



City of North Miami Beach, Florida

Comprehensive Annual Financial Report

for the Fiscal Year Ended
September 30, 2012



CITY OF NORTH MIAMI BEACH, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2012

Prepared by:

Finance Department

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I. INTRODUCTORY SECTION

March 15, 2013

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, 2012. The CAFR is issued pursuant to the following requirements:

- ❑ The City's charter requires an annual audit of the books of accounts and financial records of all departments of the City by independent certified public accountants.
- ❑ State law requires that within nine months 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, 2012, 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, 2012, 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 the 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 a 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, 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 the Florida Legislature. The City Council acts as the CRA's board of directors, the Mayor is the chairman and the City Manager is the executive director. The purpose of the CRA is the elimination and prevention of blight conditions within the designated community redevelopment area. The CRA is a special revenue fund of the City of North Miami Beach and, therefore, has been included as a 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 the contingency account. 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 difficulties of the local economy mirror those on the national, state and regional scales. Real estate values continued to decline in FY 2012. Foreclosures also continued to exacerbate the sluggishness of the housing market. These two issues continue to negatively 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 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 Accomplishments

Completed projects include:

The following refinancing transactions resulted in a reduction of the City's debt service:

- In Resolution No. R2012-50, The City chose to reduce its line of credit from \$2,000,000 to \$1,000,000. The City had not had any draws against the Revolving Taxable Ad Valorem Note Series 2011 in three (3) years and the fiscal impact of reducing this line of credit was a reduction in expenses of \$7,500 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. 2012-3 – In May 2002, 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 2002A bonds were issued to the City in the amount of \$11,510,000 with a useful life of 22 years. This series of general obligation bonds was issued for expansion of the police station and improvements to various neighborhoods within the City for new sidewalks, drainage, road resurfacing, landscaping and improved streetlights. The Series 2002A bond issue had a balance of \$8,190,000 at the time of the refinancing with an interest rate ranging from 5.00% to 5.50%. This bond issue had been analyzed for opportunities to save money by refunding through a bank loan. Obtaining a bank loan to refinance the 2002A series resulted in a savings of approximately \$1.4 million or 17.6% over the remaining life of the loan with the interest rate being reduced to a fixed 2.08% and no change in the scheduled maturity date.

State Aid Library Grant – The City received about \$44,500 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.

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 19th Avenue Roadway Improvement – The project included the construction of several roundabouts at various cross-street intersections, landscaping, curbing and sidewalks.

The Community Redevelopment Agency continued the following projects:

- *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.
- *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:

- *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. The project involves pressure cleaning, sand blasting, and filling cracks with hydraulic cements or mortars; reconditioning broken elements, installation of a new filtration system, and Diamond Brite application in fountain surfaces; painting the fountain steps; replacing missing ceramic mosaic tiles on the exterior dome; and refurbishing existing bronze plaques.

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 grant funding to complete improvements including upgrading the ball field with a synthetic surface, landscaping, and lighting, and the project is underway.
- *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.
- *Washington Park* - This project consists of the design and construction of a new 20,000-square-foot multipurpose recreation and economic development center. The design and construction will include a football/soccer field, swimming pool with water features, basketball courts, parking and landscaping. For economic development, there will be a job-training center, a microenterprise development project, an on-the-job training pilot commercial revenue enhancement project, a projected Economic Development Account Center, and possible job-placement service. With an emphasis on healthy recreational activities and economic growth, this center is expected to be a hub of achievement and progress in an economically needy area of the city.

Utility Enterprise Fund Initiatives and Projects.

- *Water Utility - Automatic Meter Reading (AMR) Program* - The City has secured a commitment from the Florida Department of Environmental Protection 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 fund reserves each year and in Fiscal Year 2012 that policy continued. In response to new accounting pronouncements, the City adopted a fund balance policy that in part requires a minimum general fund balance equal to at least 10% of budgeted revenues. Also during the current fiscal year, the City adopted an investment policy with the primary focus of capital protection while seeking investment earnings and providing for daily cash requirements. Subsequent to fiscal year end, the City adopted a travel policy in order to provide consistent processing and transparency across all City departments.

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, 2011. This was the twenty-fourth 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.

In closing, the Mayor and Council's guidance and cooperation in planning and conducting the financial affairs of the City in a responsible and progressive manner is greatly appreciated. Without their leadership and support, preparation of this report would not have been possible.

Respectfully submitted,



Roslyn B. Weisblum
City Manager



Janette Smith
Finance Director

CITY OF NORTH MIAMI BEACH, FLORIDA
CERTIFICATE OF ACHIEVEMENT
SEPTEMBER 30, 2012

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, 2011

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.



