables	<u>\$5,408,417</u>	<u>\$ 8,189,268</u>	<u>\$ 2,993,149</u>	<u>\$ 340,106</u>	<u>\$ 499</u>	<u>\$ 1,453,259</u>	<u>\$18,384,698</u>

Accounts receivable at September 30, 2011, consisted primarily of charges for water, sewer, and sanitation fees, property taxes, grants and intergovernmental receivables mostly due from the state and county pursuant to shared revenue agreements. No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant.

The sewer utility reports a long-term loan receivable totaling \$876,149 in association with the State Revolving Loan program for the Highland Village Sewer Connection Project whereby the City has paid for sewer connections to certain properties within Highland Village and the participants will repay the cost over time.

CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2011

Note 5 - Capital Assets

Capital assets activity for the year ended September 30, 2011 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	\$ 4,295,360	\$ 5,000	\$ -	\$ 4,300,360
Construction in progress	28,130,876	4,300,687	-	32,431,563
Total capital assets not being depreciated	<u>32,426,236</u>	<u>4,305,687</u>	<u>-</u>	<u>36,731,923</u>
Capital assets being depreciated				
Buildings	28,960,764	-	-	28,960,764
Improvements other than buildings	28,971,094	341,174	(3,320)	29,308,948
Infrastructure	5,645,370	-	-	5,645,370
Capital lease equipment	6,553,542	278,955	-	6,832,497
Furniture, fixtures, machinery and equipment	<u>27,278,400</u>	<u>1,473,889</u>	<u>(440,591)</u>	<u>28,311,698</u>
Total capital assets being depreciated	97,409,170	2,094,018	(443,911)	99,059,277
Less accumulated depreciation				
Buildings	(20,924,747)	(1,238,646)	-	(22,163,393)
Improvements other than buildings	(8,338,032)	(1,276,515)	3,320	(9,611,227)
Infrastructure	(2,556,582)	(208,908)	-	(2,765,490)
Capital lease equipment	(3,116,371)	(637,335)	-	(3,753,706)
Furniture, fixtures, machinery and equipment	<u>(23,994,827)</u>	<u>(849,039)</u>	<u>440,591</u>	<u>(24,403,275)</u>
Total accumulated depreciation	<u>(58,930,559)</u>	<u>(4,210,443)</u>	<u>443,911</u>	<u>(62,697,091)</u>
Total capital assets being depreciated, net	<u>38,478,611</u>	<u>(2,116,425)</u>	<u>-</u>	<u>36,362,186</u>
Governmental activities capital assets, net	<u>\$ 70,904,847</u>	<u>\$ 2,189,262</u>	<u>\$ -</u>	<u>\$ 73,094,109</u>
<u>Business-type activities</u>				
Capital assets not being depreciated				
Land	\$ 5,872,367	\$ -	\$ -	\$ 5,872,367
Construction in progress	12,134,865	2,544,212	-	14,679,077
Total capital assets not being depreciated	<u>18,007,232</u>	<u>2,544,212</u>	<u>-</u>	<u>20,551,444</u>
Capital assets being depreciated				
Buildings and utility plant	198,994,203	17,873	-	199,012,076
Capital lease equipment	2,417,566	368,115	-	2,785,681
Machinery and equipment	<u>11,734,429</u>	<u>342,853</u>	<u>-</u>	<u>12,077,282</u>
Total capital assets being depreciated	<u>213,146,198</u>	<u>728,841</u>	<u>-</u>	<u>213,875,039</u>
Less accumulated depreciation				
Buildings and utility plant	(58,197,653)	(5,536,469)	-	(63,734,122)
Capital lease equipment	(1,367,879)	(204,517)	-	(1,572,396)
Machinery and equipment	<u>(9,974,991)</u>	<u>(278,413)</u>	<u>-</u>	<u>(10,253,404)</u>
Total accumulated depreciation	<u>(69,540,523)</u>	<u>(6,019,399)</u>	<u>-</u>	<u>(75,559,922)</u>
Total capital assets being depreciated, net	<u>143,605,675</u>	<u>(5,290,558)</u>	<u>-</u>	<u>138,315,117</u>
Business-type activities capital assets, net	<u>\$ 161,612,907</u>	<u>\$ (2,746,346)</u>	<u>\$ -</u>	<u>\$ 158,866,561</u>

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2011**

Note 5 - Capital Assets (cont'd)

Depreciation expense for the year ended September 30, 2011 was charged to the following functions of the City:

Governmental Activities:

General government	\$ 2,858,083
Public safety	661,879
Leisure services	172,165
Public services	<u>518,316</u>
Total depreciation expense - governmental activities	<u><u>\$ 4,210,443</u></u>

Business-type activities:

Water	\$ 4,940,663
Sewer	850,300
Stormwater	227,124
Building permit	<u>1,312</u>
Total depreciation expense - business-type activities	<u><u>\$ 6,019,399</u></u>

Construction Commitments

Beginning in fiscal year 2009, the City received commitments from the Florida Department of Environmental Protection State Revolving Loan Fund totaling approximately \$36.5 million toward the completion of various capital projects. These loans are considered grants from the U.S. Environmental Protection Agency passed-through the State of Florida and include \$6 million of principal forgiveness. The awards include approximately \$15.5 million for the reduction of volatile organic compounds from drinking water produced by the City's utility plant, approximately \$2.5 million for the installation of an automated meter reading system for the City's water meters, approximately \$1.6 million to facilitate sewer connections to City facilities in the Highland Village neighborhood, approximately \$0.5 million to reduce infiltration and inflow to the City's sewer system, and approximately \$10.4 million for the design and construction of a major sewer rehabilitation project.

Note 6 - Restricted Assets

The balances of the restricted asset accounts in the Enterprise Funds as of September 30, 2011 are as follows:

Water fireflow	\$ 294,476
Water escrow funds held by agent	873
Sewer escrow funds held by lessor	205,944
Sewer inplant	404,621
Stormwater escrow funds held by agent	<u>1,949</u>
Total business-type activities restricted assets	<u><u>\$ 907,863</u></u>

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2011**

Note 7 – Interfund Receivables, Payables and Transfers

Interfund Receivables

The purpose of all interfund receivables is to eliminate credit cash balances for financial statement presentation. Interfund receivables as of September 30, 2011 are as follows:

<u>Fund</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>
General Fund	\$ -	\$ 2,487,629
Other Governmental Funds		
Grants Fund	596,947	-
NMB Sports Disability Program	3,684	-
2002A Bond Debt Service Fund	2,464	-
2003B Bond Debt Service Fund	518	-
2011 Series Debt Service	838,391	-
2003B Capital Projects Fund	61,367	-
N.E. 168 th St Roadway Improvement Project	850	-
N.E. 19 th Ave Roadway Improvements	175,188	-
Sidewalk Replacement Project	4,799	-
N.E. 173 rd St Roadway Improvements	52,265	-
CDBG N.E. 172nd St Roadway Improvements	105,087	-
MDC Building Better Communities GOB Program	672,372	-
N.E. 172nd St Drainage Improvements	35,596	-
LETF US Treasury Fund	-	61,899
Total due to/from other funds	<u><u>\$ 2,549,528</u></u>	<u><u>\$ 2,549,528</u></u>

Interfund transfers

Interfund transfers into the general fund are used to allocate expenses to other operating funds and to provide supplemental funding of general fund expenditures. Allocated costs include general liability and worker's compensation insurances as well as administrative expenses. Interfund transfers into the non-major governmental funds are to provide for debt service payments and grant matching requirements as well as funding operations such as the Alley Restoration Program.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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

Interfund transfers (cont'd)

Interfund transfers made during fiscal year 2011 are as follows:

<u>Transfers out</u>	<u>Transfers In</u>		
	<u>General</u>	<u>Non-Major</u>	
	<u>Fund</u>	<u>Governmental</u>	<u>Total</u>
General fund	\$ -	\$ 583,950	\$ 583,950
Water utility	9,830,807	-	9,830,807
Sewer utility	3,519,889	-	3,519,889
Stormwater utility	155,078	250,000	405,078
Building permit	12,897	-	12,897
Non-major governmental funds	<u>633,381</u>	<u>764,147</u>	<u>1,397,528</u>
Total transfers out	<u>\$ 14,152,052</u>	<u>\$ 1,598,097</u>	<u>\$ 15,750,149</u>

Note 8 – Other Liabilities

Deferred and Unearned Revenue

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

	<u>Unavailable</u>	<u>Unearned</u>
Advance Revenues - business tax receipts	\$ -	\$ 783,396
Grant revenues not yet earned	<u>418,228</u>	<u>-</u>
Total	<u>\$ 418,228</u>	<u>\$ 783,396</u>

Short-term Debt Instruments and Liquidity

The City annually obtains a taxable line of credit to have cash funds available for unanticipated hurricane losses and for general operating expenses in the event there is a delay or lag in cash receipts. During 2011, the credit line was decreased from \$3.5 million to \$2.0 million. No funds were drawn down during the year. There is currently no balance due.

Note 9 - Long-term Debt

Bonds Payable

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

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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

Bonds Payable (cont'd)

Bond issues authorized and outstanding at September 30, 2011 are summarized as follows:

Capital Improvements Bonds:

\$1,950,000 Capital Improvement Revenue Bonds, 1997 Series serial bonds; secured by revenues pledged from municipal revenue sharing; due in annual installments of \$140,000 to \$395,000 through October 1, 2012; interest at 4.85%.	\$ 395,000
\$1,000,000 Capital Improvement Revenue Bonds, 1998 Series serial bonds; secured by revenues pledged from guaranteed entitlement revenue; due in annual installments of \$50,000 to \$425,000 through October 1, 2013; interest at 4.48%.	475,000
\$11,510,000 Florida Municipal Loan Council, 2002A Series Capital Appreciation and term bonds; secured by revenues pledged from voted debt millage; due in annual installments of \$425,000 to \$870,000 from May 1, 2003 to May 1, 2024; interest at 3.25% to 5.50%.	8,530,000
\$7,765,000 Florida Municipal Loan Council, 2003B Series Capital Appreciation and term bonds; secured by revenues pledged from Charter County Transit System surtax proceeds; due in annual installments of \$415,000 to \$660,000 from December 1, 2004 to December 1, 2019; interest at 2% to 5.25%.	4,900,000
\$225,577 Florida Municipal Loan Council, 2005C Series Revenue Refunding Serial bond; secured by revenues pledged from non-ad valorem revenues; due in annual installments of \$1,677 to \$25,996 from April 1, 2006 to April 1, 2020; interest at 3% to	<u>197,065</u>
Total capital improvement bonds	<u>14,497,065</u>

Revenue Bonds:

Water Utility System:

\$66,385,000 Florida Municipal Loan Council, 2002B Series Water Utilities Appreciation and term bonds; secured by revenues pledged from gross revenues, less operating expenses of the water utility; due in annual installments of \$280,000 to \$5,085,000 beginning February 1, 2005 to August 1, 2032; interest at 3.0% to 5.375%.	63,630,000
\$5,154,423 Florida Municipal Loan Council, 2005C Series Revenue Refunding Serial bond; secured by revenues pledged from non-ad valorem revenues; due in annual installments of \$38,323 to \$594,004 from April 1, 2006 to April 1, 2020; interest at 3.0% to 4.125%	<u>4,502,935</u>
Total revenue bonds	<u>68,132,935</u>
Total bonds payable	<u><u>\$ 82,630,000</u></u>

CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2011

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

Debt Service Requirements

Debt service requirements to maturity for each bond series at September 30, 2011 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Capital Improvement Bonds:			
1997 Series:			
2012	\$ 395,000	\$ 19,157	\$ 414,157
Capital Improvements Bonds:			
1998 Series:			
2012	\$ 50,000	\$ 21,280	\$ 71,280
2013	425,000	19,040	444,040
	<u>\$ 475,000</u>	<u>\$ 40,320</u>	<u>\$ 515,320</u>
Florida Municipal Loan Council (Capital):			
2002 A Series:			
2012	\$ 470,000	\$ 446,976	\$ 916,976
2013	495,000	423,476	918,476
2014	525,000	396,250	921,250
2015	550,000	367,376	917,376
2016	585,000	337,126	922,126
2017-2021	3,415,000	1,172,226	4,587,226
2022-2024	2,490,000	253,000	2,743,000
	<u>\$ 8,530,000</u>	<u>\$ 3,396,430</u>	<u>\$ 11,926,430</u>
Florida Municipal Loan Council (Water):			
2002 B Series:			
2012	\$ 1,505,000	\$ 2,545,500	\$ 4,050,500
2013	1,565,000	2,485,000	4,050,000
2014	1,625,000	2,242,400	3,867,400
2015	1,695,000	3,167,756	4,862,756
2016	1,785,000	3,076,650	4,861,650
2017-2021	11,160,000	13,832,831	24,992,831
2022-2026	17,205,000	8,964,913	26,169,913
2027-2031	22,005,000	4,680,000	26,685,000
2032	5,085,000	254,250	5,339,250
	<u>\$63,630,000</u>	<u>\$41,249,300</u>	<u>\$ 104,879,300</u>

CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2011

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

Bonds Payable (cont'd)

Debt Service Requirements (cont'd)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Florida Municipal Loan Council (Capital):			
2003 B Series:			
2012	\$ 450,000	\$ 234,844	\$ 684,844
2013	465,000	218,512	683,512
2014	485,000	196,481	681,481
2015	510,000	170,363	680,363
2016	540,000	142,801	682,801
2017-2020	<u>2,450,000</u>	<u>265,651</u>	<u>2,715,651</u>
	<u>\$ 4,900,000</u>	<u>\$ 1,228,652</u>	<u>\$ 6,128,652</u>

Florida Municipal Loan Council (Water & Capital):

2005 C Series:

Capital:

2012	\$ 18,239	\$ 8,558	\$ 26,797
2013	18,868	7,942	26,810
2014	19,706	7,282	26,988
2015	20,755	6,296	27,051
2016	21,803	5,259	27,062
2017-2020	<u>97,694</u>	<u>10,337</u>	<u>108,031</u>
Subtotal Capital	<u>197,065</u>	<u>45,674</u>	<u>242,739</u>

Water Revenue:

2012	416,761	195,548	612,309
2013	431,132	181,482	612,614
2014	450,294	166,394	616,688
2015	474,245	143,878	618,123
2016	498,197	120,166	618,363
2017-2020	<u>2,232,306</u>	<u>236,213</u>	<u>2,468,519</u>
Subtotal Water Revenue	<u>4,502,935</u>	<u>1,043,681</u>	<u>5,546,616</u>
Total 2005C Series	<u>\$ 4,700,000</u>	<u>\$ 1,089,355</u>	<u>\$ 5,789,355</u>

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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

Notes Payable

Florida Local Government Finance Commission Pooled Commercial Paper Loan Program

Draw A-1

In August 1996, the City obtained financing of \$2,400,000 through a commercial paper loan program to assist in financing certain stormwater projects. During 1998, the City refinanced the loan and increased its outstanding obligation by \$120,000. The refinancing extended the maturity of the loan by two years. In September 2003, the City again refinanced the loan with a balance of \$2,080,000 and extended the maturity of the loan by four years. In September of 2007, the City refinanced the balloon payment of \$1,880,000 that came due and again extended the maturity of the loan by four years.