Christopher P. Moivell

President

Jeffrey R. Emer

Executive Director

**CITY OF NORTH MIAMI BEACH, FLORIDA
LIST OF CITY OFFICIALS
SEPTEMBER 30, 2012**

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

Roslyn B. Weisblum

CITY ATTORNEY

Darcee S. Siegel

CITY CLERK

Pamela L. Latimore, CMC

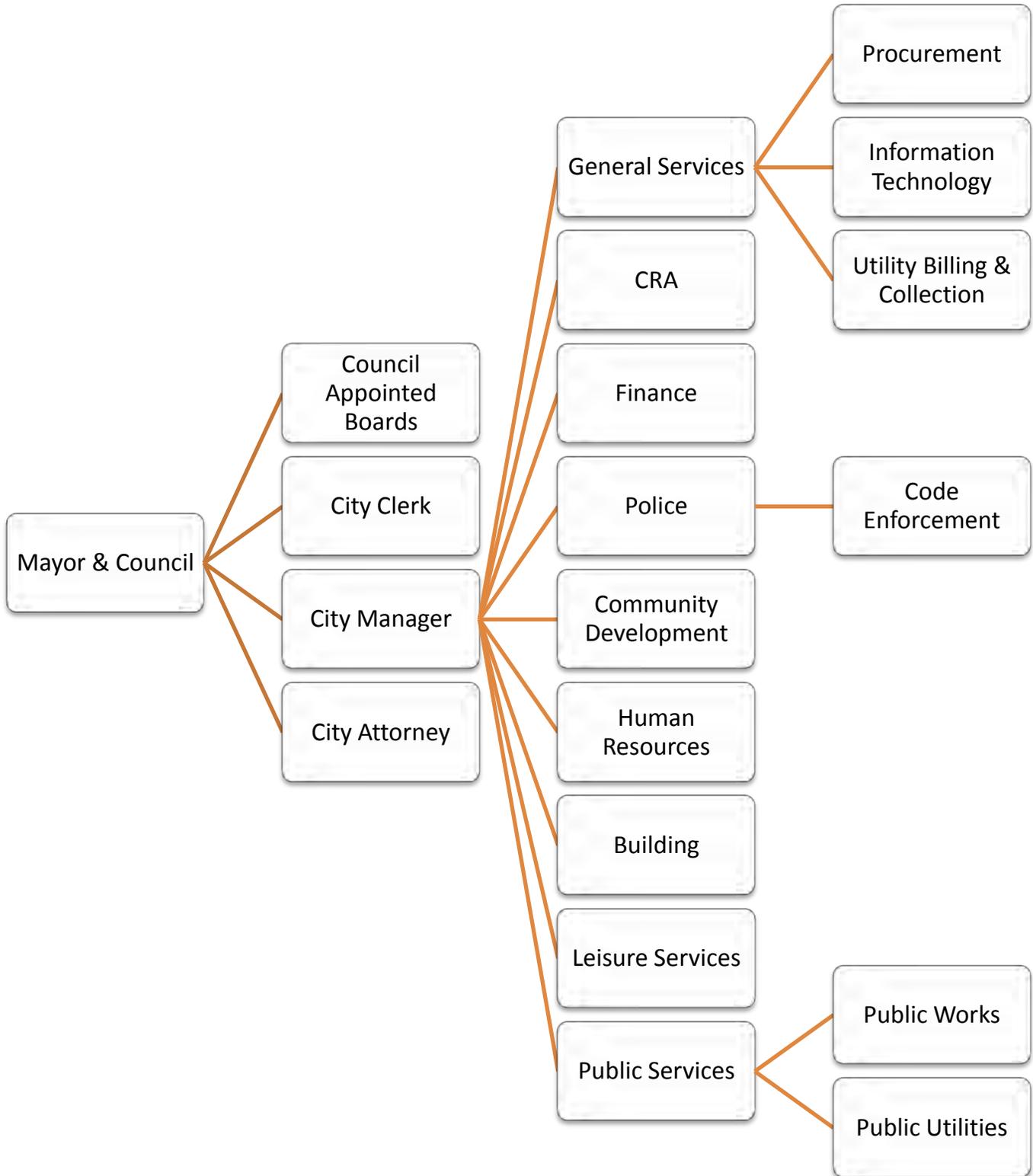
FINANCE DIRECTOR

Janette Smith, CPA

CITY AUDITORS

Sharpton Brunson and Company, P.A.

CITY OF NORTH MIAMI BEACH, FLORIDA
ORGANIZATION CHART
SEPTEMBER 30, 2012



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
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Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information (including the Community Redevelopment Agency Special Revenue Fund) of the City of North Miami Beach, Florida (the City) as of and for the year ended September 30, 2012, 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 39% and 46%, 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, 2012 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 15, 2013 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.

Shampton Brunson of Compz P.A.

March 15, 2013

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

**CITY OF NORTH MIAMI BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012**

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, 2012. 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 vii of this report.

Financial Highlights

- The assets of the City of North Miami Beach exceeded its liabilities at the close of fiscal year 2012 by \$171.1 million (*net assets*). Of this amount, \$36.7 million (*unrestricted net assets*) may be used for expenditures arising from the ongoing operations of the City. Total net assets increased by \$16.3 million or 10.5% over the prior fiscal year. Unrestricted net assets increased by \$16.5 million or 81.7% as a result of strong operating incomes across all of the City's major funds. This is a direct impact of the City's cost cutting measures over the past year.
- *Total assets* increased by \$11.4 million or 3.9% in fiscal year 2012. *Capital assets* decreased by \$6.7 million and *Current assets – restricted* increased by \$0.6 million. *Current assets – unrestricted* increased by about \$17.5 million or 30.3% largely as a result of increases in pooled cash and investments and the net pension asset. This indicates that the City is collecting amounts due from customers, and appropriately funding its pensions.
- *Total liabilities* decreased by about \$4.9 million, or 3.6%, during the current year. *Current liabilities* decreased by about \$1.2 million, because of the payment of amounts due to other governments by the business-type activities and lower accrued liabilities primarily related to benefits. *Noncurrent liabilities* decreased by about \$3.7 million due to debt payments. Decreasing liabilities, coupled with increasing assets indicates that the City is able to continue to meet its obligations and still build cash reserves.
- The City's enterprise funds reported combined unrestricted net assets of \$21.6 million, an increase of \$11.4 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 \$32.7 million, an increase of \$6.4 million over the prior fiscal year. Approximately 35% or \$11.4 million of this amount is available for spending at the City's discretion (*unassigned fund balance*).
- Total revenues decreased by about \$4.7 million, or 4.6%, indicating the continued sluggishness of the overall economy. Total expenses decreased \$6.6 million, 7.5% as a result of cost cutting measures primarily in general governmental and public safety expenditures.

CITY OF NORTH MIAMI BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012

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), 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, sanitation services 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 and the Forfeiture Funds, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

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, sanitation services 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 and sewer operations and sanitation services, which are considered to be major funds of the City. Data from the other enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major funds is provided in the form of *combining statements* elsewhere in this report.

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 statements 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 14 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* (RSI). The City adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget. Additional RSI displays the City's progress in funding its obligation to provide post-employment 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 \$171.1 million at the close of the current fiscal year. This was an increase of approximately 10.5% compared to last year's net assets of \$154.8 million.

- *Invested in capital assets, net of related debt* - The largest portion of the City's net assets (68%) 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 (10.5%) 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 (21.5%) 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

	2012			2011		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program Revenues:						
Charges for Services	\$ 8.3	\$ 48.3	\$ 56.6	\$ 18.0	\$ 44.0	\$ 62.0
Operating grants & contributions	0.9	-	0.9	1.0	2.3	3.3
Capital grants & contributions	1.1	2.2	3.3	2.0	0.5	2.5
General Revenues:						
Property taxes	13.3	-	13.3	12.6	-	12.6
Other taxes	9.6	-	9.6	7.1	-	7.1
Intergovernmental (including sales tax)	5.3	-	5.3	8.1	-	8.1
Other miscellaneous	0.9	7.7	8.6	0.4	6.3	6.7
Total revenues	<u>39.4</u>	<u>58.2</u>	<u>97.6</u>	<u>49.2</u>	<u>53.1</u>	<u>102.3</u>
Expenses:						
General government	12.0	-	12.0	15.2	-	15.2
Public safety	22.5	-	22.5	25.1	-	25.1
Leisure services	4.6	-	4.6	5.0	-	5.0
Public services	5.2	-	5.2	10.6	-	10.6
Interest on long-term debt	1.6	-	1.6	1.7	-	1.7
Water	-	22.5	22.5	-	23.4	23.4
Sewer	-	4.0	4.0	-	4.5	4.5
Solid Waste	-	6.6	6.6	-	-	-
Stormwater	-	0.9	0.9	-	0.9	0.9
Building permits	-	1.3	1.3	-	1.4	1.4
Total Expenses	<u>45.9</u>	<u>35.3</u>	<u>81.2</u>	<u>57.6</u>	<u>30.2</u>	<u>87.8</u>
Increase (decrease) in net assets before transfers	(6.5)	22.9	16.4	(8.4)	22.9	14.5
Transfers	12.8	(12.8)	-	13.8	(13.8)	-
Change in net assets	6.3	10.1	16.4	5.4	9.1	14.5
Net assets - beginning	60.7	94.0	154.7	55.3	84.9	140.2
Net assets - ending	<u>\$ 67.0</u>	<u>\$ 104.1</u>	<u>\$ 171.1</u>	<u>\$ 60.7</u>	<u>\$ 94.0</u>	<u>\$ 154.7</u>