The interest rate on the loan varies and is payable monthly. The interest rate at September 30, 2011 was 0.20277%.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2012	\$ 1,672,000	\$ -	\$ 1,672,000

Chase Bank, N.A. – Promissory Note, Series 2011

On June 10, 2011, the City issued a \$14,835,000 promissory note to JP Morgan Chase Bank N.A at an interest rate of 3.99%. The proceeds were used to refund the Capital Appreciation and Term Bonds – Series 2000B. The note is payable in annual installments at 3.99% interest from November 1, 2012 to November 1, 2030. The debt service requirements to maturity for the promissory note are as follows:

Fiscal year ended September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 350,000	\$ 295,958	\$ 645,958
2013	470,000	577,952	1,047,952
2014	505,000	559,199	1,064,199
2015	540,000	539,049	1,079,049
2016	565,000	517,503	1,082,503
2017-2021	3,405,000	2,218,640	5,623,640
2022-2026	4,475,000	1,457,747	5,932,747
2027-2030	4,525,000	463,040	4,988,040
	<u>\$ 14,835,000</u>	<u>\$ 6,629,088</u>	<u>\$ 21,464,088</u>

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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

Notes Payable (cont'd)

Bank of America – CRA Notes

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

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

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

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

Remaining principal requirements to maturity are as follows:

Fiscal year ended September 30,	<u>Non-taxable Series 2007A</u>	<u>Taxable Series 2007B</u>	<u>Total</u>
2012	\$ 166,667	\$ 277,778	\$ 444,445
2013	166,667	277,778	444,445
2014	166,667	277,778	444,445
2015	166,667	277,778	444,445
2016	166,667	277,778	444,445
2017-2021	833,335	1,388,890	2,222,225
2022-2026	833,335	1,388,890	6,108,550
2027	83,328	138,886	222,214
	<u>\$ 2,583,333</u>	<u>\$ 4,305,556</u>	<u>\$ 6,888,889</u>

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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

State Revolving Loan Programs

In 2009, the City began participating in the Revolving Loan Program administered by the State of Florida. This program provides funding for local governments from the Department of Environmental Protection for the construction of wastewater pollution control facilities and public water systems. The loans require semi-annual principal and interest payments and have repayment terms of 20 years with fixed interest rates. Capitalized interest has been included in the loan amount. Primary terms of each agreement are provided as follows:

Loan Agreements	Amounts <u>Outstanding</u>
\$454,500 State Revolving Fund Loan Agreement, Number DW130102; secured by revenues pledged from the gross revenues less operating expenses and senior debt obligations of the Water System; due in semi-annual installments of \$14,794 from February 15, 2011 to August 15, 2030; interest at 2.71%.	\$ 431,356
\$3,674,285 State Revolving Fund Loan Agreement, Number DW130103; secured by revenues pledged from the gross revenues less operating expenses and senior debt obligations of the Water System; due in semi-annual installments of \$121,972 from October 15, 2012 to April 15, 2032; interest at 2.71%.	3,101,111
\$1,208,704 State Revolving Fund Loan Agreement, Number WW130100; secured by revenues pledged from the gross revenues less operating expenses and senior debt obligations of the Sewer System; due in semi-annual installments of \$36,602 from May 15, 2011 through November 15, 2030; interest at 1.94%.	1,090,511
\$257,612 State Revolving Fund Loan Agreement, Number WW130101; secured by revenues pledged from the gross revenues less operating expenses and senior debt obligations of the Sewer System; due in semi-annual installments of \$7,955 from May 15, 2011 through November 15, 2030; interest at 1.94%.	166,592
\$502,318 State Revolving Fund Loan Agreement, Number WW745080; secured by revenues pledged from the gross revenues less operating expenses and senior debt obligations of the Sewer System; due in semi-annual installments of \$15,669 from December 15, 2012 to June 15, 2032; interest at 2.05%.	350,973
Total state revolving loans	<u>\$5,140,543</u>

CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2011

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

Debt Service Requirements

Debt service requirements to maturity for each loan at September 30, 2011 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
DW 130102 (Water)			
2012	\$ 17,862	\$ 11,726	\$ 29,588
2013	18,350	11,238	29,588
2014	18,850	10,738	29,588
2015	19,365	10,223	29,588
2016	19,893	9,695	29,588
2017-2021	107,909	40,031	147,940
2022-2026	123,455	24,485	147,940
2027-2030	<u>105,672</u>	<u>6,900</u>	<u>112,572</u>
	<u>\$ 431,356</u>	<u>\$ 125,036</u>	<u>\$ 556,392</u>
DW 130103 (Water)			
2012	\$ -	\$ -	\$ -
2013	143,692	100,252	243,944
2014	119,478	81,688	201,166
2015	122,738	78,428	201,166
2016	126,086	75,080	201,166
2017-2021	683,948	321,882	1,005,830
2022-2026	782,483	223,347	1,005,830
2027-2031	895,214	110,616	1,005,830
2032-2033	<u>227,472</u>	<u>8,832</u>	<u>236,304</u>
	<u>\$ 3,101,111</u>	<u>\$ 1,000,125</u>	<u>\$ 4,101,236</u>
WW 130100 (Sewer)			
2012	\$ 47,361	\$ 21,317	\$ 68,678
2013	48,283	20,395	68,678
2014	49,225	19,453	68,678
2015	50,185	18,494	68,679
2016	51,163	17,515	68,678
2017-2021	271,170	72,220	343,390
2022-2026	298,653	45,737	344,390
2027-2031	<u>274,471</u>	<u>14,471</u>	<u>288,942</u>
	<u>\$ 1,090,511</u>	<u>\$ 229,602</u>	<u>\$ 1,320,113</u>
WW 130101 (Sewer)			
2012	\$ 12,568	\$ 3,342	\$ 15,910
2013	12,813	3,096	15,909
2014	13,063	2,847	15,910
2015	13,318	2,592	15,910
2016	13,577	2,333	15,910
2017-2021	71,960	7,590	79,550
2022-2024	<u>29,293</u>	<u>1,206</u>	<u>30,499</u>
	<u>\$ 166,592</u>	<u>\$ 23,006</u>	<u>\$ 189,598</u>
WW 745080 (Sewer)			
2012	\$ -	\$ -	\$ -
2013	20,947	10,391	31,338
2014	21,379	9,959	31,338
2015	21,820	9,518	31,338
2016	22,269	9,069	31,338
2017-2021	118,420	38,270	156,690
2022-2026	131,135	25,555	156,690
2027	<u>15,003</u>	<u>3,468</u>	<u>18,471</u>
	<u>\$ 350,973</u>	<u>\$ 106,230</u>	<u>\$ 457,203</u>

CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2011

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

Pledged Revenues

An evaluation of the sufficiency of pledged revenues for all of the City's long-term debt for fiscal year ending September 30, 2011 follows:

<u>Issue</u>	<u>Revenue Source</u>	<u>Percentage</u>
Bond issues:		
Series 1997	Municipal revenue sharing	31%
Series 1998	Guaranteed entitlement revenue	11%
Series 2002A	Voted debt millage	100%
Series 2002B	Gross revenue less operating expenses	25%
Series 2003B	Transit surtax revenue	55%
Series 2005C	Non-ad valorem revenue	3%
Notes issues:		
Series 2007A	TIF revenue and interest earnings	34%
Series 2007B	TIF revenue and interest earnings	57%
Series 2011	Voted debt millage	99%
State Revolving Loans:		
DW Series	Gross revenue less operating expenses and senior debt obligations	0%
WW Series	Gross revenue less operating expenses and senior debt obligations	1%

Capital Leases

The City enters into lease purchase agreements periodically to finance the purchase of equipment and vehicles. Obligations created under leases are to be repaid from on hand and legally available funds from sources other than ad valorem taxes. The capital assets acquired under these leases remain collateral for repayment of outstanding principal obligations. The City did not enter any new lease agreements during fiscal year 2011. Future minimum lease payments and the present value of net minimum lease payments at September 30, 2011 are as follows:

	Governmental Business-type		<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
Fiscal year ending September 30:			
2012	\$ 336,433	\$ 255,790	\$ 592,223
2013	186,312	225,977	412,289
2014	72,331	109,194	181,525
Total minimum lease payments	595,076	590,961	1,186,037
Less amount representing interest	(23,308)	(23,146)	(46,454)
Present value of net minimum lease payments	<u>\$ 571,768</u>	<u>\$ 567,815</u>	<u>\$ 1,139,583</u>

CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2011

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

Debt Retirement

Defeasance of Long-term Debt

On June 10, 2011, the City issued a \$14,835,000 promissory note, Series 2011 to JP Morgan Chase Bank N.A at an interest rate of 3.99%. The proceeds were used for a current refunding of the Florida Municipal Loan Council Capital Appreciation and Term Bonds – Series 2000B in the original principal amount of \$17,305,000. The gross proceeds of \$14,835,000 (including underwriting and other issuance costs) along with \$750,583 of City funds were transferred to Deutsch Bank, Trustee for the Florida Municipal Loan Council Loan Program. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the call date of November 1, 2011. As a result, the bonds are considered to be defeased and the liability for those bonds in the principal amount of \$15,085,000 has been removed from the Statement of Net Assets. The current refunding resulted in an accounting loss of \$95,000 on the cost of issuance which will be amortized over the life of the debt. The transaction resulted in an economic gain of \$1.66 million and a reduction of \$2.4 million in future debt service payments.

The following schedule provides a summary of the changes in long-term debt for the fiscal year.

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Due Due Within <u>One Year</u>
Governmental activities:					
Bonds and notes payable:					
General obligation and term bonds	\$ 31,019,885	\$ -	\$ (16,522,820)	\$ 14,497,065	\$ 1,383,239
Notes payable	-	14,835,000	-	14,835,000	350,000
Notes payable CRA - Taxable	4,583,334	-	(277,778)	4,305,556	277,778
Notes payable CRA - Nontaxable	2,749,999	-	(166,667)	2,583,332	166,667
Total bonds and notes payable	<u>38,353,218</u>	<u>14,835,000</u>	<u>(16,967,265)</u>	<u>36,220,953</u>	<u>2,177,684</u>
Master leases	1,105,956	-	(510,880)	595,076	336,433
Estimated claims	1,902,000	610,000	(705,000)	1,807,000	674,000
Compensated absences	4,143,792	2,494,623	(2,675,363)	3,963,052	-
Other post employment benefit obligation	917,000	610,000	(684,000)	843,000	162,000
Governmental activities long-term liabilities	<u>\$ 46,421,966</u>	<u>\$ 18,549,623</u>	<u>\$ (21,542,508)</u>	<u>\$ 43,429,081</u>	<u>\$ 3,350,117</u>
Business-type activities:					
Revenue bonds	\$ 69,985,115	\$ -	\$ (1,852,180)	\$ 68,132,935	\$ 1,921,761
Notes payable - Stormwater	1,886,000	-	(214,000)	1,672,000	1,672,000
State Revolving Loans - Water	942,325	2,609,012	(18,870)	3,532,467	17,862
State Revolving Loans - Sewer	840,506	807,797	(40,227)	1,608,076	59,929
Premium on revenue bonds	376,738	-	(23,714)	353,024	-
Total bonds and notes payable	<u>74,030,684</u>	<u>3,416,809</u>	<u>(2,148,991)</u>	<u>75,298,502</u>	<u>3,671,552</u>
Master leases	862,063	-	(271,102)	590,961	255,790
Compensated absences	<u>861,430</u>	<u>755,135</u>	<u>(638,694)</u>	<u>977,871</u>	<u>46,073</u>
Business-type activities long-term liabilities	<u>\$ 75,754,177</u>	<u>\$ 4,171,944</u>	<u>\$ (3,058,787)</u>	<u>\$ 76,867,334</u>	<u>\$ 3,973,415</u>

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2011**

Note 10 – Risk Management

Self Insurance

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 to \$300,000 per occurrence. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an estimated amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors. There were no reductions in insurance coverages from the prior year and there was one settlement that exceeded insurance coverage within the last three fiscal years. Changes in the balances of claims liabilities during the past two fiscal years are as follows:

	<u>2011</u>	<u>2010</u>
Unpaid claims, beginning	\$ 1,902,000	\$ 1,989,000
IBNR claims	610,000	668,000
Claim payments	<u>(705,000)</u>	<u>(755,000)</u>
Unpaid claims, ending	<u>\$ 1,807,000</u>	<u>\$ 1,902,000</u>

Litigation

The City is the defendant in several lawsuits incidental to its operations. Based upon the City Attorney's evaluation of pending cases, the estimated liability to which the City might be exposed ranges from \$550,000 to \$1.0 million. The self insurance funds, which are included in the general fund, have cash available of approximately \$1.0 million at September 30, 2011 and all non-self insurance cases would be paid from the City's general fund unreserved fund balance.

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.

CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2011

Note 11 - Employee Retirement Systems

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. The Plans are administered by separate Boards of Trustees.

The Retirement Plan for General Employees of the City of North Miami Beach and the Retirement Plan for Police Officers and Firefighters of the City of North Miami Beach issue a publicly available report that includes financial statements and required supplementary information for the Plans. These reports may be obtained by writing to: City of North Miami Beach Employees' Retirement System, 17011 NE 19th Avenue, North Miami Beach, Florida 33162.

In accordance with various provisions of State statutes and the City Charter, the City is obligated to fund the liabilities of the Plans based upon actuarial valuations performed at least every two years. The latest actuarial valuations for the Retirement Plan for the General Employees, the Retirement Plan for the Police Officers and Firefighters, and the Retirement Plan and Trust for General Management Employees is as of October 1, 2011.

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.

Risks and Uncertainties

The pension plans have investments in a combination of investment securities that are exposed to various risks such that it is reasonably possible that changes in those risks in the near term could materially affect balances and amounts reported in the statement of plan net assets and the statement of changes in plan net assets. These risks are minimized by investment advisors who monitor plan portfolios and provide quarterly reports to each prospective Board of Trustees.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2011**

Note 11 - Employee Retirement Systems (cont'd)

Plan Membership

Membership in each of the City's pension plans is included in the following schedule.

	<u>General Employees</u>	<u>Police & Firefighters</u>	<u>General Management</u>	<u>OPEB</u>
Covered Payroll (in thousands)	\$ 11,326	\$ 8,330	\$ 2,320	\$24,857
Plan members:				
Currently receiving or entitled to receive benefits	266	137	18	227
Active employees				
Vested	205	50	24	104
Non-vested	56	35	16	358
Total members	<u>527</u>	<u>222</u>	<u>58</u>	<u>689</u>

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.

Retirement Plan for General Employees

Plan Description

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.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2011**

Note 11 - Employee Retirement Systems (cont'd)

Retirement Plan for General Employees (cont'd)

Plan Description (cont'd)

Employee Contributions

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

City Contributions

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

Funding Policy

The annual required contributions for the Plan for the current year were determined as part of the October 1, 2011 actuarial valuation using the entry age normal cost method.

Additional information as of the latest actuarial valuation follows:

Valuation Date	October 1, 2011
Actuarial cost method	Entry age normal
Amortization method	Level percent of pay, closed
Remaining amortization period	25
Asset valuation method	Smoothed market value
Actuarial Assumptions	
Investment rate of return	8.25%
Projected salary increases	4.75% to 7.50%
Cost of living adjustments	2.25%
Inflation	3.50%

Funded Status and Funding Progress

The funded status of the Plan as of October 1, 2011, is as follows (in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a÷b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)÷c)
October 1, 2011	\$ 60,136	\$ 93,882	\$ 33,746	64.1%	\$ 11,326	298.0%

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2011**

Note 11 - Employee Retirement Systems (cont'd)

Retirement Plan for General Employees (cont'd)

Funded Status and Funding Progress (cont'd)

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

Annual Pension Cost and Net Pension Asset

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

Annual required contribution	\$2,812,799
Interest on net pension asset	(39,490)
Adjustment to annual required contribution	<u>30,583</u>
Annual pension cost	2,803,892
Contributions made	<u>2,812,799</u>
Increase in net pension asset	8,907
Net pension asset, beginning of year	<u>478,665</u>
Net pension asset, end of year	<u><u>\$ 487,572</u></u>

The following table provides trend information about the level of city contributions toward the annual pension cost.

Three Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
9/30/2009	\$ 2,116,520	100%	\$ 468,488
9/30/2010	2,638,993	100%	478,665
9/30/2011	2,803,892	100%	487,572

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2011**

Note 11 - Employee Retirement Systems (cont'd)

Retirement Plan for Police Officers and Firefighters

Plan Description

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

11.1% and 6% of annual compensation for police officers and firefighters, respectively.

City Contributions

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

Funding Policy

The annual required contributions for the Plan for the current year were determined as part of the October 1, 2011 actuarial valuation using the entry age normal actuarial cost method.

Pursuant to Florida Statutes Section 185 and Section 175, the State of Florida makes contributions to fund police and firefighter benefits. These State contributions were recognized as revenue and expenditures by the City. During fiscal year 2011, the amounts were \$219,520 and \$395,408 for police and firefighters, respectively.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2011**

Note 11 - Employee Retirement Systems (cont'd)

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

Plan Description (cont'd)

Additional information as of the latest actuarial valuation follows:

Valuation Date	October 1, 2011
Actuarial cost method	Entry age normal
Amortization method	Level percent of pay
Remaining amortization period	30 years
Asset valuation method	5 year smoothed market

Actuarial Assumptions

Investment rate of return	8.00%
Projected salary increases	3.66%
Cost of living adjustments	2.50%
Inflation	3.00%

Funded Status and Funding Progress

In accordance with GASB Statement No. 50, a schedule of funding progress is required using the entry age normal cost method. The funded status of the Plan as of October 1, 2011 is as follows (in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a÷b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)÷c)
October 1, 2011	\$ 71,367	\$ 116,116	\$ 44,749	61.5%	\$ 8,330	537.2%

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

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2011**

Note 11 - Employee Retirement Systems (cont'd)

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

Annual Pension Cost and Net Pension Asset

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

Annual required contribution	\$ 4,632,573
Interest on net pension asset	(319,803)
Adjustment to annual required contribution	<u>245,687</u>
Annual pension cost	4,558,457
Contributions made	<u>5,382,573</u>
Increase in net pension asset	824,116
Net pension asset, beginning of year	<u>3,997,537</u>
Net pension asset, end of year	<u><u>4,821,653</u></u>

The following table provides trend information about the level of city contributions toward the annual pension cost.

Three Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
9/30/2009	\$ 4,346,525	105%	\$ 929,206
9/30/2010	4,503,329	168%	3,997,537
9/30/2011	4,558,457	118%	4,821,653

Retirement Plan and Trust for General Management Employees

Plan Description

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.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2011**

Note 11 - Employee Retirement Systems (cont'd)

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

Plan Description (cont'd)

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

Vesting

Benefits are fully vested after six years of credited service.

Eligibility for Retirement

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

Annual Retirement Benefit

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

Other Benefits

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

Employee Contributions

Management personnel contribute 8% of their basic annual compensation.

City Contributions

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

Funding Policy

The annual required contributions for the Plan for the current year were determined as part of the October 1, 2011 actuarial valuation using the frozen initial liability actuarial cost method.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2011**

Note 11 - Employee Retirement Systems (cont'd)

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

Plan Description (cont'd)

Additional information related to the actuarial valuation follows:

Valuation Date	October 1, 2011
Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, fixed
Remaining amortization period	21 years
Asset valuation method	Market value

Actuarial Assumptions

Investment rate of return	7.75%
Projected salary increases	5.75%
Cost of living adjustments	2.25%

Funded Status and Funding Progress

The funded status of the Plan as of October 1, 2011 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a÷b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)÷c)
October 1, 2011	\$12,275,228	\$17,540,132	\$5,264,904	70.0%	\$ 2,319,552	227.0%

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

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2011**

Note 11 - Employee Retirement Systems (cont'd)

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

Annual Pension Cost and Net Pension Asset

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

Annual required contribution	\$ 1,307,724
Interest on net pension obligation	(60,614)
Adjustment to annual required contribution	<u>69,756</u>
Annual pension cost	1,316,866
Contributions made	<u>1,467,916</u>
Decrease in net pension obligation	151,050
Net pension obligation, beginning of year	<u>(247,767)</u>
Net pension obligation, end of year	<u><u>\$ (96,717)</u></u>

The following table provides trend information about the level of city contributions toward the annual pension cost.