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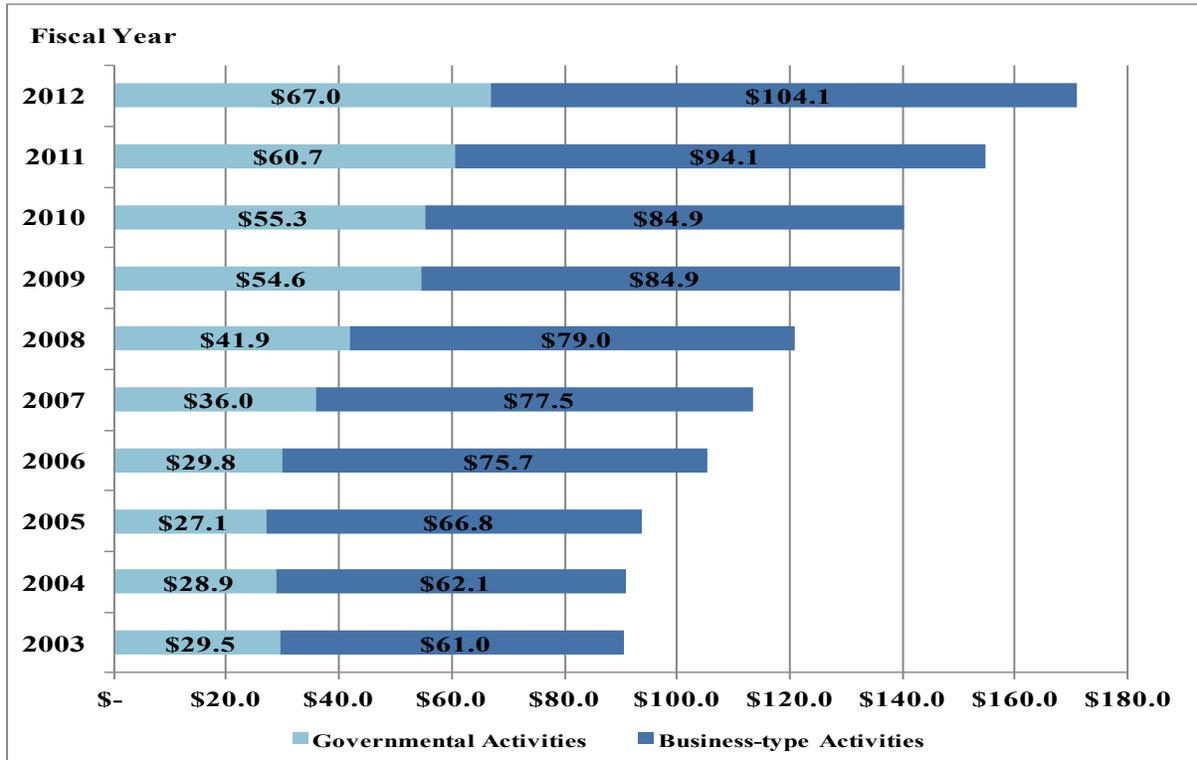
The following chart provides a condensed statement of government-wide net assets with comparative balances between the current and last fiscal year (in millions).

Condensed Government-wide Statement of Net Assets

	2012			2011		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 42.1	\$ 33.2	\$ 75.3	\$ 36.2	\$ 21.6	\$ 57.8
Restricted assets	-	1.5	1.5	-	0.9	0.9
Capital assets, net	69.3	156.0	225.3	73.1	158.9	232.0
Total assets	111.4	190.7	302.1	109.3	181.4	290.7
Long-term liabilities	40.9	75.8	116.7	43.5	76.9	120.4
Other liabilities	3.5	10.8	14.3	5.1	10.4	15.5
Total liabilities	44.4	86.6	131.0	48.6	87.3	135.9
Net Assets:						
Invested in capital assets, net of related debt	35.2	81.0	116.2	36.3	83.0	119.3
Restricted	16.7	1.5	18.2	14.4	0.9	15.3
Unrestricted	15.1	21.6	36.7	10.0	10.2	20.2
Total net assets	\$ 67.0	\$ 104.1	\$ 171.1	\$ 60.7	\$ 94.1	\$ 154.8

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

Total Net Assets



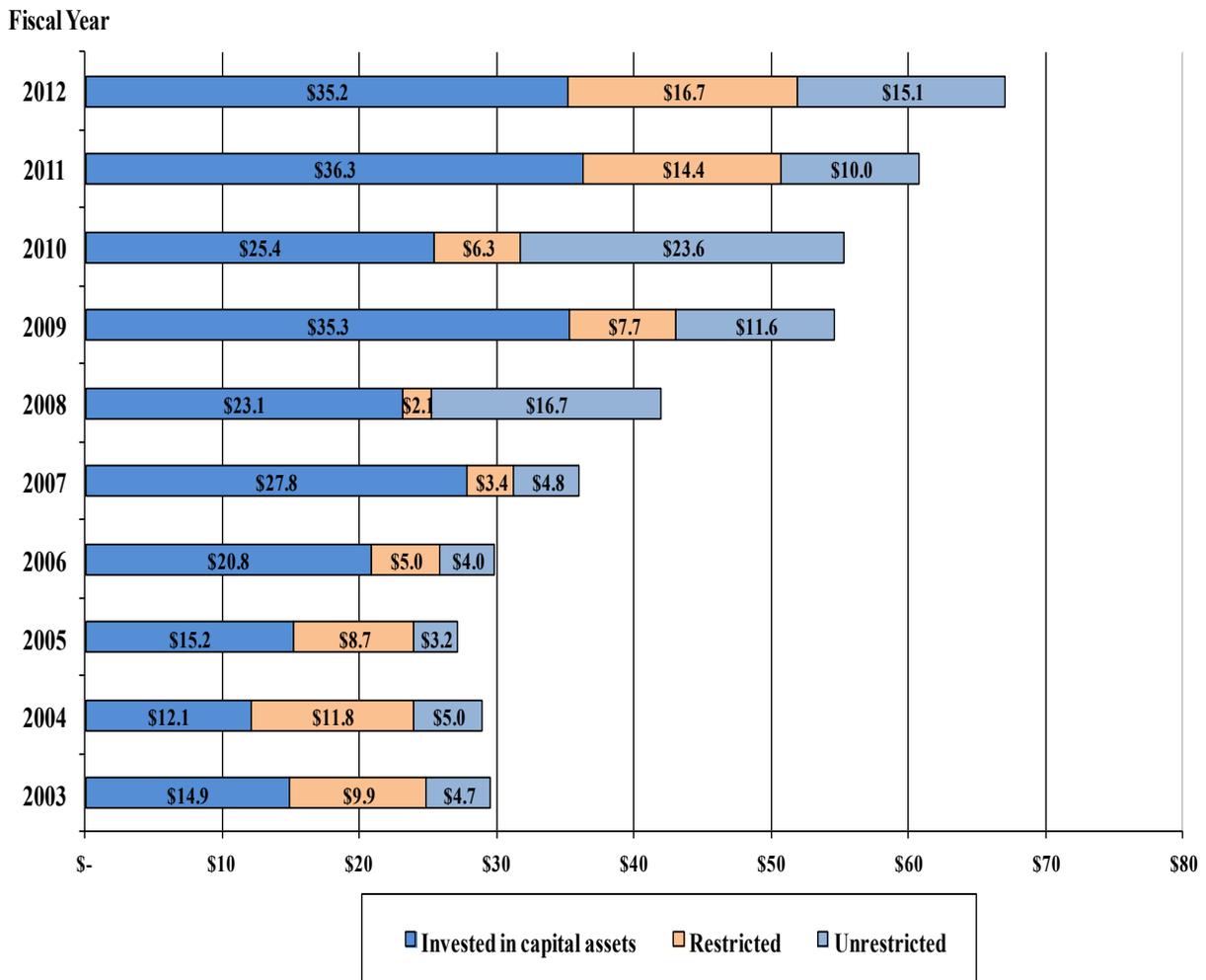
**CITY OF NORTH MIAMI BEACH, FLORIDA
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Governmental activities:

Net assets of the City's governmental activities increased by 10.4% from \$60.7 million in the last fiscal year compared to \$67.0 million in the current fiscal year.