Three Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset (Obligation)</u>
9/30/2009	\$ 587,241	105%	\$ 530,157
9/30/2010	1,565,012	50%	(247,767)
9/30/2011	1,316,866	111%	(96,717)

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2011**

Note 11 - Employee Retirement Systems (cont'd)

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

Separate stand-alone financial statements are not issued for the Retirement Plan and Trust for General Management Employees. Therefore, presented below are the Statement of Fiduciary Net Assets and the Statement of Changes in Fiduciary Net Assets for the year ended September 30, 2011:

Statement of Fiduciary Net Assets

As of September 30, 2011

Assets	
Investments at fair value	\$ <u>11,860,967</u>
Net Assets	
Held in trust for pension benefits	\$ <u><u>11,860,967</u></u>

Statement of Fiduciary Net Assets

Retirement Plan and Trust for General Management Employees
For the Year Ended September 30, 2011

Additions	
Contributions:	
Employees	\$ 230,227
Employer	1,430,128
Investment income:	
Net appreciation in fair value of investments	427,323
Interest and dividends	<u>88,402</u>
Total additions	2,176,080
Deductions	
Pension benefits	1,207,272
Forfeitures of contributions	(32,816)
Administrative expenses	<u>33,169</u>
Total deductions	<u>1,207,625</u>
Increase in net assets	968,455
Net assets - beginning	<u>10,892,512</u>
Net assets - ending	<u><u>\$ 11,860,967</u></u>

CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2011

Note 11 - Employee Retirement Systems (cont'd)

Management Employees Excess Benefits Plan

Plan Description

On January 7, 2003, the City established the Management Employees Excess Benefit Plan as part of the General Management Employees Pension Plan to be an unfunded, nonqualified excess benefit plan, containing the terms and provisions set forth in the subpart (Sec. 15-341) and intended to be a qualified governmental excess benefit arrangement as defined in Section 415 (m) (3) of the Internal Revenue Code.

Excess Benefit Participants

Any member of the Management Employees Pension Plan whose retirement benefit, as determined on the basis of the Management Employees Pension Plan maintained by the City without regard to the limitations set forth in the Code and comparable provisions of the qualified plan of the City, exceeds the maximum benefit under Section 415 of the Code.

Benefits Provided

A management employee benefit participant shall be eligible to receive benefits from the excess benefit plan after termination of employment, as an unrestricted benefit on a monthly basis as would be received under the terms of the management employee pension plan of the City, that otherwise would have been paid in the absence of IRS Code Section 415 limits.

Funding Policy

The City cannot advance fund assets, or any benefit currently payable under the Plan, and any assets held by the Plan during any period can only pay benefits coming due or the expenses of the plan during the period. Contributions by the City are not allowed to accumulate from year to year for purposes of advance funding of any of the Excess Plan Liabilities. The City cannot restrict any assets, including cash for the purpose of providing funding for these benefits. However, the City has in the past and will continue to stand by its obligation to pay these benefits from its annual budgeted funds, as the liability becomes payable under this plan. A schedule of funding progress has not been provided since no funding has been provided to the Plan. The plan held no assets at September 30, 2011.

**CITY OF NORTH MIAMI BEACH, FLORIDA
 NOTES TO BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED SEPTEMBER 30, 2011**

Note 11 - Employee Retirement Systems (cont'd)

Management Employees Excess Benefits Plan (cont'd)

Information related to the latest actuarial valuation is as follows:

Valuation Date	October 1, 2010
Actuarial cost method*	N/A
Amortization method	Level dollar, closed
Remaining amortization period	20 years
Asset valuation method*	N/A

Actuarial Assumptions

Investment rate of return	7.75%
Projected salary increases*	N/A
Cost of living adjustments	2.25%

* All covered members are retired and the plan holds no assets.

Annual Pension Cost and Net Pension Asset/Obligation

The City's annual pension cost and net pension obligation at September 30, 2011 are as follows:

Annual required contribution	\$ 196,898
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual pension cost	196,898
Contributions made	<u>196,898</u>
Decrease in net pension obligation	-
Net pension obligation, beginning of year	<u>-</u>
Net pension obligation, end of year	<u><u>\$ -</u></u>

Note 12 - Defined Contribution Plan

The City is a single employer that contributes to the City of North Miami Beach Money Purchase Plan, which is a defined contribution pension plan created in accordance with Internal Revenue Code 401(a). When it was originally established, the Plan was limited to upper management, department heads and their assistants. Effective February 2003, the plan is limited to the six employees who did not elect to transfer to the defined benefit Management plan (see Note 11). During the fiscal year ending September 30, 2011, one employee made contributions to the plan. Effective January 1, 2003, the City contributes 17% of annual covered payroll and the employee is 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, 2011 were approximately \$15,165. Plan provisions and contribution requirements are established and may be amended by the City Manager.

CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2011

Note 13 - Other Post-Employment Benefits

Plan Description

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

Eligible Individuals

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

Choice of Healthcare Plans

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

Required Monthly Premium for Post-employment Health Coverage

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

Employer Healthcare Premium Subsidy

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

Post-employment Life Insurance Coverage

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

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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

Plan Description (cont'd)

Funding Policy

During fiscal year 2011, the City established an OPEB trust in order to accumulate the assets necessary to fund the OPEB liability and to pay future benefits. The annual required contributions for the Plan for the current year were determined as part of the October 1, 2011 actuarial valuation using the aggregate actuarial cost method. The liabilities and costs developed using actuarial valuations are based on numerous assumptions concerning the cost of benefits to be provided in the future, the contributions expected to be made by retirees in the future, the incidence and level of benefit coverage in the future, and the future demographic experience of the current active employees of the City and current retirees and their covered dependents. The costs developed by actuarial calculations are long-term estimates of the true cost of providing post-employment benefits. No one can predict with certainty whether the true cost will be higher or lower than those estimates. Actuarially determined costs and liabilities are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Additional information related to the actuarial valuation follows:

Valuation Date	October 1, 2011
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, 10 year open period
Remaining amortization period	10 years
Asset valuation method	Market value

Actuarial Assumptions

Investment rate of return	7.00%
Healthcare cost trend rate	8.00%
Inflation	3.00%

Funded Status and Funding Progress

The funded status of the Plan as of October 1, 2011 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a÷b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)÷c)
October 1, 2011	\$ 492,000	\$ 4,100,000	\$3,608,000	12.0%	\$24,857,000	14.5%

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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

Funded Status and Funding Progress (cont'd)

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

Annual OPEB Costs and Net OPEB Obligation

The City's annual OPEB cost and the net OPEB obligation for September 30, 2011 is as follows:

Annual required contribution		\$	670,000
Interest on net OPEB obligation			63,000
Adjustment to annual required contribution			<u>(123,000)</u>
Annual OPEB cost			610,000
Contributions made			<u>684,000</u>
Decrease in net OPEB obligation			(74,000)
Net OPEB obligation, beginning of year			<u>917,000</u>
Net OPEB obligation, end of year		\$	<u><u>843,000</u></u>

The following table provides trend information about the level of city contributions toward the annual pension cost.

Three Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
9/30/2009	\$ 561,000	19%	\$ 452,000
9/30/2010	574,000	112%	917,000
9/30/2011	610,000	118%	843,000

CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2011

Note 14 - Community Redevelopment Agency

North Miami Beach Community Redevelopment Agency (NMBCRA) Component Unit incurred the following expenditures during the fiscal year ended September 30, 2011:

<u>Expenditures</u>	<u>Amount</u>
General government	\$ 806,626
Public safety	120,000
Capital outlay	228,435
Debt service:	
Principal	444,444
Interest	138,544
Total expenditures	<u>\$ 1,738,049</u>

In 2011, the following projects were funded:

- Continued bi-monthly meetings of the Community Redevelopment Board and the Redevelopment Advisory Board.
- Contracted for the design of Mischon Field renovations and installation of security fencing.
- Continued funding the Façade Improvement Grant Program and the Commercial Security Grant Program to assist local businesses improve the attractiveness and safety of the CRA area.
- Funded street maintenance, landscape improvements and signage on Hanford Boulevard.
- Identified prospective projects within the CRA area that will bring in a public/private partnership for the residents of North Miami Beach.

Note 15 – Subsequent Events

Defeasance of Long-term Debt

On December 7, 2011, the City issued a \$1,672,000 promissory note, Series 2011A to Branch Banking and Trust Company (BB&T) at an interest rate of 2.18%. The proceeds were used to refinance a loan from the Florida Local Government Finance Commission in the original principal amount of \$1,880,000. The gross proceeds of \$1,672,000 along with \$18,500 of City funds were transferred to U.S. Bank N. A., Trustee for the Florida Local Government Finance Commission to provide for the final principal payment due on December 7, 2011. As a result, the loan is considered to be paid in full and the liability for the loan will be removed from the Statement of Net Assets for fiscal year ended September 30, 2012. The refinancing resulted in an accounting loss of \$18,500 on the cost of issuance which is considered immaterial and will be expensed during fiscal year 2012. The transaction resulted in an economic loss of approximately \$195,000 and an increase of approximately \$199,000 in annual future debt service payments.

CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2011

Note 16 - Pronouncements Issued, Not Yet Effective, and Recently Adopted

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

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

GASB Statement 60, *Accounting and Financial Reporting for Service Concession Arrangements*, was issued in December 2010. The Statement addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. The provisions of this Statement will be effective for the City beginning with its year ending September 30, 2012.

GASB Statement 61, *The Financial Reporting Entity: Omnibus*, was issued in December 2010. The Statement is designed to improve financial reporting for governmental entities by amending the requirements of Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, to better meet user needs and address reporting entity issues that have come to light since those Statements were issued in 1991 and 1999, respectively. The provisions of this Statement will be effective for the City beginning with its year ending September 30, 2013.

GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, was issued December 2010. The Statement is intended to enhance the usefulness of GASB Codification by incorporating certain accounting guidance issued by the FASB and the AICPA that is applicable to state and local governments. The provisions of this Statement will be effective for the City beginning with its year ending September 30, 2013.



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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget - Positive (Negative)</u>
Property taxes	\$ 11,353,000	\$ 11,353,000	\$ 10,541,833	\$ (811,167)
Franchise fees:				
Florida Power & Light	1,960,000	1,960,000	1,947,075	(12,925)
Towing	30,000	30,000	26,783	(3,217)
Gas and propane	25,500	25,500	31,169	5,669
Bus shelters	9,000	9,000	14,025	5,025
Total franchise fees	2,024,500	2,024,500	2,019,052	(5,448)
Utility taxes:				
Florida Power & Light	1,700,000	1,700,000	2,139,800	439,800
Gas, propane and oil	63,730	63,730	76,116	12,386
N.M.B. Water & Sewer	600,000	600,000	534,811	(65,189)
Total utility taxes	2,363,730	2,363,730	2,750,727	386,997
Communication service tax	1,907,500	1,907,500	2,314,615	407,115
Other taxes	450,896	450,896	627,846	176,950
Licenses and permits:				
Business tax receipts	697,500	697,500	875,489	177,989
Building permits and fees	1,700	1,700	9,600	7,900
Total licenses and permits	699,200	699,200	885,089	185,889
Intergovernmental:				
Sales tax	1,880,000	1,880,000	2,475,430	595,430
Shared revenues	485,000	485,000	607,036	122,036
Local option gas tax	600,285	600,285	795,440	195,155
Beverage licenses	24,000	24,000	34,278	10,278
Other state revenue	25,750	25,750	51,311	25,561
County revenue	79,000	79,000	127,694	48,694
Total intergovernmental	3,094,035	3,094,035	4,091,189	997,154

(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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> with Final Budget - Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Charges for services:				
Sanitation fees	\$ 8,800,000	\$ 8,800,000	\$ 8,544,652	\$ (255,348)
General services	2,029,529	2,032,529	2,211,628	179,099
Recreation fees	826,318	826,318	821,079	(5,239)
County sewer	132,000	132,000	146,396	14,396
Police services	179,500	179,500	221,470	41,970
Recycling and maintenance charges	236,300	236,300	265,212	28,912
Total charges for services	12,203,647	12,206,647	12,210,437	3,790
Fines and forfeitures:				
Traffic and parking	275,000	275,000	325,720	50,720
Local ordinance violations	147,000	147,000	239,756	92,756
Library	22,000	22,000	21,802	(198)
Other	-	-	-	-
Total fines and forfeitures	444,000	444,000	587,278	143,278
Other:				
Impact fees	-	-	47	47
Interest	122,900	122,900	61,126	(61,774)
Miscellaneous	303,809	405,117	151,872	(253,245)
Use of surplus	880,857	1,931,440	-	(1,931,440)
Total other	1,307,566	2,459,457	213,045	(2,246,412)
Total revenues	35,848,074	37,002,965	36,241,111	(761,854)
Current expenditures:				
General government:				
Administrative	1,394,041	1,520,498	1,492,817	27,681
Legislative	416,544	452,747	950,880	(498,133)
Executive	4,723,710	3,136,630	2,311,144	825,486
Human resources	2,917,515	3,446,543	3,328,086	118,457
Finance	4,397,128	5,449,199	4,224,041	1,225,158
Total general government	13,848,938	14,005,617	12,306,968	1,698,649
Public safety	19,948,877	20,509,843	20,987,701	(477,858)
Leisure services	4,730,042	4,893,167	4,604,382	288,785
Public services	10,160,290	10,074,965	10,190,129	(115,164)
Total current expenditures	48,688,147	49,483,592	48,089,180	1,394,412

(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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
Capital outlay:				
General government:				
Administrative	\$ 2,000	\$ 2,000	\$ 451	\$ 1,549
Executive	-	170,000	147,064	22,936
Finance	<u>96,000</u>	<u>95,748</u>	<u>92,790</u>	<u>2,958</u>
Total general government	<u>98,000</u>	<u>267,748</u>	<u>240,305</u>	<u>27,443</u>
Public safety	37,275	30,831	110,215	(79,384)
Leisure services	183,246	184,031	20,331	163,700
Public services	<u>165,000</u>	<u>284,475</u>	<u>1,127,828</u>	<u>(843,353)</u>
Total capital outlay	<u>483,521</u>	<u>767,085</u>	<u>1,498,679</u>	<u>(731,594)</u>
Debt service:				
Principal	532,758	532,933	510,880	22,053
Interest	<u>63,472</u>	<u>63,472</u>	<u>46,174</u>	<u>17,298</u>
Total debt service	<u>596,230</u>	<u>596,405</u>	<u>557,054</u>	<u>39,351</u>
Total expenditures	<u>49,767,898</u>	<u>50,847,082</u>	<u>50,144,913</u>	<u>702,169</u>
Other financing sources (uses):				
Transfers in	14,487,635	14,487,635	14,152,052	(335,583)
Transfers out	<u>(567,811)</u>	<u>(643,518)</u>	<u>(583,950)</u>	<u>59,568</u>
Total other financing sources	<u>13,919,824</u>	<u>13,844,117</u>	<u>13,568,102</u>	<u>(276,015)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (335,700)</u>	<u>\$ 335,700</u>

See notes to budgetary comparison schedule.

CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BUDGETARY COMPARISON SCHEDULE
FISCAL YEAR ENDED SEPTEMBER 30, 2011

Note 1 - Budgets and Budgetary Accounting

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

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 by the City Charter to amend, modify or otherwise adjust the annual budget to a maximum limit of \$50,000 per individual occurrence.
7. Encumbrance accounting is used in governmental funds. Encumbered purchase orders outstanding at year-end are reported as reservations of fund balances to indicate that they are not available for appropriation and are not expendable available financial resources.

Note 2 - Excess Expenditures Over Appropriation

For the fiscal year ended September 30, 2011, expenditures exceeded appropriations in the legislative operating department by \$498,133. The public safety operating department exceeded appropriations by \$477,858 and by \$79,384 in capital outlay expenditures. The public services department exceeded appropriations by \$115,164 and by \$843,353 in capital outlay expenditures. The excess appropriations were offset by lower than anticipated expenditures in other departments.

CITY OF NORTH MIAMI BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS AND OTHER CONTRIBUTING ENTITIES (in thousands)

SEPTEMBER 30, 2011

Fiscal Year	Annual Required Contribution	Employer Contribution	State Contribution	Total Contributions	Percentage Contributed
General Employees Plan					
2007	\$ 2,115	\$ 2,136	N/A	\$ 2,136	101%
2008	2,272	2,340	N/A	2,340	103%
2009	2,127	2,127	N/A	2,127	100%
2010	2,649	2,649	N/A	2,649	100%
2011	2,812	2,813	N/A	2,813	100%
Police & Firefighters Plan					
2007	\$ 3,621	\$ 3,656	\$ 737	\$ 4,393	121%
2008	4,138	4,338	759	5,097	123%
2009	4,362	4,562	536	5,098	117%
2010	4,522	7,572	547	8,119	180%
2011	4,633	5,383	615	5,998	129%
General Management Plan					
2007	430	\$ 817	N/A	\$ 817	190%
2008	575	788	N/A	788	137%
2009	599	617	N/A	617	103%
2010	1,560	1,817	N/A	1,817	116%
2011	1,308	1,468	N/A	1,468	112%
Excess Benefit Plan¹					
2010	\$ 183	\$ 183	N/A	\$ 183	100%
2011	197	197	N/A	197	100%
OPEB²					
2010	\$ 590	\$ 106	N/A	\$ 106	18%
2011	670	662	N/A	662	99%

¹ The City did not incur any expenses of the plan until fiscal year ended September 30, 2009.