During the fiscal year, sanitation services were segregated into an enterprise fund resulting in a decrease in charges for services of \$9.7 million. Correspondingly, public services expenditures decreased by \$5.4 million. Additional cost cutting measures, primarily in the general governmental and public safety expenses contributed an additional \$6.3 million to the increase in net assets.

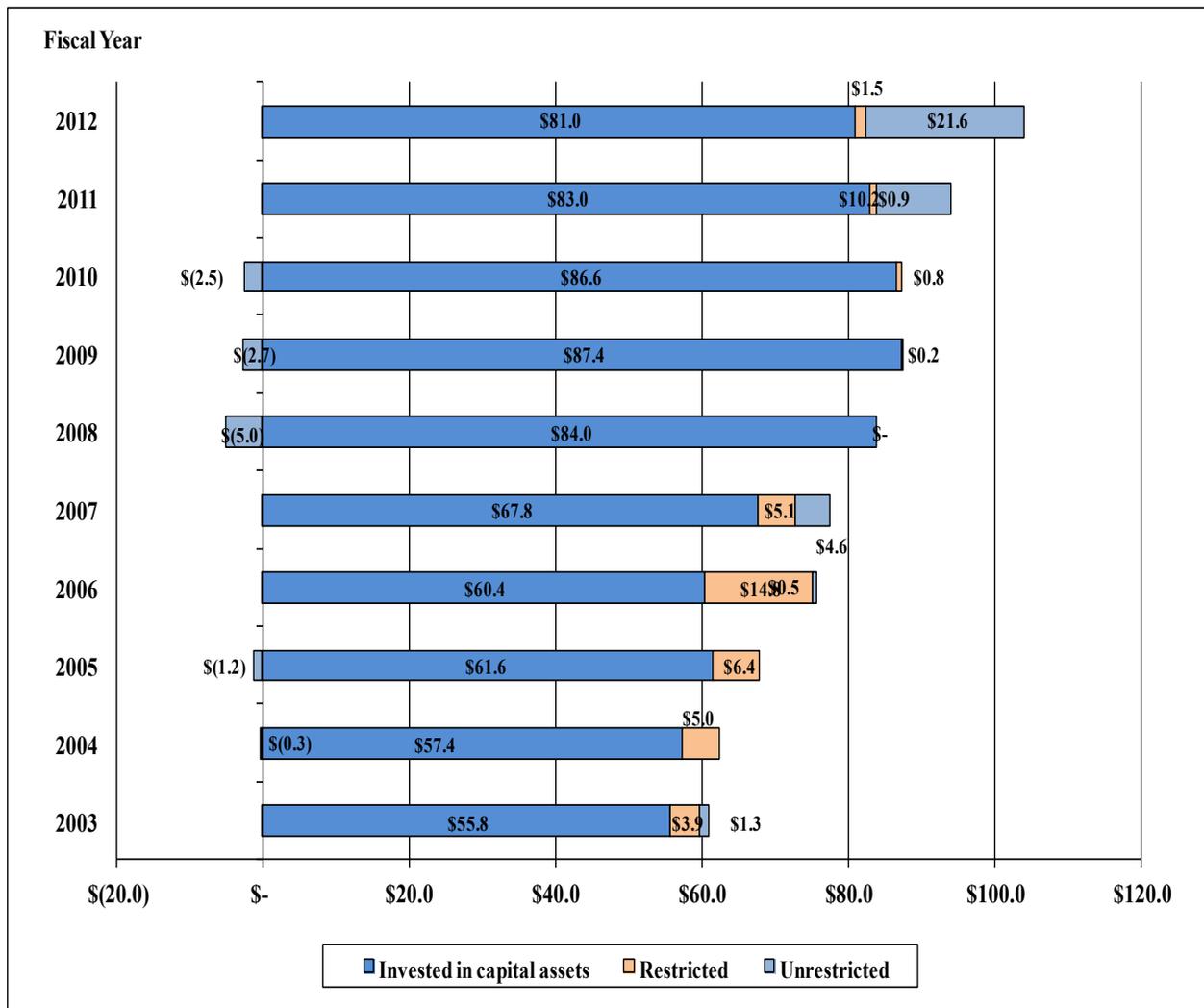
**Governmental Activities
Total Net Assets
(in millions)**



**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 10.7% from \$94.0 million in last fiscal year, compared to \$104.1 million in the current fiscal year. Notably, unrestricted net assets increased from the prior year, by approximately \$11.4 million, partially because of the change in net assets of \$10.1 million which remains unrestricted at fiscal year end. Additionally, capital asset depreciation exceeded additions by \$3.1 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 \$4.3 million, or 9.8%, due to the creation of the Solid Waste Fund. The corresponding increase in expenditures was approximately \$6.6 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 \$32.7 million, an increase of \$6.4 million over the prior year.

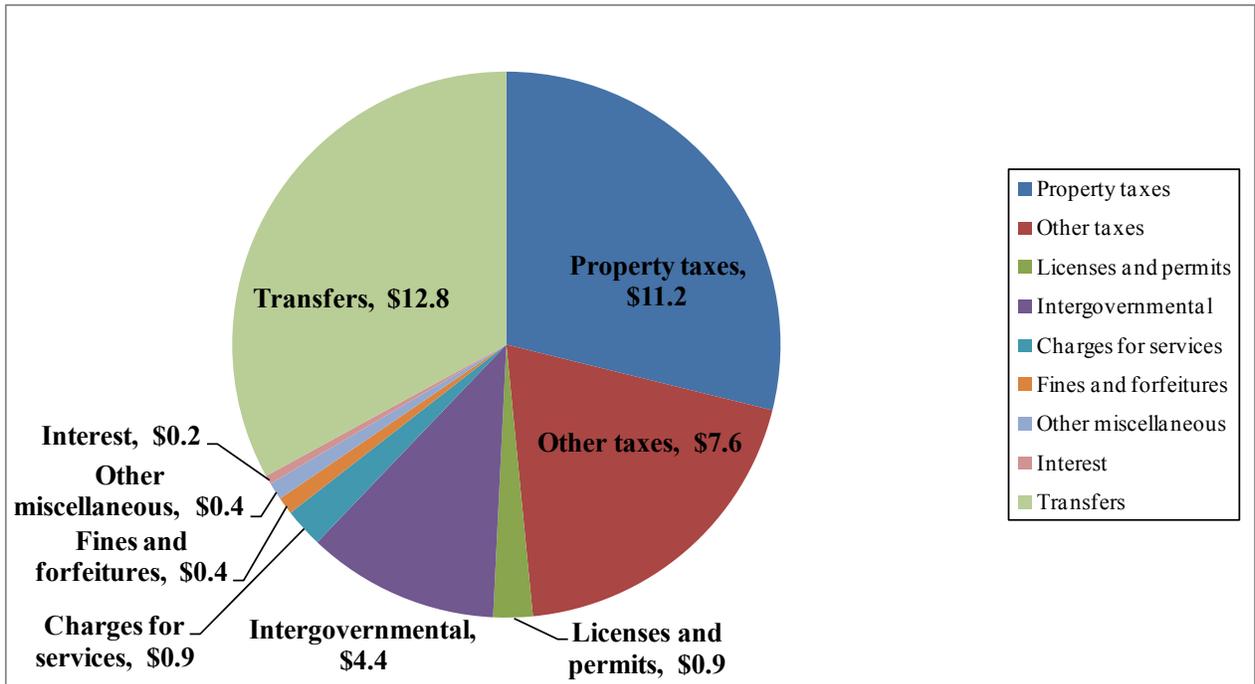
At September 30, 2012, 0.7% of the fund balance of the governmental funds was in nonspendable form. In other words, the assets are not cash and will not be converted into cash. This classification includes items such as prepaid costs and inventory. The use of 51.1% of fund balance is restricted by third parties such as grantors, creditors or other governmental entities for specific types of expenditures. The City Council through ordinance or resolution has committed 1.1% 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 12.2% 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. 34.8% of fund balance (\$11.4 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 \$15.5 million. The unassigned fund balance of \$11.5 million constitutes 74.2% of total general fund balance. Last fiscal year the General Fund's total fund balance was \$12.4 million, 71.5% of which was available for spending at the City's discretion.