² The City implemented GASB 45 (OPEB) for the fiscal year ended September 30, 2009.

CITY OF NORTH MIAMI BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS (in thousands)

SEPTEMBER 30, 2011

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)
General Employees Plan						
10/1/2007	\$ 53,576	\$ 67,210	\$ 13,634	79.7%	\$ 13,112	104.0%
10/1/2008	56,505	74,148	17,643	76.2%	13,030	135.4%
10/1/2009	57,832	79,100	21,268	73.1%	12,953	164.2%
10/1/2010	59,444	84,521	25,077	70.3%	12,754	196.6%
10/1/2011	60,136	93,882	33,746	64.1%	11,326	298.0%
Police & Firefighters Plan						
10/1/2007	\$ 57,040	\$ 95,564	\$ 38,524	59.7%	\$ 9,609	400.9%
10/1/2008	61,127	101,075	39,948	60.5%	9,286	430.2%
10/1/2009	63,273	106,860	43,587	59.2%	8,916	488.9%
10/1/2010	68,870	111,766	42,896	61.6%	8,799	487.5%
10/1/2011	71,367	116,116	44,749	61.5%	8,330	537.2%
General Management Plan						
10/1/2007	\$ 10,474	\$ 16,483	\$ 6,009	63.5%	\$ 2,428	247.5%
10/1/2008 ²	9,491	N/A	N/A	N/A	N/A	N/A
10/1/2009	9,515	14,972	5,457	63.6%	2,598	210.0%
10/1/2010	11,532	16,987	5,455	67.9%	2,526	216.0%
10/1/2011	12,275	17,540	5,265	70.0%	2,320	226.9%
OPEB¹						
10/1/2010	\$ -	\$ 4,241	\$ 4,241	0.0%	\$ 26,027	16.3%
10/1/2011	492	4,100	3,608	12.0%	24,857	14.5%

¹ The City implemented GASB 45 (OPEB) for the fiscal year ended September 30, 2009.

² The actuarial accrued liability was calculated using the entry-age normal cost method at October 1, 2008 at which time the funding status was not presented for this method.

**COMBINING, INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

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.

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

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, the Internal Revenue Service and the Secret Service.

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.

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 were 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.

Series 2011 – This fund is used to account for the principal and interest payments relating to the \$14,085,000 promissory note issued to defease the Series 2000B bonds originally issued to fund improvements related to the ‘Proud Neighborhood’ plan.

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 funds 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 related to the development, rehabilitation and restoration of City properties.

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

NE 172 Street Drainage Improvements – To account for funds received for the installation of a new drainage system to reduce major flooding because of the low elevation and inadequate drainage in a block between NE 23 Avenue and West Dixie Highway.

SNP Challenge & FRDAP – To account for funds provided from the Safe Neighborhood Parks Bond Program for the construction, design, and administration of the Mishcon Park Renovation – Phase I located at 16601 NE 15th Avenue.

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

Citywide Sidewalk Replacements – To account for sidewalk replacements on a citywide basis. This project is a federal award subject to the criteria and conditions of ARRA.

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

NE 173rd Street Roadway Improvement Project – To account for funds provided for 600 linear feet of road reconstruction with drainage, curbing, on-street parking, street light upgrading, sidewalk expansion, paving and landscaping covering NE 173rd St. from NE 23 Ave. to West Dixie Highway.

168th Street Roadway Improvement Project – To account for funds provided for roadway improvements along NE 168 Street including parking, crosswalks, sidewalks, drainage, curbing, landscaping, lighting, road construction and gutter improvements.

NE 172 Street Roadway – To account for the funds provided for the installation of drainage wells and a pump station along West Dixie Highway.

CITY OF NORTH MIAMI BEACH, FLORIDA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2011

	Special Revenue										Total
	Grants	Transit Surtax	Community Redevelopment Agency	Disability Sports Program	Handicapped Parking Fines	164th Street Guardhouse	35th Avenue Guardhouse	Federal Forfeitures	State Forfeitures	U.S. Treasury	
ASSETS											
Pooled cash and investments	\$ 898,202	\$ 667,236	\$ 5,686,680	\$ -	\$ 15,509	\$ 134,387	\$ 55,485	4,343,649	\$ 1,978,666	\$ 690,444	\$ 14,470,258
Accounts receivable:											
Intergovernmental	-	305,424	-	-	-	20,696	43,920	-	-	-	370,040
Grants	344,328	-	-	2,154	-	-	-	-	-	-	346,482
Due from other funds	-	-	-	-	-	-	-	-	-	61,899	61,899
Prepaid costs	-	-	1,109	-	-	-	-	386	-	-	1,495
Total assets	<u>\$ 1,242,530</u>	<u>\$ 972,660</u>	<u>\$ 5,687,789</u>	<u>\$ 2,154</u>	<u>\$ 15,509</u>	<u>\$ 155,083</u>	<u>\$ 99,405</u>	<u>\$ 4,344,035</u>	<u>\$ 1,978,666</u>	<u>\$ 752,343</u>	<u>\$ 15,250,174</u>
LIABILITIES AND FUND BALANCES											
Liabilities:											
Vouchers payable and accrued liabilities	11,404	86,057	53,408	3,236	-	8,699	6,157	111,202	10,344	\$ -	\$ 290,507
Due to other funds	596,947	-	-	3,684	-	-	-	-	-	-	600,631
Deferred revenue	401,198	-	-	1,949	15,081	-	-	-	-	-	418,228
Total liabilities	<u>1,009,549</u>	<u>86,057</u>	<u>53,408</u>	<u>8,869</u>	<u>15,081</u>	<u>8,699</u>	<u>6,157</u>	<u>111,202</u>	<u>10,344</u>	<u>-</u>	<u>1,309,366</u>
Fund balances:											
Nonspendable:											
Prepaid costs	-	-	1,109	-	-	-	-	386	-	-	1,495
Restricted:											
Grant related	232,981	-	-	-	-	-	-	-	-	-	232,981
Community Redevelopment	-	-	5,633,272	-	-	-	-	-	-	-	5,633,272
Interlocal agreements	-	886,603	-	-	428	146,384	93,248	-	-	-	1,126,663
Public safety	-	-	-	-	-	-	-	4,232,447	1,968,322	752,343	6,953,112
Unassigned	-	-	-	(6,715)	-	-	-	-	-	-	(6,715)
Total fund balances	<u>232,981</u>	<u>886,603</u>	<u>5,634,381</u>	<u>(6,715)</u>	<u>428</u>	<u>146,384</u>	<u>93,248</u>	<u>4,232,833</u>	<u>1,968,322</u>	<u>752,343</u>	<u>13,940,808</u>
Total liabilities and fund balances	<u>\$ 1,242,530</u>	<u>\$ 972,660</u>	<u>\$ 5,687,789</u>	<u>\$ 2,154</u>	<u>\$ 15,509</u>	<u>\$ 155,083</u>	<u>\$ 99,405</u>	<u>\$ 4,344,035</u>	<u>\$ 1,978,666</u>	<u>\$ 752,343</u>	<u>\$ 15,250,174</u>

(Continued)

CITY OF NORTH MIAMI BEACH, FLORIDA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)

SEPTEMBER 30, 2011

	Debt Service						
	Series 2000B	Series 2002A	Series 1997-98	Series 2003B	Series 2005C	Series 2011	Total
<u>ASSETS</u>							
Pooled cash and investments	\$ -	\$ -	\$ 456,704	\$ 316	\$ -	\$ -	\$ 457,020
Prepaid costs	-	-	-	-	-	750,583	750,583
Total assets	-	-	456,704	316	-	750,583	1,207,603
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Vouchers payable and accrued liabilities	-	-	235,218	-	-	-	235,218
Due to other funds	-	2,464	-	518	-	838,391	841,373
Total liabilities	-	2,464	235,218	518	-	838,391	1,076,591
Fund balances:							
Nonspendable:							
Prepaid costs	-	-	-	-	-	750,583	750,583
Restricted:							
Debt service	-	-	221,486	-	-	-	221,486
Unassigned	-	(2,464)	-	(202)	-	(838,391)	(841,057)
Total fund balances	-	(2,464)	221,486	(202)	-	(87,808)	131,012
Total liabilities and fund balances	\$ -	\$ -	\$ 456,704	\$ 316	\$ -	\$ 750,583	\$ 1,207,603

CITY OF NORTH MIAMI BEACH, FLORIDA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)

SEPTEMBER 30, 2011

	Capital Projects											Total Nonmajor Governmental Funds	
	Alley Restoration Program	2004 BBC Program	2003B Surtax	172 St. Drainage	SNP Challenge & FRDAP	ARRA 19 Ave Improvement	ARRA Sidewalk Replacement	CDBG 18th Ave Roadway	CDBG NE 173 St. Roadway	CDBG 168 St. Improvement	CDBG NE 172 St. Roadway		Total
ASSETS													
Pooled cash and investments	\$ 271,053	\$ -	\$ 278,692	\$ -	\$ 1,400	\$ -	\$ -	\$ 32,330	\$ -	\$ -	\$ -	\$ 583,475	\$ 15,510,753
Accounts receivable:													
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-	-	370,040
Grants	-	448,885	-	35,596	-	-	4,799	-	142,370	-	105,087	736,737	1,083,219
Due from other funds	-	-	-	-	-	-	-	-	-	-	-	-	61,899
Prepaid costs	-	-	-	-	-	-	-	-	-	-	-	-	752,078
Total assets	<u>\$ 271,053</u>	<u>\$ 448,885</u>	<u>\$ 278,692</u>	<u>\$ 35,596</u>	<u>\$ 1,400</u>	<u>\$ -</u>	<u>\$ 4,799</u>	<u>\$ 32,330</u>	<u>\$ 142,370</u>	<u>\$ -</u>	<u>\$ 105,087</u>	<u>\$ 1,320,212</u>	<u>\$ 17,777,989</u>
LIABILITIES AND FUND BALANCES													
Liabilities:													
Vouchers payable and accrued liabilities	12,182	58,990	-	-	-	34,840	-	-	86,745	-	189,018	381,775	\$ 907,500
Due to other funds	-	672,372	61,367	35,596	-	175,188	4,799	-	52,265	850	105,087	1,107,524	2,549,528
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-	418,228
Total liabilities	<u>12,182</u>	<u>731,362</u>	<u>61,367</u>	<u>35,596</u>	<u>-</u>	<u>210,028</u>	<u>4,799</u>	<u>-</u>	<u>139,010</u>	<u>850</u>	<u>294,105</u>	<u>1,489,299</u>	<u>3,875,256</u>
Fund balances:													
Nonspendable:													
Prepaid costs	-	-	-	-	-	-	-	-	-	-	-	-	752,078
Restricted:													
Grant related	-	-	217,325	-	1,400	-	-	32,330	3,360	-	-	254,415	487,396
Debt service	-	-	-	-	-	-	-	-	-	-	-	-	221,486
Community Redevelopment	-	-	-	-	-	-	-	-	-	-	-	-	5,633,272
Interlocal agreements	-	-	-	-	-	-	-	-	-	-	-	-	1,126,663
Public safety	-	-	-	-	-	-	-	-	-	-	-	-	6,953,112
Committed:													
Alley restoration	258,871	-	-	-	-	-	-	-	-	-	-	258,871	258,871
Unassigned	-	(282,477)	-	-	-	(210,028)	-	-	-	(850)	(189,018)	(682,373)	(1,530,145)
Total fund balances	<u>258,871</u>	<u>(282,477)</u>	<u>217,325</u>	<u>-</u>	<u>1,400</u>	<u>(210,028)</u>	<u>-</u>	<u>32,330</u>	<u>3,360</u>	<u>(850)</u>	<u>(189,018)</u>	<u>(169,087)</u>	<u>13,902,733</u>
Total liabilities and fund balances	<u>\$ 271,053</u>	<u>\$ 448,885</u>	<u>\$ 278,692</u>	<u>\$ 35,596</u>	<u>\$ 1,400</u>	<u>\$ -</u>	<u>\$ 4,799</u>	<u>\$ 32,330</u>	<u>\$ 142,370</u>	<u>\$ -</u>	<u>\$ 105,087</u>	<u>\$ 1,320,212</u>	<u>\$ 17,777,989</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2011

	Special Revenue										
	<u>Grants</u>	<u>Transit Surtax</u>	<u>Community Redevelopment Agency</u>	<u>Sports Disability Program</u>	<u>Handicapped Parking Fines</u>	<u>164th Street Guardhouse</u>	<u>35th Avenue Guardhouse</u>	<u>Federal Forfeiture</u>	<u>State Forfeiture</u>	<u>U.S. Treasury</u>	<u>Total</u>
Revenues:											
Intergovernmental	\$ -	\$ 1,260,998	\$ 1,138,889	\$ -	\$ -	\$ 122,696	\$ 262,800	\$ -	\$ -	\$ -	\$ 2,785,383
Grants	1,035,771	-	-	68,426	-	-	-	-	-	-	1,104,197
Fines and forfeitures	-	-	-	-	3,309	-	-	2,496,112	1,821,926	(34,852)	4,286,495
Other	-	-	-	9,851	-	-	75	39,521	3,745	78,735	131,927
Interest	50	98	39,148	-	-	47	25	28,080	602	-	68,050
Total revenues	<u>1,035,821</u>	<u>1,261,096</u>	<u>1,178,037</u>	<u>78,277</u>	<u>3,309</u>	<u>122,743</u>	<u>262,900</u>	<u>2,563,713</u>	<u>1,826,273</u>	<u>43,883</u>	<u>8,376,052</u>
Expenditures:											
Current:											
General government	-	636	806,626	-	-	-	-	-	-	-	807,262
Public safety	576,649	-	120,000	-	-	100,738	251,024	1,924,485	540,553	-	3,513,449
Leisure services	60,220	191,971	-	84,992	3,309	-	-	-	-	-	340,492
Capital outlay	412,381	236,561	228,435	-	-	-	-	851,505	-	-	1,728,882
Debt service:											
Principal	-	-	444,445	-	-	-	-	-	-	-	444,445
Interest	-	-	138,543	-	-	-	-	-	-	-	138,543
Total expenditures	<u>1,049,250</u>	<u>429,168</u>	<u>1,738,049</u>	<u>84,992</u>	<u>3,309</u>	<u>100,738</u>	<u>251,024</u>	<u>2,775,990</u>	<u>540,553</u>	<u>-</u>	<u>6,973,073</u>
Excess (deficiency) of revenues over expenditures	<u>(13,429)</u>	<u>831,928</u>	<u>(560,012)</u>	<u>(6,715)</u>	<u>-</u>	<u>22,005</u>	<u>11,876</u>	<u>(212,277)</u>	<u>1,285,720</u>	<u>43,883</u>	<u>1,402,979</u>
Other financing sources (uses):											
Transfers in	25,000	527,476	-	-	-	-	-	-	-	-	552,476
Transfers out	(15,311)	(852,014)	(136,415)	-	-	(5,000)	(5,000)	-	-	-	(1,013,740)
Total other financing sources (uses)	<u>9,689</u>	<u>(324,538)</u>	<u>(136,415)</u>	<u>-</u>	<u>-</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(461,264)</u>
Net changes in fund balances	(3,740)	507,390	(696,427)	(6,715)	-	17,005	6,876	(212,277)	1,285,720	43,883	941,715
Fund balances, beginning	<u>236,721</u>	<u>379,213</u>	<u>6,330,808</u>	<u>-</u>	<u>428</u>	<u>129,379</u>	<u>86,372</u>	<u>4,445,110</u>	<u>682,602</u>	<u>708,460</u>	<u>12,999,093</u>
Fund balances, ending	<u>\$ 232,981</u>	<u>\$ 886,603</u>	<u>\$ 5,634,381</u>	<u>\$ (6,715)</u>	<u>\$ 428</u>	<u>\$ 146,384</u>	<u>\$ 93,248</u>	<u>\$ 4,232,833</u>	<u>\$ 1,968,322</u>	<u>\$ 752,343</u>	<u>\$ 13,940,808</u>

(Continued)

CITY OF NORTH MIAMI BEACH, FLORIDA

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

(Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2011

	Debt Service						Total
	Series 2000B	Series 2002A	Series 1997-98	Series 2003B	Series 2005C	Series 2011	
Revenues:							
Property taxes	\$ 1,089,172	\$ 921,076	\$ -	\$ -	\$ -	\$ -	\$ 2,010,248
Intergovernmental	-	-	641,534	-	-	-	641,534
Interest	-	-	268	209	45	-	522
Total revenues	1,089,172	921,076	641,802	209	45	-	2,652,304
Expenditures:							
Current:							
General government		-	1,245	-	-	-	1,245
Debt service:							-
Principal	315,000	455,000	210,000	440,000	17,820	-	1,437,820
Interest and fiscal charges	768,520	474,838	50,455	254,858	9,080	87,808	1,645,559
Total expenditures	1,083,520	929,838	261,700	694,858	26,900	87,808	3,084,624
Excess (deficiency) of revenues over expenditures	5,652	(8,762)	380,102	(694,649)	(26,855)	(87,808)	(432,320)
Other financing sources (uses):							
Proceeds from credit facilities	-	-	-	-	-	14,835,000	14,835,000
Payments to escrow agent on debt refunding	-	-	-	-	-	(14,835,000)	(14,835,000)
Transfers in	-	-	-	694,147	31,474	-	725,621
Transfers out	(2,826)	-	(380,962)	-	-	-	(383,788)
Total other financing sources (uses)	(2,826)	-	(380,962)	694,147	31,474	-	341,833
Net changes in fund balances	2,826	(8,762)	(860)	(502)	4,619	(87,808)	(90,487)
Fund balances, beginning	(2,826)	6,298	222,346	300	(4,619)	-	221,499
Fund balances, ending	\$ -	\$ (2,464)	\$ 221,486	\$ (202)	\$ -	\$ (87,808)	\$ 131,012