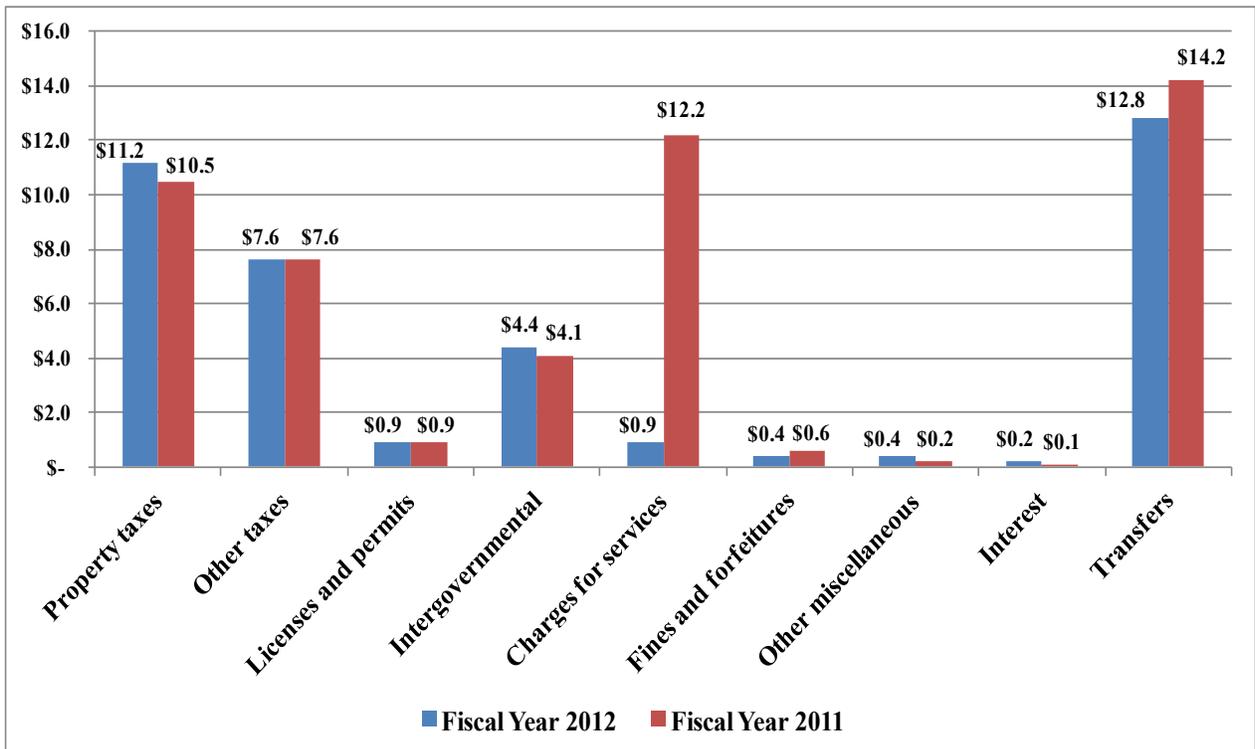
Total General Fund revenues decreased by \$11.6 million or 23% compared to the prior fiscal year. During the fiscal year, sanitation services were segregated into an enterprise fund resulting in a decrease in charges for services of \$9.7 million. The following graphics display (in millions) the classifications of revenues relative to the total fiscal year 2011 general fund revenues and relative to the fiscal year 2010 general fund revenues.

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General Fund Revenues by Source



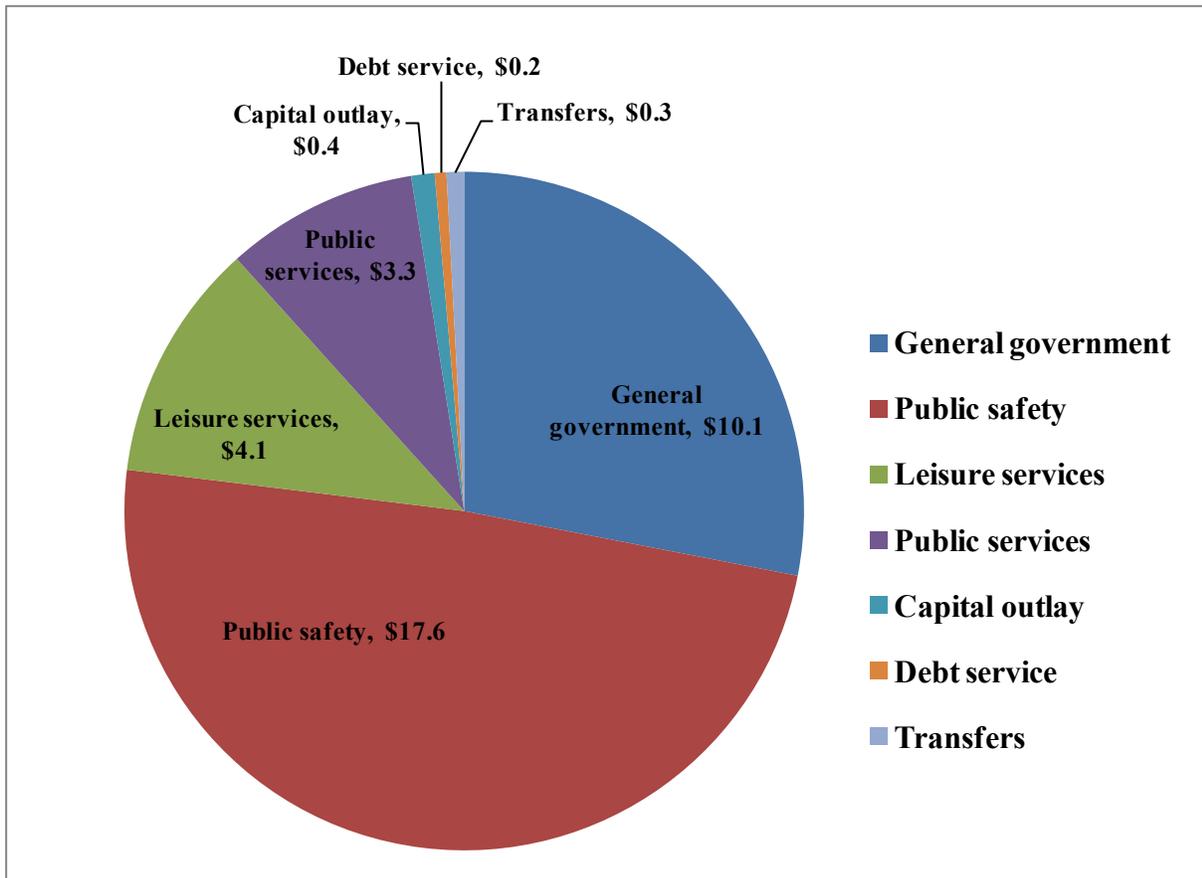
Current Year vs. Prior Year General Fund Revenues