(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, 2011

	Capital Projects											Total Nonmajor Governmental Funds	
	Alley Restoration Program	2004 BBC Program	2003B Surtax	172 St. Drainage	SNP Challenge & FRDAP	ARRA 19 Ave Improvement	ARRA Sidewalk Replacement	CDBG 18th Ave Roadway	CDBG NE 173 St. Roadway	CDBG 168 St. Improvement	CDBG NE 172 St. Roadway		Total
Revenues:													
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,010,248
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-	-	3,426,917
Grants	-	1,114,054	-	2,222	183,375	186,628	-	-	145,730	-	304,527	1,936,536	3,040,733
Fines and forfeitures	-	-	-	-	-	-	-	-	-	-	-	-	4,286,495
Other	-	-	-	-	-	-	-	-	-	-	-	-	131,927
Interest	103	-	1,053	-	-	-	-	-	-	-	-	1,156	69,728
Total revenues	103	1,114,054	1,053	2,222	183,375	186,628	-	-	145,730	-	304,527	1,937,692	12,966,048
Expenditures:													
Current:													
General government	-	-	-	-	-	-	-	-	-	-	-	-	808,507
Public safety	-	-	-	-	-	-	-	-	-	-	-	-	3,513,449
Leisure services	-	-	-	-	-	-	-	-	-	-	-	-	340,492
Public services	483	21,613	-	2,222	-	-	-	-	-	-	-	24,318	24,318
Capital outlay	244,369	1,151,415	-	-	347,474	289,932	-	-	142,370	-	493,545	2,669,105	4,397,987
Debt service:													
Principal	-	-	-	-	-	-	-	-	-	-	-	-	1,882,265
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-	1,784,102
Total expenditures	244,852	1,173,028	-	2,222	347,474	289,932	-	-	142,370	-	493,545	2,693,423	12,751,120
Excess (deficiency) of revenues over expenditures	(244,749)	(58,974)	1,053	-	(164,099)	(103,304)	-	-	3,360	-	(189,018)	(755,731)	214,928
Other financing sources (uses):													
Proceeds from credit facilities	-	-	-	-	-	-	-	-	-	-	-	-	14,835,000
Payments to escrow agent on debt refunding	-	-	-	-	-	-	-	-	-	-	-	-	(14,835,000)
Transfers in	320,000	-	-	-	-	-	-	-	-	-	-	320,000	1,598,097
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	(1,397,528)
Total other financing sources (uses)	320,000	-	-	-	-	-	-	-	-	-	-	320,000	200,569
Net changes in fund balances	75,251	(58,974)	1,053	-	(164,099)	(103,304)	-	-	3,360	-	(189,018)	(435,731)	415,497
Fund balances, beginning	183,620	(223,503)	216,272	-	165,499	(106,724)	-	32,330	-	(850)	-	266,644	13,487,236
Fund balances, ending	\$ 258,871	\$ (282,477)	\$ 217,325	\$ -	\$ 1,400	\$ (210,028)	\$ -	\$ 32,330	\$ 3,360	\$ (850)	\$ (189,018)	\$ (169,087)	\$ 13,902,733

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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>from Final</u>
				<u>Budget -</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
Revenues:				
Intergovernmental	\$ 1,092,917	\$ 1,092,917	\$ 1,260,998	\$ 168,081
Interest	50	50	98	48
Total revenues	1,092,967	1,092,967	1,261,096	168,129
Expenditures:				
Current:				
General government	500	500	636	(136)
Leisure services	212,971	213,256	191,971	21,285
Capital outlay	552,605	555,009	236,561	318,448
Total expenditures	766,076	768,765	429,168	339,597
Excess of revenues over expenditures	326,891	324,202	831,928	507,726
Other financing sources (uses):				
Transfers in	527,476	527,476	527,476	-
Transfers out	(854,367)	(854,367)	(852,014)	2,353
Total other financing sources (uses)	(326,891)	(326,891)	(324,538)	2,353
Net changes in fund balances			507,390	
Fund balances, beginning			379,213	
Fund balances, ending			\$ 886,603	

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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance from Final Budget - Favorable <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 6,583,409	\$ 6,583,409	\$ 1,138,889	\$ (5,444,520)
Interest	<u>164,971</u>	<u>164,971</u>	<u>39,148</u>	<u>(125,823)</u>
Total revenues	<u>6,748,380</u>	<u>6,748,380</u>	<u>1,178,037</u>	<u>(5,570,343)</u>
Expenditures:				
Current:				
General government	969,784	1,082,610	806,626	275,984
Public safety	-	120,000	120,000	-
Capital outlay	5,650,000	5,853,315	228,435	5,624,880
Debt service:				
Principal	444,500	444,500	444,445	55
Interest and finance charges	<u>155,500</u>	<u>155,500</u>	<u>138,543</u>	<u>16,957</u>
Total expenditures	<u>7,219,784</u>	<u>7,655,925</u>	<u>1,738,049</u>	<u>5,917,876</u>
Excess (deficiency) of revenues over expenditures	<u>(471,404)</u>	<u>(907,545)</u>	<u>(560,012)</u>	<u>347,533</u>
Other financing sources (uses):				
Transfers in	692,319	692,319	-	692,319
Transfers out	<u>(220,915)</u>	<u>(226,474)</u>	<u>(136,415)</u>	<u>(90,059)</u>
Total other financing sources (uses)	<u>471,404</u>	<u>465,845</u>	<u>(136,415)</u>	<u>602,260</u>
Net changes in fund balances			(696,427)	
Fund balances, beginning			<u>6,330,808</u>	
Fund balances, ending			<u><u>\$ 5,634,381</u></u>	

CITY OF NORTH MIAMI BEACH, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual Amounts	Variance from Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Property taxes	\$ 1,149,200	\$ 1,149,200	\$ 1,089,172	\$ (60,028)
Total revenues	1,149,200	1,149,200	1,089,172	(60,028)
Expenditures:				
Current:				
General government	-	-	2,826	(2,826)
Debt service:				
Principal	315,000	315,000	315,000	-
Interest and finance charges	834,200	834,200	768,520	65,680
Total expenditures	1,149,200	1,149,200	1,086,346	62,854
Excess of revenues over expenditures	-	-	2,826	2,826
Net changes in fund balances			2,826	
Fund balances, beginning			(2,826)	
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 2002A

FISCAL YEAR ENDED SEPTEMBER 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance from Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 921,076	\$ 921,076	\$ 921,076	\$ -
Total revenues	<u>921,076</u>	<u>921,076</u>	<u>921,076</u>	<u>-</u>
Expenditures:				
Debt service:				
Principal	455,000	455,000	455,000	-
Interest and finance charges	466,076	466,076	474,838	(8,762)
Total expenditures	<u>921,076</u>	<u>921,076</u>	<u>929,838</u>	<u>(8,762)</u>
Deficiency of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(8,762)</u>	<u>(8,762)</u>
Net changes in fund balances			(8,762)	
Fund balances, beginning			<u>6,298</u>	
Fund balances, ending			<u>\$ (2,464)</u>	

CITY OF NORTH MIAMI BEACH, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>from Final Budget - Favorable (Unfavorable)</u>
Revenues:				
Intergovernmental	\$ 641,442	\$ 641,442	\$ 641,534	\$ 92
Interest	100	100	268	168
Total revenues	641,542	641,542	641,802	260
Expenditures:				
Current:				
General government	100	100	1,245	(1,145)
Debt service:				
Principal	210,000	210,000	210,000	-
Interest and finance charges	50,480	50,480	50,455	25
Total expenditures	260,580	260,580	261,700	(1,120)
Excess of revenues over expenditures	380,962	380,962	380,102	(860)
Other financing sources (uses):				
Transfers out	(380,962)	(380,962)	(380,962)	-
Total other financing sources (uses)	(380,962)	(380,962)	(380,962)	-
Net changes in fund balances			(860)	
Fund balances, beginning			222,346	
Fund balances, ending			\$ 221,486	

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, 2011

	<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	\$ -	\$ -	\$ 209	\$ 209
Total revenues	-	-	209	209
Expenditures:				
Debt service:				
Principal	440,000	440,000	440,000	-
Interest and finance charges	256,500	256,500	254,858	1,642
Total expenditures	696,500	696,500	694,858	1,642
Deficiency of revenues over expenditures	(696,500)	(696,500)	(694,649)	1,851
Other financing sources (uses):				
Transfers in	696,500	696,500	694,147	2,353
Total other financing sources (uses)	696,500	696,500	694,147	2,353
Net changes in fund balances			(502)	
Fund balances, beginning			300	
Fund balances, ending			\$ (202)	

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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Interest	\$ -	\$ -	\$ 45	\$ 45
Total revenues	-	-	45	45
Expenditures:				
Debt service:				
Principal	17,820	17,820	17,820	-
Interest and finance charges	9,100	9,100	9,080	20
Total expenditures	26,920	26,920	26,900	20
Deficiency of revenues over expenditures	(26,920)	(26,920)	(26,855)	65
Other financing sources (uses):				
Transfers in	26,920	26,920	31,474	4,554
Total other financing sources (uses)	26,920	26,920	31,474	4,554
Net changes in fund balances			4,619	
Fund balances, beginning			(4,619)	
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 2011

FISCAL YEAR ENDED SEPTEMBER 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Interest	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures:				
Debt service:				
Principal	-	-	-	-
Interest and finance charges	87,808	87,808	87,808	-
Total expenditures	87,808	87,808	87,808	-
Deficiency of revenues over expenditures	(87,808)	(87,808)	(87,808)	-
Other financing sources (uses):				
Proceeds from credit facilities	14,835,000	14,835,000	14,835,000	-
Payments to escrow agent on debt refunding	(14,835,000)	(14,835,000)	(14,835,000)	-
Total other financing sources (uses)	-	-	-	-
Net changes in fund balances			(87,808)	
Fund balances, beginning			-	
Fund balances, ending			\$ (87,808)	

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, 2011

	<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	\$ -	\$ 1,200	\$ 103	\$ (1,097)
Total revenues	-	1,200	103	(1,097)
Expenditures:				
Current:				
Public services	-	1,200	483	717
Capital outlay	-	320,000	244,369	75,631
Total expenditures	-	321,200	244,852	76,348
Deficiency of revenues over expenditures	-	(320,000)	(244,749)	75,251
Other financing sources (uses):				
Transfers in	-	320,000	320,000	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	320,000	320,000	-
Net changes in fund balances			75,251	
Fund balances, beginning			183,620	
Fund balances, ending			\$ 258,871	



FIDUCIARY FUNDS

CITY OF NORTH MIAMI BEACH, FLORIDA

FIDUCIARY FUNDS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS

SEPTEMBER 30, 2011

	Pension Trust Funds				<u>Totals</u>
	<u>General Employees</u>	<u>Police Officers and Firefighters</u>	<u>General Management Employees</u>	<u>OPEB Trust</u>	
<u>ASSETS</u>					
Cash held with trustee	\$ 871	\$ 10,212	\$ -	\$ -	\$ 11,083
Investments:					
Common stocks	31,828,073	35,588,993	-	-	67,417,066
Corporate bonds	12,303,398	13,419,802	-	-	25,723,200
U.S. Government securities	10,051,294	12,003,200	-	-	22,054,494
Mutual funds	1,332,762	2,770,329	11,860,967	491,693	16,455,751
Accrued interest and dividends	322,511	356,429	-	-	678,940
Other receivables	42,532	127,978	-	-	170,510
Total assets	55,881,441	64,276,943	11,860,967	491,693	132,511,044
 <u>LIABILITIES AND NET ASSETS</u>					
Vouchers payable and accrued liabilities	88,489	284,601	-	-	373,090
Total liabilities	88,489	284,601	-	-	373,090
 Net assets held in trust for pension benefits	 \$ 55,792,952	 \$ 63,992,342	 \$ 11,860,967	 \$ 491,693	 \$ 132,137,954

CITY OF NORTH MIAMI BEACH, FLORIDA

FIDUCIARY FUNDS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED SEPTEMBER 30, 2011

	Pension Trust Funds				<u>Totals</u>
	<u>General Employees</u>	<u>Police Officers and Firefighters</u>	<u>General Management Employees</u>	<u>OPEB Trust</u>	
ADDITIONS					
Contributions:					
Employees	\$ 866,568	\$ 1,083,698	\$ 230,227	\$ -	\$ 2,180,493
Employer	2,812,799	5,382,573	1,430,128	500,000	10,125,500
State/County	-	614,927	-	-	614,927
Total contributions	<u>3,679,367</u>	<u>7,081,198</u>	<u>1,660,355</u>	<u>500,000</u>	<u>12,920,920</u>
Investment income:					
Net appreciation (depreciation) in fair value of investments	(1,517,606)	(1,862,778)	427,323	(7,909)	(2,960,970)
Interest and dividends	1,881,372	2,061,067	88,402	-	4,030,841
Other income	16,176	16,164	-	-	32,340
Investment expenses	<u>(337,883)</u>	<u>(342,609)</u>	<u>-</u>	<u>-</u>	<u>(680,492)</u>
Net investment gain	<u>42,059</u>	<u>(128,156)</u>	<u>515,725</u>	<u>(7,909)</u>	<u>421,719</u>
Total additions	<u>3,721,426</u>	<u>6,953,042</u>	<u>2,176,080</u>	<u>492,091</u>	<u>13,342,639</u>
DEDUCTIONS					
Pension benefits	3,393,137	5,303,905	1,207,272	-	9,904,314
Refunds (forfeitures) of contributions	232,428	336,874	(32,816)	-	536,486
Administrative expenses	<u>159,677</u>	<u>203,993</u>	<u>33,169</u>	<u>398</u>	<u>397,237</u>
Total deductions	<u>3,785,242</u>	<u>5,844,772</u>	<u>1,207,625</u>	<u>398</u>	<u>10,838,037</u>
Net increase	(63,816)	1,108,270	968,455	491,693	2,504,602
Net assets held in trust for pension benefits:					
Beginning	<u>55,856,768</u>	<u>62,884,072</u>	<u>10,892,512</u>	<u>-</u>	<u>129,633,352</u>
Ending	<u>\$ 55,792,952</u>	<u>\$ 63,992,342</u>	<u>\$ 11,860,967</u>	<u>\$ 491,693</u>	<u>\$ 132,137,954</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2011

	POLICE HOLDING			
	Balance September 30, <u>2010</u>	<u>Additions</u>	<u>Deductions</u>	Balance September 30, <u>2011</u>
<u>ASSETS</u>				
Cash	\$ <u>2,495,730</u>	\$ <u>854,218</u>	\$ <u>2,043,199</u>	\$ <u>1,306,749</u>
<u>LIABILITIES</u>				
Deposits held in trust	\$ <u>2,495,730</u>	\$ <u>854,218</u>	\$ <u>2,043,199</u>	\$ <u>1,306,749</u>



III. STATISTICAL SECTION

CITY OF NORTH MIAMI BEACH, FLORIDA
STATISTICAL SECTION
SEPTEMBER 30, 2011

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

CONTENTS

	PAGE
Financial Trends	105-108
<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>	
Revenue Capacity	109-115
<i>These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.</i>	
Debt Capacity	116-119
<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>	
Demographic and Economic Information	120-121
<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>	
Operating Information	122-124
<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>	

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 TEN FISCAL YEARS

(ACCRUAL BASIS OF ACCOUNTING)

(AMOUNTS EXPRESSED IN THOUSANDS)

	Fiscal Year									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Governmental activities:										
Invested in capital assets, net of related debt	\$ 10,870	\$ 14,888	\$ 12,088	\$ 15,239	\$ 20,831	\$ 27,797	\$ 23,071	\$ 35,288	\$ 25,400	\$ 36,278
Restricted	14,418	9,908	11,775	8,662	4,978	3,369	2,140	7,679	6,324	14,422
Unrestricted	<u>6,000</u>	<u>4,680</u>	<u>4,976</u>	<u>3,206</u>	<u>4,045</u>	<u>4,822</u>	<u>16,659</u>	<u>11,565</u>	<u>23,577</u>	<u>9,913</u>
Total governmental activities net assets	<u>31,288</u>	<u>29,476</u>	<u>28,839</u>	<u>27,107</u>	<u>29,854</u>	<u>35,988</u>	<u>41,870</u>	<u>54,532</u>	<u>55,301</u>	<u>60,613</u>
Business-type activities:										
Invested in capital assets, net of related debt	53,019	55,829	57,376	61,584	60,373	67,750	84,046	87,440	86,623	82,977
Restricted	4,417	3,932	4,988	6,371	14,794	5,095	89	204	833	907
Unrestricted (deficit)	<u>1,131</u>	<u>1,275</u>	<u>(326)</u>	<u>(1,164)</u>	<u>490</u>	<u>4,612</u>	<u>(5,012)</u>	<u>(2,657)</u>	<u>(2,534)</u>	<u>10,200</u>
Total business-type activities net assets	<u>58,567</u>	<u>61,036</u>	<u>62,038</u>	<u>66,791</u>	<u>75,657</u>	<u>77,457</u>	<u>79,123</u>	<u>84,987</u>	<u>84,922</u>	<u>94,084</u>
Total government:										
Invested in capital assets, net of related debt	63,889	70,717	69,464	76,823	81,204	95,547	107,117	122,728	112,023	119,255
Restricted	18,835	13,840	16,763	15,033	19,772	8,464	2,229	7,883	7,157	15,329
Unrestricted	<u>7,131</u>	<u>5,955</u>	<u>4,650</u>	<u>2,042</u>	<u>4,535</u>	<u>9,434</u>	<u>11,647</u>	<u>8,908</u>	<u>21,043</u>	<u>20,113</u>
Total government net assets	<u>\$ 89,855</u>	<u>\$ 90,512</u>	<u>\$ 90,877</u>	<u>\$ 93,898</u>	<u>\$ 105,511</u>	<u>\$ 113,445</u>	<u>\$ 120,993</u>	<u>\$ 139,519</u>	<u>\$ 140,223</u>	<u>\$ 154,697</u>