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Total General Fund expenditures decreased by \$14.7 million, 29.0% as compared to the prior year. Public services expenditures decreased by \$6.9 million, corresponding, with the creation of the Solid Waste enterprise fund. General government spending declined by approximately \$2.2 million, or 17.9% which was the result of the City's continued cost-cutting measures taken to offset the effects of the down-turn in the economy. Additional measures, namely, the elimination of personnel in the public safety department resulted in a \$3.4 million decrease in expenditures. The following graphic displays (in millions) the classifications of expenditures relative to the total fiscal year 2011 general fund expenditures.

General Fund Expenditures



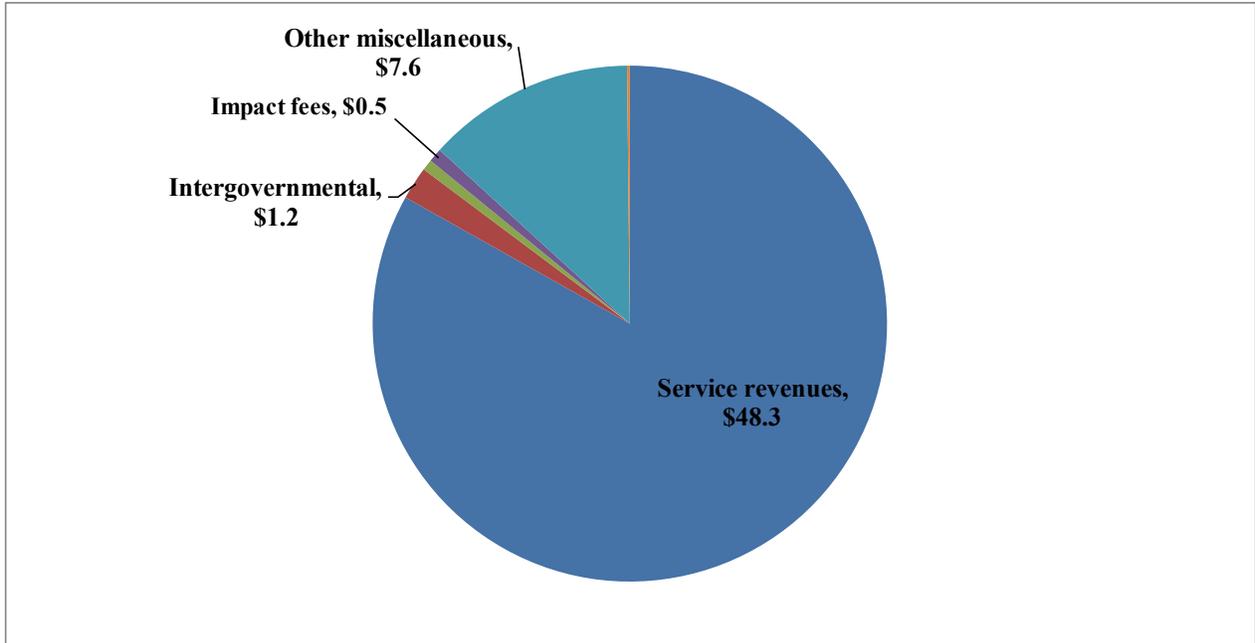
Proprietary funds: The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Proprietary funds account for services that are generally supported by user fees charged to customers. Proprietary funds are presented on a total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

Total Proprietary fund revenues increased by \$5.1 million or 10% compared to the prior fiscal year. The increase was driven by the creation of the Solid Waste Fund.

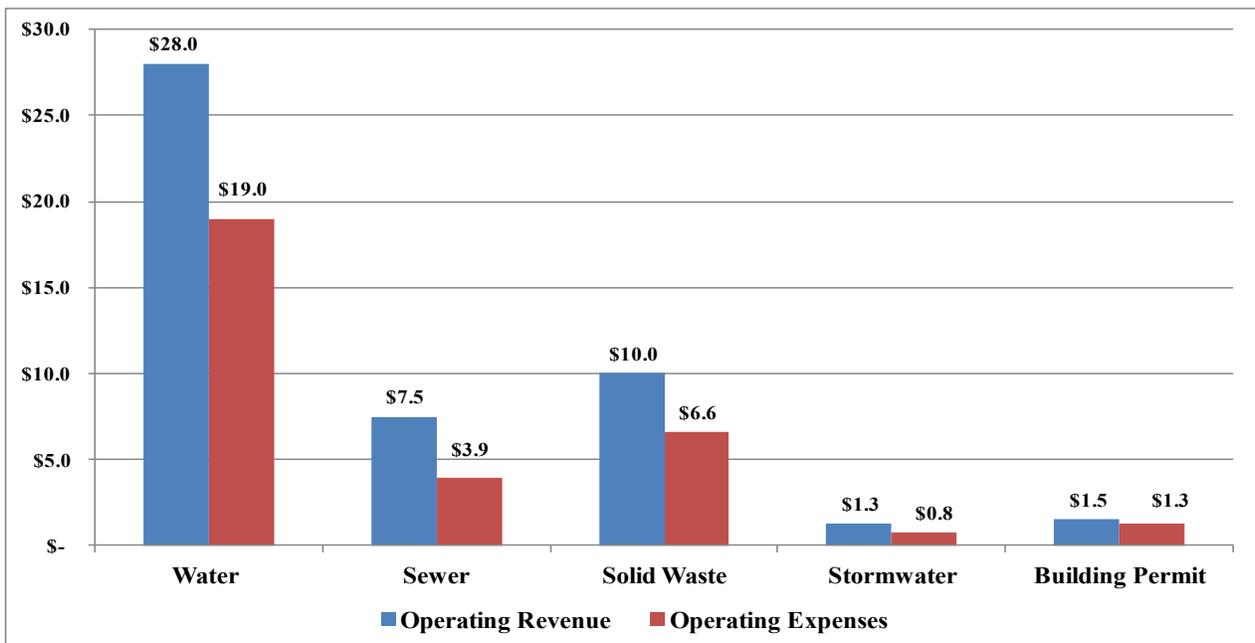
**CITY OF NORTH MIAMI BEACH, FLORIDA
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The proprietary funds were able to cover the cost of operations with operating revenues, or charges to customers for services provided in every fund. The following graphics display (in millions) the sources of proprietary 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 \$0.1 million during the current fiscal year. The original budget was increased to provide the City's portion of Tax Increment Financing (TIF) to the Community Redevelopment Agency. The TIF funding had been inadvertently omitted in the original budget.

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

- Perhaps the most striking variance resulted from the reversal of a \$1.2 million revenue accrual for unbilled sanitation fees. The revenue was recorded in the new Solid Waste Fund as it was billed throughout the year.
- Various taxes and intergovernmental revenues provided a positive revenue variance of approximately \$1.3 million.
- Overall the positive revenue variance was about \$1.1 million with each revenue category exceeding the final budget except Charges for Services.
- All expenditures exhibited positive variances. Savings were generated across the board including cuts in labor costs, operating costs and capital outlay.
- Overall the positive expenditure variance was about \$3.1 million.

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, 2012 amounts to \$225.1 million (net of accumulated depreciation).

During the past two years, the City has experienced the unusual occurrence when depreciation expense exceeds capital asset additions. This is another indication of the City's cost cutting measures. Capital improvements have been delayed until such time that economic conditions improve.

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 \$6.9 million or 3.0 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>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 4.3	\$ 4.3	\$ 5.9	\$ 5.9	\$ 10.2	\$ 10.2
Buildings and plant	6.4	6.9	135.6	135.3	142.0	142.2
Improvements other than buildings	18.8	19.7	-	-	18.8	19.7
Furniture, fixtures, machinery and equipment	3.6	3.9	2.0	1.8	5.6	5.7
Infrastructure	9.8	2.9	-	-	9.8	2.9
Capital lease equipment	1.3	3.0	2.2	1.2	3.5	4.2
Construction in progress	25.1	32.4	10.1	14.7	35.2	47.1
Total capital assets	<u>\$ 69.3</u>	<u>\$ 73.1</u>	<u>\$ 155.8</u>	<u>\$ 158.9</u>	<u>\$ 225.1</u>	<u>\$ 232.0</u>

Additional information on the City's capital assets can be found in Note 5, starting on page 45 of this report.

Long-term Debt

In 2012, the City received a rating letter which indicated that Standard and Poor's Rating Services assigned an "A+" rating with a stable outlook on the City's water revenue bonds. Likewise, FitchRatings assigned an "A+" rating with a stable outlook on those same bonds. The ratings were obtained as part of the refunding process completed by the City during December 2012.

At the end of the current fiscal year, the City had total bonded debt outstanding of \$79.4 million, total notes payable of \$22.9 million and loans outstanding of \$6.4 million. Of this amount, \$23.0 million was approved by referendum of the City's voters. State Revenue Sharing was pledged to secure a net outstanding balance of \$0.4 million in debt. Tax Increment Financing revenues has been pledged for the CRA debt totaling \$6.4 million. \$74.6 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 (\$4.3 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 \$1.0 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 two promissory notes during the current fiscal year. 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 refinancing resulted in an accounting loss of \$18,500 on the cost of issuance. The transaction resulted in an economic loss of approximately \$195,000 and an increase of approximately \$199,000 in annual future debt service payments.

On March 21, 2012, the City issued a \$8,190,000 promissory note, Series 2012 to JPMorgan Chase Bank, N.A. at an interest rate of 2.08%. The proceeds were used to refinance a loan from the Florida Local Government Finance Commission in the original principal amount of \$11,510,000. The refinancing resulted in an economic gain of approximately \$1.44 million and a decrease of approximately \$136,000 in annual 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 \$2.3 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>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
General obligation bonds	\$ 13.2	\$ 14.5	\$ -	\$ -	\$ 13.2	\$ 14.5
Revenue bonds	-	-	66.2	68.1	66.2	68.1
Notes payable	21.3	21.7	1.6	1.7	22.9	23.4
State Revolving Loans	-	-	6.4	5.1	6.4	5.0
Total	<u>\$ 34.5</u>	<u>\$ 36.2</u>	<u>\$ 74.2</u>	<u>\$ 74.9</u>	<u>\$ 108.7</u>	<u>\$ 111.0</u>

Additional information on the City's long term debt can be found in Note 9, starting on page 50 of this report.

Economic Factors and Next Year's Budgets and Rates

The economy continues to be weak, but appears to be stabilizing. The City has not been immune, as the property tax base declined for the fourth consecutive year, primarily due to a high rate of foreclosures placing downward pressure on home values. High unemployment rates continue to have a sagging effect on the economy as well. Municipal operations tend to lag the effects of economic conditions, either positive or negative. Therefore, the stabilization of the economy may not be recognized before fiscal year 2014.

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During times of economic hardship, taxpayer requests for services tend to increase. 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.

Along with the economic pressures, recent property tax reform legislature has limited the City's available property tax revenue. 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 2012, operating millage rates have declined from \$6.6905 per thousand to \$6.6036 over the same period. This combination has resulted in a loss of over \$9.1 million in property tax revenue over the four years.

The City is currently negotiating with the unions. The contracts with both the police and the general employee's unions expired on September 30, 2011.

The City continues to pursue 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 fiscal year, 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 refund the Series 2002B bonds for a net present savings to the City of approximately \$9.2 million, or 14.8% which is almost \$12.7 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 2012 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 a feasibility study was performed as a condition of the Series 2002B debt refunding. Additionally, a full rate study has been initiated during fiscal year 2013.

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. Property tax revenue is expected to stop declining and at least stabilize, if not grow.

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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.

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, 2012

	<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	\$ 30,446,530	\$ 17,508,105	\$ 47,954,635
Receivables	3,366,983	14,976,008	18,342,991
Internal balances	757,449	(757,449)	-
Due from Agency Fund	964,910	-	964,910
Inventories	158,507	707,636	866,143
Prepaid costs	7,232	-	7,232
Deferred charges	-	976,661	976,661
Other assets	45,100	-	45,100
Net pension asset	6,297,153	-	6,297,153
Restricted assets:			
Pooled cash and investments	-	1,545,354	1,545,354
Escrow funds held by agent	-	873	873
Capital assets, not being depreciated	29,413,342	15,968,957	45,382,299
Capital assets, net of accumulated depreciation	<u>39,930,386</u>	<u>139,849,349</u>	<u>179,779,735</u>
Total assets	<u>111,387,592</u>	<u>190,775,494</u>	<u>302,163,086</u>
<u>LIABILITIES</u>			
Vouchers payable and accrued liabilities	2,349,495	6,874,249	9,223,744
Customer deposits	-	3,920,320	3,920,320
Unearned revenue	831,487	-	831,487
Deposits held in trust	285,197	-	285,197
Noncurrent liabilities:			
Due within one year	3,652,455	3,074,584	6,727,039
Due in more than one year	37,172,399	72,748,475	109,920,874
Net pension obligation	<u>74,327</u>	<u>-</u>	<u>74,327</u>
Total liabilities	<u>44,365,360</u>	<u>86,617,628</u>	<u>130,982,988</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	34,726,684	81,012,206	115,738,890
Restricted for:			
Grant related	130,565	-	130,565
Debt service	244,360	-	244,360
Community Redevelopment	5,037,009	-	5,037,009
Interlocal agreements	1,278,569	-	1,278,569
Public safety	10,008,634	-	10,008,634
Inplant	-	1,545,354	1,545,354
Unrestricted net assets	<u>15,596,411</u>	<u>21,600,306</u>	<u>37,196,717</u>
Total net assets	<u>\$ 67,022,232</u>	<u>\$ 104,157,866</u>	<u>\$ 171,180,098</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2012