Source: City of North Miami Beach

CITY OF NORTH MIAMI BEACH, FLORIDA

CHANGES IN NET ASSETS
 LAST TEN FISCAL YEARS
 (ACCRUAL BASIS OF ACCOUNTING)
 (AMOUNTS EXPRESSED IN THOUSANDS)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses:										
Governmental activities:										
General government	\$ 10,823	\$ 13,682	\$ 13,966	\$ 15,063	\$ 15,258	\$ 17,433	\$ 14,951	\$ 16,556	\$ 18,821	\$ 15,279
Public safety	15,784	15,932	17,655	18,678	20,340	21,629	23,283	22,042	22,091	25,069
Leisure services	4,991	5,318	5,545	5,713	5,897	5,997	5,833	5,021	5,373	4,950
Public services	8,933	9,571	10,174	11,147	13,977	10,659	11,635	12,966	10,718	10,631
Interest on long-term debt	1,758	1,717	1,980	1,998	2,672	1,971	1,873	1,952	1,943	1,735
Total governmental activities	<u>42,289</u>	<u>46,220</u>	<u>49,320</u>	<u>52,599</u>	<u>58,144</u>	<u>57,689</u>	<u>57,575</u>	<u>58,537</u>	<u>58,946</u>	<u>57,664</u>
Business-type activities:										
Water	15,005	18,466	18,471	19,381	20,124	19,624	22,003	23,344	23,990	23,367
Sewer	4,326	3,746	3,423	3,642	3,801	4,233	4,456	5,007	5,305	4,487
Stormwater	795	750	690	663	738	755	752	762	868	864
Building permits	-	-	-	-	-	-	-	-	1,359	1,437
Total business-type activities	<u>20,126</u>	<u>22,962</u>	<u>22,584</u>	<u>23,686</u>	<u>24,663</u>	<u>24,612</u>	<u>27,211</u>	<u>29,113</u>	<u>31,522</u>	<u>30,155</u>
Total government expenses	<u>\$ 62,415</u>	<u>\$ 69,182</u>	<u>\$ 71,904</u>	<u>\$ 76,285</u>	<u>\$ 82,807</u>	<u>\$ 82,301</u>	<u>\$ 84,786</u>	<u>\$ 87,650</u>	<u>\$ 90,468</u>	<u>\$ 87,819</u>
Program revenues:										
Governmental activities:										
Charges for services:										
General government	3,903	4,494	6,542	7,338	8,561	7,883	8,941	10,021	2,772	3,097
Public safety	2,398	1,769	1,239	1,164	1,092	2,376	1,630	8,996	1,513	5,095
Leisure services	651	651	588	568	559	555	624	639	597	821
Public services	7,585	7,507	7,684	7,998	8,212	8,504	8,674	8,991	8,870	8,956
Operating grants and contributions	396	2,086	1,135	1,470	2,196	3,548	1,817	1,215	2,013	1,028
Capital grants and contributions	1,249	389	163	168	16	27	34	379	3	2,013
Total governmental activities program revenues	<u>16,182</u>	<u>16,896</u>	<u>17,351</u>	<u>18,706</u>	<u>20,636</u>	<u>22,893</u>	<u>21,720</u>	<u>30,241</u>	<u>15,768</u>	<u>21,010</u>
Business-type activities:										
Charges for services:										
Water	15,509	16,215	17,375	17,251	18,154	18,805	23,477	27,599	31,465	33,790
Sewer	4,669	4,707	4,919	4,854	5,128	5,068	5,865	6,360	7,082	7,701
Stormwater	1,016	1,019	1,024	1,037	1,140	1,291	1,279	1,280	1,282	1,268
Building permits	-	-	-	-	-	-	-	-	1,250	1,204
Operating grants and contributions	-	1,544	1,332	3,809	4,414	1,281	1,401	56	1,536	2,334
Capital grants and contributions	2,471	5,781	1,954	4,345	7,648	3,547	1,439	4,917	770	482
Total business-type activities program revenues	<u>23,665</u>	<u>29,266</u>	<u>26,604</u>	<u>31,296</u>	<u>36,484</u>	<u>29,992</u>	<u>33,461</u>	<u>40,212</u>	<u>43,385</u>	<u>46,779</u>
Total program revenues	<u>\$ 39,847</u>	<u>\$ 46,162</u>	<u>\$ 43,955</u>	<u>\$ 50,002</u>	<u>\$ 57,120</u>	<u>\$ 52,885</u>	<u>\$ 55,181</u>	<u>\$ 70,453</u>	<u>\$ 59,153</u>	<u>\$ 67,789</u>
Net (expense) revenue:										
Governmental activities	(26,107)	(29,324)	(31,969)	(33,893)	(37,508)	(34,796)	(35,855)	(28,296)	(43,178)	(36,654)
Business-type activities	3,539	6,304	4,020	7,610	11,821	5,380	6,250	11,099	11,863	16,624
Total net expense	<u>(22,568)</u>	<u>(23,020)</u>	<u>(27,949)</u>	<u>(26,283)</u>	<u>(25,687)</u>	<u>(29,416)</u>	<u>(29,605)</u>	<u>(17,197)</u>	<u>(31,315)</u>	<u>(20,030)</u>
General revenues:										
Governmental activities:										
Taxes:										
Property taxes	10,832	11,858	12,640	13,769	15,810	19,155	19,669	18,151	16,263	12,552
Sales and other taxes	5,638	8,023	8,490	8,193	9,170	9,436	9,375	9,628	9,282	9,559
State and local shared revenue	3,823	2,837	3,566	4,164	8,501	5,373	5,786	5,429	5,085	5,671
Unrestricted interest earnings	1,075	78	535	542	637	674	173	339	353	131
Miscellaneous	990	743	973	1,040	1,367	1,283	1,437	1,439	1,793	284
Transfers	3,738	4,143	4,339	4,453	4,771	5,009	5,297	5,973	13,054	13,769
Total governmental activities	<u>26,096</u>	<u>27,682</u>	<u>30,543</u>	<u>32,161</u>	<u>40,256</u>	<u>40,930</u>	<u>41,737</u>	<u>40,959</u>	<u>45,830</u>	<u>41,966</u>
Business-type activities:										
Unrestricted interest earnings	434	42	965	1,297	1,445	884	136	192	167	46
Miscellaneous	850	265	355	300	369	546	577	519	2,218	6,261
Transfers	(3,738)	(4,143)	(4,339)	(4,453)	(4,771)	(5,009)	(5,297)	(5,973)	(13,054)	(13,769)
Total business-type activities	<u>(2,454)</u>	<u>(3,836)</u>	<u>(3,019)</u>	<u>(2,856)</u>	<u>(2,957)</u>	<u>(3,579)</u>	<u>(4,584)</u>	<u>(5,262)</u>	<u>(10,669)</u>	<u>(7,462)</u>
Total general revenues	<u>23,642</u>	<u>23,846</u>	<u>27,524</u>	<u>29,305</u>	<u>37,299</u>	<u>37,351</u>	<u>37,153</u>	<u>35,697</u>	<u>35,161</u>	<u>34,504</u>
Change in net assets:										
Governmental activities	(11)	(1,642)	(1,426)	(1,732)	2,748	6,134	5,882	12,663	2,652	5,312
Business-type activities	1,085	2,468	1,001	4,754	8,864	1,801	1,666	5,837	1,194	9,162
Total change in net assets	<u>\$ 1,074</u>	<u>\$ 826</u>	<u>\$ (425)</u>	<u>\$ 3,022</u>	<u>\$ 11,612</u>	<u>\$ 7,935</u>	<u>\$ 7,548</u>	<u>\$ 18,500</u>	<u>\$ 3,846</u>	<u>\$ 14,474</u>

Source: City of North Miami Beach

CITY OF NORTH MIAMI BEACH, FLORIDA

FUND BALANCES OF GOVERNMENTAL FUNDS

CURRENT FISCAL YEAR

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

(AMOUNTS EXPRESSED IN THOUSANDS)

	<u>Fiscal Year</u>
	<u>2011</u>
General fund:	
Nonspendable:	
Inventories	\$ 226,484
Prepaid costs	795
Committed:	
Impact fees	35,093
Assigned:	
Encumbrances	643,567
Liability claims	1,249,412
Workers' compensation claims	1,263,113
Land acquisition	115,996
Unassigned	<u>8,838,322</u>
Total general fund	<u><u>12,372,782</u></u>
All other governmental funds:	
Nonspendable:	
Prepaid costs	752,078
Restricted:	
Grant related	487,396
Debt service	221,486
Community Redevelopment	5,633,272
Interlocal agreements	1,126,663
Public safety	6,953,112
Committed:	
Alley restoration	258,871
Unassigned	
Grant related	(689,088)
Debt service	(841,057)
Total all other governmental funds	<u>13,902,733</u>
Total governmental funds	<u><u>\$ 26,275,515</u></u>

GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" implemented for the fiscal year ending September 30, 2011.

Source: City of North Miami Beach

CITY OF NORTH MIAMI BEACH, FLORIDA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(AMOUNTS EXPRESSED IN THOUSANDS)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues:										
Ad valorem taxes	\$10,832	\$11,858	\$12,640	\$13,769	\$15,810	\$19,155	\$19,669	\$18,151	\$16,263	\$12,552
Franchise fees	1,418	1,443	1,591	1,454	1,809	1,914	1,906	2,292	2,225	2,019
Utility taxes	2,297	2,377	2,349	2,243	2,377	2,336	2,452	2,516	2,680	2,751
Communication service tax	1,901	1,785	1,990	1,863	2,168	2,460	2,431	2,491	2,140	2,314
Other taxes	22	19	18	21	38	792	806	558	561	628
Licenses and permits	1,458	1,485	1,795	2,201	3,103	2,101	2,083	1,760	574	885
Intergovernmental	5,412	6,885	7,391	7,306	10,755	7,839	7,484	7,200	6,761	7,518
Charges for services	8,556	8,970	9,046	9,771	10,039	10,437	10,913	11,662	11,571	12,210
Fines and forfeitures	2,396	1,763	1,298	1,207	1,075	2,363	1,589	8,958	1,465	4,874
Other	3,174	3,076	4,902	6,037	8,310	8,743	8,680	9,115	3,951	3,325
Interest	1,075	774	535	542	637	674	173	339	353	131
Total revenues	38,541	40,435	43,555	46,414	56,121	58,814	58,186	65,042	48,544	49,207
Expenditures:										
Current:										
General government	9,779	11,866	11,831	12,814	13,230	15,546	14,886	14,398	15,237	13,116
Public safety	14,380	14,926	16,852	17,878	19,805	21,041	22,902	22,721	24,566	24,501
Leisure services	4,532	4,902	5,211	5,334	5,646	5,758	4,918	5,496	5,175	4,945
Public services	7,719	8,168	9,547	10,315	13,487	10,162	10,089	9,796	10,001	10,214
Capital outlay	6,020	7,448	8,033	5,738	8,336	10,000	5,930	5,088	6,310	5,897
Debt service:										
Principal	1,733	1,654	1,509	1,970	2,105	2,247	2,451	2,434	2,523	2,393
Interest and other fiscal charges	1,758	1,717	1,980	1,998	1,977	2,008	1,896	1,977	1,907	1,830
Total expenditures	45,921	50,681	54,963	56,047	64,586	66,762	63,072	61,910	65,719	62,896
Deficiency of revenues over expenditures	(7,380)	(10,246)	(11,408)	(9,633)	(8,465)	(7,948)	(4,886)	3,132	(17,175)	(13,689)
Other financing sources (uses):										
Transfers in	5,208	5,976	6,044	6,686	6,742	7,363	8,157	9,012	17,980	15,750
Transfers out	(1,470)	(1,833)	(1,705)	(2,233)	(1,972)	(2,353)	(2,860)	(3,054)	(4,926)	(1,981)
Lease proceeds	942	547	719	864	1,317	1,425	-	788	-	-
Debt issuance	11,510	-	7,765	226	-	-	-	-	-	-
Proceeds from credit facilities	-	-	-	-	-	-	4,000	4,000	517	14,835
Premium on debt issuance	286	-	370	7	-	-	-	-	-	-
Payment to escrow agent	(11,938)	-	-	(228)	-	-	-	-	-	(14,835)
Total other financing sources (uses)	4,538	4,690	13,193	5,322	6,087	6,435	9,297	10,746	13,571	13,769
Net change in fund balances	(2,843)	(5,556)	1,785	(4,311)	(2,378)	(1,513)	4,411	13,878	(3,604)	80
Fund balances - beginning	27,171	19,422	21,207	21,207	16,896	14,518	13,006	17,417	29,800	26,196
Fund balances - ending	\$24,328	\$ (5,556)	\$21,207	\$16,896	\$14,518	\$13,005	\$17,417	\$31,295	\$26,196	\$26,276
Debt service as a percentage of non-capital expenditures	8.75%	7.80%	7.43%	7.89%	7.26%	7.50%	7.61%	7.76%	7.46%	7.41%

Source: City of North Miami Beach

CITY OF NORTH MIAMI BEACH, FLORIDA

NET ASSESSED VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS
(IN THOUSANDS OF DOLLARS)

<u>Fiscal Year</u> <u>Ended</u> <u>September 30,</u>	<u>Real</u> <u>Property</u>	<u>Personal</u> <u>Property</u>	<u>Centrally</u> <u>Assessed</u>	<u>Total Gross</u> <u>Assessed</u> <u>Value</u>	<u>Real Estate</u> <u>Exempt</u> <u>Properties</u>	<u>Total Net</u> <u>Assessed</u> <u>Value</u>	<u>Total Direct</u> <u>Tax Rate</u>
2002	\$ 1,210,077	\$ 115,814	\$ 858	\$1,326,749	\$ 24,705	\$1,302,044	\$ 9.095
2003	1,372,854	120,113	855	1,493,822	22,805	1,471,017	8.896
2004	1,533,037	122,126	1,043	1,656,206	14,825	1,641,381	8.781
2005	1,812,635	122,216	1,109	1,935,960	40,287	1,895,673	8.609
2006	2,243,492	131,519	1,191	2,376,202	40,788	2,335,414	8.409
2007	2,600,993	130,023	1,214	2,732,230	33,706	2,698,524	7.479
2008	2,521,418	124,873	1,392	2,647,684	5,087	2,642,597	7.437
2009	2,156,288	112,131	1,377	2,269,795	4,297	2,265,499	7.573
2010	1,684,317	121,656	1,024	1,806,996	3,137	1,803,859	7.573
2011	2,415,709	162,496	1,039	2,579,244	574,023	2,005,221	7.810

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)																		
	City of North Miami Beach			Miami-Dade County			Miami-Dade County School Board			Water Management District			Special District		Children's Trust	Fire and Rescue	Fire Debt	Everglades C.P.	Total Direct and Overlapping Rates
	Operating Millage	Service Millage	Debt Total City Millage	Operating Millage	Service Millage	Total County Millage	Operating Millage	Service Millage	Total School Millage	Water Management District	Special District	Children's Trust	Fire and Rescue	Fire Debt	Everglades C.P.	Total Direct and Overlapping Rates			
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	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	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	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	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	26.3492			
2007	7.5000	0.7889	8.2889	4.5796	0.2850	4.8646	7.5700	0.3780	7.9480	0.5346	0.0345	0.4223	2.2067	0.0420	0.0894	24.4310			
2008	6.6905	0.8139	7.5044 #	4.8379	0.2850	5.1229	7.5330	0.2640	7.7970	0.5346	0.0345	0.4212	2.1851	0.0420	0.0894	23.7311			
2009	6.6236	0.9595	7.5831	4.8379	0.2850	5.1229	7.6980	0.2970	7.9950	0.5346	0.0345	0.5000	2.1851	0.0420	0.0894	24.0866			
2010	6.6136	0.9595	7.5731	4.8379	0.2850	5.1229	7.6980	0.2970	7.9950	0.5346	0.0345	0.5000	2.1851	0.0420	0.0894	24.0766			
2011	6.6036	1.2060	7.8096	5.4275	0.4450	5.8725	7.8640	0.3850	8.2490	0.5346	0.0345	0.5000	2.5753	0.0200	0.0894	25.6849			

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

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

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

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

CITY OF NORTH MIAMI BEACH, FLORIDA

PRINCIPAL PROPERTY TAXPAYERS

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

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2011</u>			<u>2002</u>		
		<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percent of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percent of Total City Taxable Assessed Value</u>
Florida Power & Light Co.	Utility	\$ 40,934	1	1.59%	\$ 21,280	2	1.60%
MSW Intracoastal Mall LLC	Retail	31,900	2	1.24%	-	-	-
A.SUR Net Inc	Telecommunications	24,376		0.95%	-	-	-
Biscayne Commons LLC	Condo	17,500	3	0.68%	-	-	-
Klien Motors Inc.	Retail	17,035	4	0.66%	-	-	-
Costco Wholesaler Corporation	Retail	16,800	5	0.65%	8,258	8	0.62%
Jaw of Divine Square LLC	Condo	13,884	6	0.65%	-	-	-
Dayton Hudson Corp (Target)	Retail	13,500	7	0.52%	10,410	7	0.78%
Sonic Ward, Inc. (K-Mart)	Retail	12,600	8	0.49%	10,915	6	0.82%
NMB Commerce Center	Office Building	10,877	9	0.42%	-	-	-
Total		<u>\$ 199,406</u>		<u>7.84%</u>	<u>\$ 50,863</u>		<u>3.83%</u>
Total assessed value					<u>\$2,579,244</u>		<u>\$1,326,749</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 <u>September 30,</u>	Total Taxes Levied for Operating Purposes for <u>Fiscal Year</u>	Levied Taxes Collected within the Fiscal Year		Delinquent Tax <u>Collections</u>	Total Tax Collections	
		<u>Amount</u>	<u>Percent of Levy</u>		<u>Amount</u>	<u>Percent of Levy</u>
2002	\$ 9,077	\$ 8,742	96.3%	\$ 31	\$8,773	96.7%
2003	9,951	9,365	94.1%	83	9,448	94.9%
2004	11,204	10,605	94.7%	54	10,659	95.1%
2005	12,422	11,637	93.7%	116	11,753	94.6%
2006	14,520	13,726	94.5%	46	13,772	94.8%
2007	18,280	16,877	92.3%	227	17,104	93.6%
2008	18,214	17,421	95.6%	200	17,621	96.7%
2009	17,537	15,936	90.9%	168	16,104	91.8%
2010	15,241	13,491	88.5%	704	14,195	93.1%
2011	11,933	11,914	99.8%	748	12,662	106.1%

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>	Direct Rate (3)
2002	5,246,138	4,411,391	7,119,759	\$ 15,509	\$ 12.77
2003	5,613,394	4,449,940	7,243,090	16,215	12.98
2004	5,627,611	4,477,992	7,274,623	17,375	13.75
2005	5,181,070	4,632,693	7,140,902	17,251	13.96
2006	5,197,500	3,909,050	7,319,322	18,154	14.99
2007	(4) 5,833,530	2,596,557	7,016,467	18,805	15.41
2008	8,182,466	568,949	6,894,029	23,477	17.40
2009	7,926,955	104,170	6,703,623	27,599	19.55
2010	7,359,260	100,234	6,603,938	26,410	21.57
2011	7,492,095	99,000	6,502,637	28,623	23.84

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.