<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	\$ 12,016,251	\$ 1,675,901	\$ -	\$ -	\$ (10,340,350)	\$ -	\$ (10,340,350)
Public safety	22,451,498	6,801,311	751,999	3,411	(14,894,777)	-	(14,894,777)
Leisure services	4,561,306	837,826	161,409	223,181	(3,338,890)	-	(3,338,890)
Public services (Note 2, pg 81)	5,212,999	(979,556)	31,927	842,263	(5,318,365)	-	(5,318,365)
Interest on long-term debt	1,579,560	-	-	-	(1,579,560)	-	(1,579,560)
Total governmental activities	<u>45,821,614</u>	<u>8,335,482</u>	<u>945,335</u>	<u>1,068,855</u>	<u>(35,471,942)</u>	<u>-</u>	<u>(35,471,942)</u>
Business-type activities:							
Water	22,578,607	27,989,751	-	1,088,783	-	6,499,927	6,499,927
Sewer	3,952,033	7,489,643	-	176,695	-	3,714,305	3,714,305
Solid Waste	6,574,007	9,992,587	-	884,166	-	4,302,746	4,302,746
Stormwater	886,257	1,278,634	-	-	-	392,377	392,377
Building Permits	1,293,099	1,514,507	-	13,606	-	235,014	235,014
Total business-type activities	<u>35,284,003</u>	<u>48,265,122</u>	<u>-</u>	<u>2,163,250</u>	<u>-</u>	<u>15,144,369</u>	<u>15,144,369</u>
Total	<u>\$ 81,105,617</u>	<u>\$ 56,600,604</u>	<u>\$ 945,335</u>	<u>\$ 3,232,105</u>	<u>(35,471,942)</u>	<u>15,144,369</u>	<u>(20,327,573)</u>
General revenues:							
Property taxes					13,299,624	-	13,299,624
Utility taxes					2,793,790	-	2,793,790
Franchise fees on gross receipts					1,943,293	-	1,943,293
Communication service tax					2,168,141	-	2,168,141
Sales taxes					2,695,837	-	2,695,837
State revenue sharing and other unrestricted intergovernmental					5,325,201	-	5,325,201
User surcharges					-	6,647,392	6,647,392
Unrestricted interest earnings					223,186	94,243	317,429
Miscellaneous					675,364	944,938	1,620,302
Transfers					12,756,778	(12,756,778)	-
Total general revenues and transfers					<u>41,881,214</u>	<u>(5,070,205)</u>	<u>36,811,009</u>
Change in net assets					6,409,272	10,074,164	16,483,436
Net assets - beginning					60,612,960	94,083,702	154,696,662
Net assets - ending					<u>\$ 67,022,232</u>	<u>\$ 104,157,866</u>	<u>\$ 171,180,098</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2012

	<u>General</u>	<u>Forfeiture Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Pooled cash and investments	\$ 13,803,833	\$ 9,271,918	\$ 7,370,779	\$ 30,446,530
Accounts receivables	2,368,905	-	998,078	3,366,983
Due from other funds	1,740,995	964,910	-	2,705,905
Inventories	158,507	-	-	158,507
Prepaid costs	-	7,177	55	7,232
Other assets	45,100	-	-	45,100
Total assets	<u>\$ 18,117,340</u>	<u>\$ 10,244,005</u>	<u>\$ 8,368,912</u>	<u>\$ 36,730,257</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Vouchers payable and accrued liabilities	\$ 1,600,569	\$ 107,167	\$ 241,326	\$ 1,949,062
Deposits held in trust	285,197	-	-	285,197
Due to other funds	-	-	983,546	983,546
Deferred revenue	754,582	-	76,905	831,487
Total liabilities	<u>2,640,348</u>	<u>107,167</u>	<u>1,301,777</u>	<u>4,049,292</u>
Fund balances:				
Nonspendable:				
Inventories	226,484	-	-	226,484
Prepaid costs	-	7,177	55	7,232
Restricted				
Grant related	-	-	130,565	130,565
Debt service	-	-	244,360	244,360
Community Redevelopment	-	-	5,037,009	5,037,009
Interlocal agreements	-	-	1,278,569	1,278,569
Public safety	-	10,008,634	-	10,008,634
Committed				
Impact fees	114,299	-	-	114,299
Alley restoration	-	-	257,143	257,143
Assigned				
Encumbrances	1,214,391	121,027	279,026	1,614,444
Liability claims	719,451	-	-	719,451
Workers' compensation claims	1,560,601	-	-	1,560,601
Land acquisition	100,000	-	-	100,000
Unassigned				
Grant related	-	-	(159,390)	(159,390)
Debt service	-	-	(202)	(202)
General fund	11,541,766	-	-	11,541,766
Total fund balances	<u>15,476,992</u>	<u>10,136,838</u>	<u>7,067,135</u>	<u>32,680,965</u>
Total liabilities and fund balances	<u>\$ 18,117,340</u>	<u>\$ 10,244,005</u>	<u>\$ 8,368,912</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.	69,343,728
Net pension asset	6,297,153
Net pension obligation	(74,327)
Accrued interest on long term debt	(400,433)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(40,824,854)
Net assets of governmental activities	<u>\$ 67,022,232</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, 2012

	<u>General</u>	<u>Forfeiture Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 11,217,934	\$ -	\$ 2,081,690	\$ 13,299,624
Franchise fees	1,943,293	-	-	1,943,293
Utility taxes	2,793,790	-	-	2,793,790
Communication service tax	2,168,141	-	-	2,168,141
Other taxes	732,849	-	-	732,849
Licenses and permits	919,260	-	-	919,260
Intergovernmental	4,371,825	-	2,916,364	7,288,189
Charges for services	869,031	-	-	869,031
Fines and forfeitures	407,771	6,139,420	-	6,547,191
Grants	-	-	2,041,275	2,041,275
Other	429,082	33,531	224,130	686,743
Interest	155,713	28,609	38,864	223,186
Total revenues	<u>26,008,689</u>	<u>6,201,560</u>	<u>7,302,323</u>	<u>39,512,572</u>
Expenditures:				
Current:				
General government	10,099,542	-	398,564	10,498,106
Public safety	17,566,912	2,896,317	1,348,365	21,811,594
Leisure services	4,086,186	-	315,493	4,401,679
Public services	3,283,612	-	185,582	3,469,194
Capital outlay	457,349	47,408	1,170,508	1,675,265
Debt service:				
Principal	165,557	-	2,172,683	2,338,240
Interest and other fiscal charges	22,113	-	1,697,105	1,719,218
Total expenditures	<u>35,681,271</u>	<u>2,943,725</u>	<u>7,288,300</u>	<u>45,913,296</u>
Deficiency of revenues over expenditures	<u>(9,672,582)</u>	<u>3,257,835</u>	<u>14,023</u>	<u>(6,400,724)</u>
Other financing sources (uses):				
Proceeds from credit facilities	-	-	8,190,000	8,190,000
Payments to escrow agent on debt refunding	-	-	(8,140,600)	(8,140,600)
Transfers in	13,118,415	9,139	1,380,867	14,508,421
Transfers out	(341,620)	(83,634)	(1,326,389)	(1,751,643)
Total other financing sources (uses)	<u>12,776,795</u>	<u>(74,495)</u>	<u>103,878</u>	<u>12,806,178</u>
Net change in fund balances	3,104,213	3,183,340	117,901	6,405,454
Fund balances, beginning	12,372,779	6,953,498	6,949,234	26,275,511
Fund balances, ending	<u>\$ 15,476,992</u>	<u>\$ 10,136,838</u>	<u>\$ 7,067,135</u>	<u>\$