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>2002 (1)</u>	<u>2003 (1)</u>	<u>2004 (1)</u>	<u>2005 (1)</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Minimum Chg - Single Family:										
5/8"	\$ 6.82	\$ 6.82	\$ 6.82	\$ 6.82	\$ 6.97	\$ 7.16	\$ 8.10	\$ 9.10	\$ 8.85	\$ 9.78
3/4"	6.82	6.82	6.82	6.82	6.97	7.16	8.10	9.10	8.85	9.78
1"	17.05	17.05	17.05	17.05	17.43	17.90	20.25	22.75	22.13	24.75
1 1/2"	34.10	34.10	34.10	34.10	34.85	35.80	40.50	45.50	44.25	48.90
2"	54.56	54.56	54.56	54.56	55.76	57.28	64.80	72.80	70.80	78.34
3"	109.12	109.12	109.12	109.12	111.52	114.56	129.60	145.60	N/A	N/A
4"	170.50	170.50	170.50	170.50	174.25	179.00	202.50	227.50	N/A	N/A
6"	341.00	341.00	341.00	341.00	348.50	358.00	405.00	455.00	N/A	N/A
8"	545.60	545.60	545.60	545.60	557.60	572.80	648.00	728.00	N/A	N/A
10"	784.30	784.30	784.30	784.30	801.55	823.40	931.50	1,046.50	N/A	N/A
Minimum Chg - Multi-Fam/Non-Residential:										
5/8"	\$ 6.82	\$ 6.82	\$ 6.82	\$ 6.82	\$ 6.97	\$ 7.16	\$ 8.10	\$ 9.10	\$ 10.24	\$ 11.32
3/4"	6.82	6.82	6.82	6.82	6.97	7.16	8.10	9.10	10.24	11.32
1"	17.05	17.05	17.05	17.05	17.43	17.90	20.25	22.75	25.60	28.30
1 1/2"	34.10	34.10	34.10	34.10	34.85	35.80	40.50	45.50	51.20	56.60
2"	54.56	54.56	54.56	54.56	55.76	57.28	64.80	72.80	81.92	90.56
3"	109.12	109.12	109.12	109.12	111.52	114.56	129.60	145.60	163.84	181.12
4"	170.50	170.50	170.50	170.50	174.25	179.00	202.50	227.50	256.00	283.00
6"	341.00	341.00	341.00	341.00	348.50	358.00	405.00	455.00	512.00	566.00
8"	545.60	545.60	545.60	545.60	557.60	572.80	648.00	728.00	819.20	905.60
10"	784.30	784.30	784.30	784.30	801.55	823.40	931.50	1,046.50	1,177.60	1,301.80
Conservation Increments (Blocks):										
<u>Single Fam/Non-Resi</u>										
0 - 10 mgs	\$ 1.50	\$ 1.53	\$ 1.64	\$ 1.67	\$ 1.81	\$ -	\$ -	\$ -	\$ -	\$ -
11 - 20 mgs	1.70	1.74	1.84	1.87	2.02	-	-	-	-	-
over 20 mgs	2.10	2.15	2.28	2.32	2.51	-	-	-	-	-
<u>Multi-family</u>										
0 - 9 mgs/unit	1.35	1.38	1.48	1.50	1.62	-	-	-	-	-
10 - 18 mgs/unit	1.53	1.57	1.66	1.69	1.83	-	-	-	-	-
over 18 mgs/unit	1.89	1.93	2.05	2.08	2.25	-	-	-	-	-
<u>Single Fam/Non-Resi</u>										
0 - 7 mgs	-	-	-	-	-	1.86	2.1	2.36	2.66	2.94
8 - 12 mgs	-	-	-	-	-	2.08	2.35	2.64	2.97	3.28
over 12 mgs	-	-	-	-	-	2.58	2.92	3.28	3.69	4.08
<u>Multi-family</u>										
0 - 5 mgs/unit	-	-	-	-	-	1.86	2.1	2.36	2.66	2.94
3 - 5 mgs/unit	-	-	-	-	-	2.08	2.35	2.64	2.97	3.28
over 5 mgs/unit	-	-	-	-	-	2.58	2.92	3.28	3.69	4.08

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

CITY OF NORTH MIAMI BEACH, FLORIDA

PRINCIPAL WATER CUSTOMERS

FISCAL YEAR 2011

<u>Customer</u>	<u>Type of Business</u>	<u>Water Units Sold (MG)</u>	<u>Rank</u>	<u>% of Water Consumption</u>
Miami-Dade Water & Sewer	Water Management District	60,981	1	1.3%
South Florida Stadium LLC	Stadium	51,552	2	1.1%
Commodore Plaza Condo Assoc.	Condominium	48,888	3	1.1%
Plaza Del Prado	Shopping Mall	47,904	4	1.1%
Miami-Dade Water & Sewer	Water Management District	45,398	5	1.0%
Admirals Port	Condominium	42,561	6	0.9%
Trump International Sonesta Beach	Hotel	40,478	7	0.9%
William Island Ocean Club	Condominium	40,422	8	0.9%
Plaza of the Americas Club	Condominium	38,497	9	0.9%
Arlen House E Condo Assoc.	Condominium	36,195	10	0.8%
 Total customers		 <u>452,876</u>		 <u>10.00%</u>

Source: City of North Miami Beach Engineering Department

CITY OF NORTH MIAMI BEACH, FLORIDA

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

(Amounts Expressed in Thousands, Except for Per Capita Amount)

<u>Fiscal Year</u>	<u>Governmental Activities</u>			<u>Business-type Activities</u>			<u>Total</u>	<u>Percentage of</u>	
	<u>General Obligation Bonds</u>	<u>Notes Payable</u>	<u>Capital Leases</u>	<u>Water Revenue Bonds</u>	<u>Notes Payable</u>	<u>Capital Leases</u>		<u>Personal Income (1)</u>	<u>Per Capita (1)</u>
2002	\$ 31,580	\$ 749	\$ 1,529	\$73,240	\$ 2,650	\$ 776	\$ 110,524	7.37%	\$ 3,126
2003	31,330	647	1,305	73,240	2,600	498	109,620	7.30%	3,100
2004	38,413	550	1,294	72,977	2,500	328	116,062	7.73%	3,282
2005	37,320	450	1,339	73,125	2,400	868	115,502	7.70%	3,267
2006	36,163	350	1,869	72,527	2,300	1,008	114,217	7.61%	3,230
2007	34,959	250	2,215	72,036	2,198	737	112,395	7.49%	3,179
2008	33,703	-	1,344	71,527	2,094	334	109,002	7.26%	3,083
2009	32,387	4,861	1,300	70,878	1,990	256	111,672	7.19%	3,021
2010	31,020	7,333	1,106	69,985	3,669	862	113,975	6.73%	2,656
2011	29,332	6,889	591	68,133	6,716	1,468	113,129	7.63%	1,541

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 120 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)

General Bonded Debt Outstanding

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Less Amount in Debt Service</u>	<u>Net Amount</u>	<u>Percentage of Assessed Property Value (1)</u>	<u>Capita Per Capita(2)</u>
2002	\$ 31,418	\$ 155	\$ 31,263	2.40%	\$ 884
2003	31,330	293	31,037	2.11%	878
2004	38,413	237	38,176	2.33%	1,080
2005	37,320	210	37,110	1.96%	1,050
2006	36,163	209	35,954	1.54%	1,017
2007	34,959	252	34,707	1.29%	982
2008	33,703	251	33,452	1.27%	946
2009	32,387	232	32,155	1.42%	909
2010	31,020	222	30,798	1.71%	871
2011	29,332	131	29,201	1.46%	703

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 109 for net assessed property value data.

(2) See the Schedule of Demographic and Economic Statistics on Page 120 for population data.

CITY OF NORTH MIAMI BEACH, FLORIDA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

SEPTEMBER 30, 2011

(AMOUNTS EXPRESSED IN THOUSANDS)

	2011		
<u>Government Unit</u>	<u>Net Debt Outstanding</u>	Percentage Applicable to the City of North Miami Beach (1)	<u>Amount Applicable to the City of North Miami Beach</u>
Debt repaid with property taxes:			
Miami-Dade County	\$ 1,000,133	1.04%	\$ 10,444
Miami-Dade County School Board	2,995	0.98%	29
Other debt:			
Miami-Dade County	2,305,160	1.04%	24,073
Miami-Dade County School Board	287	0.98%	<u>3</u>
Subtotal, Overlapping Debt			34,549
City of North Miami Beach Direct Debt			<u>36,812</u>
Total Direct and Overlapping Debt			<u>\$ 71,361</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 <u>September 30,</u>	Water Utility Bonds - 2002 B and 2005 C Series						Capital Improvement Bonds - 2003 B Series				Capital Improvement Bonds 1997 and 1998 Series			
	Utility Charges and <u>Other</u>	Less Operating <u>Expenses</u>	Net Available <u>Revenue</u>	<u>Debt Service</u>		<u>Coverage</u>	County Transit <u>Surtax</u>	<u>Debt Service</u>		<u>Coverage</u>	Municipal Revenue <u>Sharing</u>	<u>Debt Service</u>		<u>Coverage</u>
			<u>Principal</u>	<u>Interest</u>			<u>Principal</u>	<u>Interest</u>				<u>Principal</u>	<u>Interest</u>	
2002	\$ 16,245	\$ 11,979	\$ 4,266	\$ 73,240	\$ 75,877	0.03	\$ -	\$ -	\$ -	-	\$ 960	\$ 2,455	\$ 825	0.29
2003	18,041	12,336	5,705	73,240	72,250	0.04	799	-	-	-	1,055	2,325	708	0.35
2004	19,038	12,446	6,592	72,977	68,622	0.05	1,225	7,765	3,186	0.11	1,157	2,165	437	0.44
2005	19,139	13,979	5,160	73,125	64,336	0.04	1,254	7,370	2,880	0.12	1,428	2,000	497	0.57
2006	21,352	14,782	6,570	72,527	60,863	0.05	1,416	6,980	2,880	0.14	1,466	1,830	402	0.66
2007	19,933	14,029	5,904	72,036	57,331	0.05	1,367	6,585	2,292	0.15	1,425	1,655	317	0.72
2008	24,166	15,227	6,488	71,527	52,215	0.05	1,307	6,180	2,010	0.16	642	1,470	239	0.38
2009	28,252	15,050	13,202	70,878	50,330	0.11	1,195	5,765	1,738	0.16	642	1,280	170	0.44
2010	33,270	15,420	17,850	69,985	46,868	0.15	1,202	5,340	1,477	0.18	642	1,080	110	0.54
2011	38,095	14,885	23,210	68,133	42,563	0.21	1,261	4,900	1,229	0.21	642	870	59	0.69

Source: City of North Miami Beach

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>
2002	40,264	\$ 1,708,885	\$ 42,442	34.5	8.0%
2003	39,805	1,689,404	42,442	34.5	7.3%
2004	39,348	1,670,008	42,442	34.5	6.7%
2005	38,977	1,654,262	42,442	34.5	5.1%
2006	38,436	1,631,301	42,442	34.5	4.5%
2007	37,932	1,609,910	42,442	34.5	4.8%
2008	37,997	1,612,669	42,442	36.9	6.1%
2009	42,000	1,782,000	42,000	37.0	10.7%
2010	41,254	1,629,000	39,483	34.5	13.0%
2011	41,523	1,482,000	20,189	37.0	10.8%

Sources:

(1) United States Census Bureau (for years 2002 through 2007). Estimated by City of North Miami Beach Economic Development (for years 2008 to 2011).

(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 2011

<u>Employer</u>	<u>Type of Business</u>	<u>2011</u>	
		<u>Employees</u>	<u>Rank</u>
Publix Super Markets	Warehouse/Distribution	1,900	1
Jackson North Medical Center	Hospital/Medical	1,200	2
Aventura Hospital & Medical Center	Hospital/Medical	800	3
FMS Management Systems	Restaurants	800	4
Sysco Food Services	Food Distribution	500	5
Precision Response	Call Center Services	500	6
Comcast Cable Vision	Cable Services	450	7
Wal-Mart	Retail	300	8
Turnberry Associates	Developers/Management	200	9
TD/Wells Fargo	Banking/Finance	150	10
Total		<u>6,800</u>	

Special Note: The above list includes private employers in the Greater North Miami Beach area. Last available data is from 2011

<u>Type of Industry</u>	<u>Percentage of Jobs</u>		<u>Number of Firms</u>	
	<u>Percentage</u>	<u>Rank</u>	<u>Number</u>	<u>Rank</u>
Other	18%	2	207	2
Wholesale trade	13%	4	153	4
Finance/insurance/real estate	16%	3	184	3
Business services	24%	1	275	1
Health services	10%	6	117	6
Manufacturing	12%	5	134	5
Construction	7%	7	86	7
Total	<u>100%</u>		<u>1,156</u>	

Special note: The retail sector in the Greater North Miami Beach area employs over 10,000 people at approximately 850 stores.

Source: City of North Miami Beach Economic Development as compiled.

CITY OF NORTH MIAMI BEACH, FLORIDA

FULL-TIME CITY GOVERNMENT EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Number of employees:										
Attorney's office	5	5	5	5	5	5	5	5	5	5
Clerk's office	7	7	7	7	7	7	5	5	6	6
Mayor and council's office	9	9	9	9	10	10	9	9	9	9
Executive	45	45	46	50	49	56	58	41	9	8
Human resources	7	8	8	7	7	7	5	7	6	6
Financial Services	36	36	37	37	37	39	39	33	46	44
Police:										
Police officers	109	107	105	108	110	119	114	112	117	110
Civilians	72	53	58	38	45	47	45	42	39	45
Library	13	13	13	12	12	13	12	9	9	9
Parks and recreation	47	50	50	51	52	51	51	38	37	36
Public services	92	90	90	91	91	95	92	84	85	76
Stormwater	6	7	7	7	8	7	7	7	10	10
Water	110	109	112	113	112	106	110	105	104	101
Sewer	15	22	19	21	25	17	13	13	14	13
Total number of employees	<u>573</u>	<u>561</u>	<u>566</u>	<u>556</u>	<u>570</u>	<u>579</u>	<u>565</u>	<u>510</u>	<u>496</u>	<u>478</u>

Source: City of North Miami Beach annual budgets

CITY OF NORTH MIAMI BEACH, FLORIDA

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

<u>Function/Program</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Public safety:										
Police:										
Police calls for service	n/a	85,611	80,486	81,137	86,685	85,283	91,894	99,357	87,254	88,986
Parking citations	n/a	2,250	3,030	2,532	2,011	1,959	1,788	1,273	1,258	1,338
Traffic citations	n/a	10,360	11,855	12,192	12,043	12,791	14,853	15,398	12,410	13,293
Arrests	n/a	2,185	2,124	2,099	2,266	2,429	2,339	2,069	2,177	1,880
SRT call outs	15	17	10	27	26	46	TBD	41	46	48
Community development:										
Building permits issued	2,181	2,204	2,376	3,199	3,684	2,552	2,941	2,451	2,524	4,985
Library:										
Number of registered borrowers	20,413	13,170	18,233	22,677	27,096	20,641	24,485	35,254	36,117	38,663
Total annual circulation	135,912	154,987	176,341	159,353	141,858	148,496	136,179	115,659	122,015	85,292
Total reference transactions	111,857	135,836	125,021	137,249	137,683	154,081	120,711	84,654	103,343	67,888
Annual number of users of public internet computers	n/a	n/a	61,531	75,448	73,171	75,088	70,737	50,309	65,000	43,320
Parks and recreation:										
After school program enrollment	312	283	328	303	312	314	301	312	282	280
Summer camp program enrollment	362	383	406	416	413	431	441	463	505	505
Camp No-Mi-Be enrollment (1)	439	422	370	234	463	160	149	125	113	113
Theater camp enrollment***	n/a	n/a	46	37	26	39	30	35	n/a	n/a
Playschool enrollment**	42	44	35	26	-	-	-	-	-	-
Sanitation:										
Refuse collected (tons / year)	n/a	40,445	41,612	42,504	53,701	45,210	29,948	33,694	41,557	32,583
Water:										
Number of customers	31,906	32,065	32,164	34,412	32,355	32,587	32,292	32,258	32,279	32,125
Average daily water consumption (millions of gallons)	24.5	24.5	24.5	24.5	24.5	24.5	20.12	21.72	20.16	20.53
Annual water produced (millions of gallons)	5,498	5,500	5,289	4,982	5,391	5,834	7,343	7,927	7,359	7,492
Sewer:										
Number of customers	6,923	6,980	7,010	7,065	7,047	7,260	7,256	7,289	7,434	7,449

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.

** Playschool program has been eliminated.

*** Theater camp program was not funded for 2011 .

CITY OF NORTH MIAMI BEACH, FLORIDA

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

<u>Function/Program</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</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	53,631	50,724	53,212	51,651	58,523	60,736	62,161	76,533	78,196	79,664
Number of licensed databases	n/a	20	15	15	37	61	62	66	64	64
Audio materials volumes	2,420	2,502	2,972	3,618	3,727	4,362	4,473	4,426	4,470	4,481
Video materials volumes	3,538	3,444	4,106	4,005	4,298	4,715	5,322	5,583	6,120	6,737
Parks and recreation:										
Parks	9	9	9	9	10	10	10	10	21	21
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	5	5	5	5	5	5	5	5	5	5
Performing arts centers	1	1	1	1	1	1	1	1	1	1
Amphitheaters	1	1	1	1	1	1	1	1	1	1
Parks acreage	n/a	49.0	49.0	49.0	51.0	51.0	51.0	51.0	86.0	86.0
Streets:										
Miles of streets and alleys	109.0	109.0	109.0	109.0	109.0	130.1	130.1	130.0	119.0	119.0
Water:										
Water mains (miles)	515	515	515	515	515	515	545	547	548	549
Fire hydrants	2,200	2,200	2,200	2,200	2,200	2,200	2,610	2660	2717	2770
Valves	8,160	8,160	8,160	8,160	8,160	8,160	9,590	9,700	10,258	10,310
Sewer:										
Lift stations	29	29	29	29	29	29	35	35	35	35
Sewer mains (miles)	90	90	90	90	90	90	109	109	109	109

Sources: Various city departments

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

IV. COMPLIANCE SECTION



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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented components units, each major fund, and the aggregate remaining fund information of the City of North Miami Beach, Florida ("City") as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 23, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs in Section III, items 10-2 and 8-2, to be material weaknesses.

Internal Control over Financial Reporting (cont'd)

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the items described in Sections II and III as 11-1, 11-2, 10-3, 09-3, 09-4, and 08-3, to be significant deficiencies.

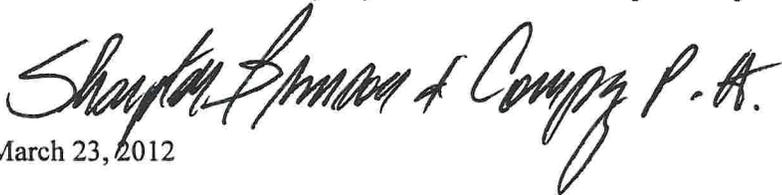
We noted certain other matters that we have discussed with the management of the City and are described in the accompanying schedule of findings and questioned costs in Sections II and III as items 11-3 and 09-5.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs in section III as item 10-2.

The City of North Miami Beach's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of North Miami Beach's response and, accordingly, we express no opinion on it.

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



March 23, 2012





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Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the City of North Miami Beach, Florida's (the City) compliance, with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2011. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.

Internal Control Over Compliance

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

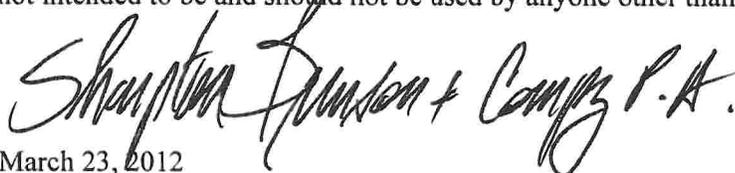
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented components units, each major fund, and the aggregate remaining fund information (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, 2011, and have issued our report thereon dated March 23, 2012 which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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



March 23, 2012



**CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

Section II- Current Year Findings

Significant Deficiency

11-1 Accounts Receivable Management

Criteria

Appropriate management and oversight of accounts receivable activity should include preparation of a monthly aged accounts receivable schedule and related valuation of individual accounts which have not been liquidated within a normal operating cycle.

Condition

A review of accounts receivable in the Special Revenue funds and Enterprise funds trial balances revealed that many questionable items are included in the old balances. Most of these items require a decision about whether they are proper charges. The collectability of some of these and other items that appear to be proper charges requires investigation. We believe that a study should be made to determine which amounts represent proper charges and that attempts to collect them should be started as soon as possible.

Questioned Costs

None

Cause

The primary cause is the shortcomings of the current accounting systems and related software as well as turnover of personnel in the Finance department.

Effect

Loss to the City of outstanding accounts receivable and related revenue as well as the cost of many hours that staff members incur reconciling the accounts. Repetition of this occurrence can be minimized with proper supervision of the credit function and adequate and timely follow-up procedures.

Recommendation

An aged trial balance should be prepared each month. Any balances over sixty days old should be evaluated for its collectability and related valuation. Accounts greater than sixty days should require a reasonable explanation as to why the account has not been collected and an allowance provision for doubtful accounts be reserved that separately identifies how much of the allowance relates to specific delinquent customers.

View of Responsible Officials and Planned Corrective Action

The current accounting procedures and policies are under review. Updates to all policies and procedures are expected to be completed over the next fiscal year.

**CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

Section II- Current Year Findings (cont'd)

Significant Deficiency

11-2 Close Out Construction In Progress Activity

Criteria

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

Condition

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

Questioned Costs

None

Cause

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

Effect

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

Recommendation

The City shall adopt formal policies which address the appropriate timeline to bring completed construction projects to the fixed asset account groups.

View of Responsible Officials and Planned Corrective Action

The current accounting procedures and policies are under review. Updates to all policies and procedures are expected to be completed over the next fiscal year.

**CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

Section II- Current Year Findings (cont'd)

Other Comment and Recommendation

11-3 Fund Balance Classification Policies and Procedures

Criteria

Fund balance reporting pursuant to Government Accounting Standard Board (GASB) Statement Number 54, paragraph 23 states that “governments should disclose information about their fund balance classification policies and procedures in the notes to the financial statements.” GASB 54 became effective for the City’s fiscal year ending September 30, 2011.

Condition

We noted that the City’s policies and procedures manual has not been updated to address the fund balance classification required by GASB 54.

Cause

The documentation of accounting processes has not kept pace with the change in fund balance reporting required by GASB 54.

Effect

Fund balance classification policies and procedures provide reasonable assurance that fund balances are properly presented in the financial statements and fund balances are expended in accordance with the City’s written policies.

Recommendation

We recommend that the City update its policies and procedures to address how the classification of fund balances are determined. The classification of fund balance as applicable to the City should consider the following:

- a. For committed fund balance: (1) the government’s highest level of decision-making authority and (2) the formal action that is required to be taken to establish (and modify or rescind) a fund balance commitment.
- b. For assigned fund balance: (1) the body or official authorized to assign amounts to a specific purpose and (2) the policy established by the governing body pursuant to which that authorization is given.
- c. For the classification of fund balances in accordance with GASB 54 paragraph 18: (1) whether the government considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available and (2) whether committed, assigned, or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes which amounts in any of those unrestricted fund balance classifications could be used.

View of Responsible Officials and Planned Corrective Action

The current accounting procedures and policies are under review. Updates to all policies and procedures are expected to be completed over the next fiscal year.

**CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

Section III- Prior Year Findings - Financial Statements

The prior findings and comments have been removed from the current year report as conditions related to these matters have been fully satisfied or result from a lapse in certain conditions or circumstances.

- 10-1 Fraud Matter Related to Fiscal Year 1998 Through 2009
- 10-4 Financial Condition Assessment
- 09-1 Improved Segregation of Duties
- 09-2 Fraud Related to Fiscal Year 2008
- 09-6 Develop a Whistle Blowers Policy or Fraud Hotline
- 09-7 Consider a Lock Box System
- 09-8 Enhance Physical Inventory Procedures for Utility Plant Items
- 08-7 Government Accounting Standards Board Statement No. 54

Comments which remain outstanding in varied degrees of implementation or not fully addressed include the following:

**CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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

Material Weakness

10-2 Timely Submission of Reports

Observation

Pursuant to the Building Better Communities (BBC) General Obligation Bond Program Administrative Rules, Article III, Section I c (9), recipients must submit reimbursement/payment requests no later than quarterly. If a recipient is unable to submit a reimbursement/payment request by the due date, a written explanation for the delay and expected submission date is required to be submitted by the deadline.

Condition

We noted that the quarterly reports were not submitted by the due date. Article III, Section III, of said rules require that Project Status Reports be submitted no later than quarterly. We noted that the quarterly reports were not submitted by the due date.

Cause

Due to a change in personnel and re-organized departments, timely submission of grant reports to Miami-Dade County was not addressed.

Effect

The observation resulted in a loss of \$1.7 million in grant proceeds from Miami-Dade County, Florida.

Recommendation

Reports should be submitted to Miami-Dade County in accordance with the due dates stated in the administrative rules or a written waiver should be obtained from the County Manager.

View of Responsible Officials and Planned Corrective Actions

Management concurs with this recommendation and will ensure that quarterly reports are submitted on a timely basis.

Current Year Status

As a result of staff turnover, certain reports remain not completed and others were filed untimely.

**CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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

Significant Deficiency

10-3 Inventory Fixed Assets

Criteria

The City has a significant investment in property, plant, and equipment. Internal controls should be designed to safeguard assets and help to detect losses from errors or defalcations. A fundamental concept in a good system of internal control is the physical existence of assets.

Condition

The City has not inventoried fixed assets for a significant period of time and it is likely that certain capital items have never been inventoried.

Cause

Management may consider it impractical to inventory physical plant assets

Effect

The current conditions increase the likelihood of errors going undetected.

Recommendation

We recommend that the City perform a physical inventory of property and equipment. Additionally, we suggest that the City inspect all fully depreciated assets, whether or not currently recorded in the City's books.

View of Responsible Officials and Planned Corrective Actions

Management concurs with these recommendations and will take the necessary steps to perform the actions as noted.

Current Year Status

This item remains outstanding.

**CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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

Significant Deficiency

09-3 Upgrade the Accounting System

Criteria

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

Condition

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

Cause

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

Effect

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

Recommendation

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

View of Responsible Officials and Planned Corrective Actions

Funding for financial software was set up in the FY2011 budget and a Software Review Committee was established to plan strategic long-term goals, funding and staffing requirements. The City selected and met with consultants to explore the utilization of their expertise to assist in the software needs assessment, Request for Proposal (RFP) and software selection processes. The consultants conducted a presentation to the City Council with explanation of the software procurement process and the costs expectations. The process is ongoing.

Current Status

The City began investigating options to upgrade the existing system and has selected a consultant who is currently performing the needs assessment phase.

**CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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

Other Comments and Recommendations

09-5 Update Accounting Process and Procedures Manual

Criteria

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

Condition

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

Cause

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

Effect

Accounting and operational procedures are not always performed as prescribed.

Recommendation

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

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

View of Responsible Officials and Planned Corrective Actions

Management has addressed this issue by updating the Policies and Procedures Manual. This is a continuous process and as new updates become available, the Finance Department will adopt the necessary changes.

Current Status

A comprehensive accounting policy and procedures manual remains outstanding.

**CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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

Material Weakness

08-02 Material Journal Entries

Criteria

Revenues in the governmental funds are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter (60 days) to pay liabilities of the current period.

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

Condition

During our audit we performed procedures on various asset, liability, revenue, expenditure/expense, and fund balance/net asset accounts of the City.

A number of post closing entries were warranted to correct account balances. Additionally, we noted that several entries required in the area of pooled cash and other balance sheet accounts are not posted in a timely manner.

Cause

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

Effect

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

Recommendation

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

View of Responsible Officials and Planned Corrective Actions

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

Current Year Status

This finding remains outstanding for fiscal year ending September 30, 2011.

**CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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

Significant Deficiency

08-03 Financial Records Review and Closing Process

Criteria

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

Condition

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

Cause

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

Effect

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

Recommendation

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

View of Responsible Officials and Planned Corrective Actions

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

Current Year Status

This finding remains outstanding for fiscal year ending September 30, 2011 resulting from the turnover of personnel in the Finance department.

**CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

Section IV - Current Year Findings - Major Federal Program

There were no current year findings for the major federal programs.

Section V - Prior Year - Findings - Major Federal Program

There were no prior year findings for the major federal programs.

CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

<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			
N.E. 172nd Street Roadway Improvement Project	14.218	FY2010 CDBG	\$ 493,545
N.E. 173rd Street Roadway Improvement	14.218	FY2010 CDBG	142,370
Allen Park Recreational Center Improvement	14.218	FY2010 CDBG	<u>45,972</u>
Total U.S. Department of Housing and Urban Development			<u>681,887</u>
U.S. DEPARTMENT OF JUSTICE			
Forfeiture Fund - Federal Equitable Sharing (non-treasury)	16.000	N/A	2,775,990
Operational Support Project (JAG)	16.738	2009-DJ-BX-0116	2,193
COPS Hiring Recovery Program Grant (ARRA)	16.710	2009-RX-WX-0213	543,162
Crime Prevention Enhancement Project	16.738	2008-DJ-BX-0319	66
Operational Equipment Enhancement Project (ARRA)	16.804	2009-SB-B9-1673	46,800
Community Service Officers Operations Support Program	16.738	2010-DJ-BX-0036	38,994
Bulletproof Vest Partnership Grant	16.607	N/A	<u>3,538</u>
<i>Subtotal - Direct Awards</i>			<u>3,410,743</u>
Pass through Miami-Dade County			
Domestic Violence Grant	16.579	2010-JAGC-DADE-7-4X-225	<u>7,893</u>
<i>Subtotal - Indirect Awards</i>			<u>7,893</u>
Total U.S. Department of Justice			<u>3,418,636</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Pass through Florida Department of Transportation			
NMB Police DUI Enforcement Initiative	20.601	AQ271	31,464
Hanford Boulevard Roadway Improvement - Phase IV	20.205	420908-1/ AP233 Contract No. APM90/	172,314
N.E. 19th Avenue Roadway Improvement (ARRA)	20.205	ARRA-455 (Fed)	<u>289,932</u>
Total U.S. Department of Transportation			<u>493,710</u>
U.S. DEPARTMENT OF EDUCATION			
NMB Disability Sports Program	84.235	H235K080015	<u>84,992</u>
U.S. DEPARTMENT OF ENERGY			
NMB Energy Efficiency & Conservation Block Grant (ARRA)	81.128	DE-EE00022368	<u>620</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Passed through the Florida Department of Environmental Protection			
Highland Village Sewer Connection Project (ARRA)	66.458	WW130100	1,118,061
Highland Village Sewer Connection Project	66.458	WW130101	173,597
Major Sewer Rehabilitation Project	66.458	WW745080	341,123
Norwood WTP VOC Removal Project - Construction Loan Agreement (ARRA)	66.468	DW130102	3,000,000
Norwood WTP VOC Removal Project - Construction Loan Agreement	66.468	DW130103	<u>3,459,932</u>
Total U.S. Environmental Protection Agency			<u>8,092,713</u>
Total Federal Expenditures			<u>\$ 12,772,558</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

General

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal award programs of the City for the year ended September 30, 2011. All federal awards expended from federal agencies, and federal awards passed through other government agencies are included in the Schedule.

Basis

The accompanying Schedule is presented on the modified accrual basis of accounting, which is described in Note 1 of the City's financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" 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 financial statements.



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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of North Miami Beach, Florida (the City) as of and for the fiscal year ended September 30, 2011, and have issued our report thereon dated March 23, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 Independent Auditors' Report on Internal Control over Financial Reporting and Compliance Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* (dated March 23, 2012), Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 (dated March 23, 2012), and the Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 23, 2012, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report and the current status is described in our Schedule of Findings and Questioned Costs.

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

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, recommendations accompany this report in the Schedule of Findings and Questioned Costs.

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

Section 10.554(1)(i) 5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) Deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings. Matters to be disclosed pursuant to the Rules of The Auditor General Section 10.554(1)(i)5 are reported in the accompanying Schedule of Findings and Questioned Costs.

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City of North Miami Beach was incorporated pursuant to Chapter 15.824, Laws of Florida in 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, 2010 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, 2010. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. (Matters to be disclosed pursuant to the Rules of Auditor General Section 10.554(1)(i)7.c and 10.556(7) are reported in the accompanying Schedule of Findings and Questioned Costs.)

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the Mayor, City Commission, management, and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.


March 23, 2012

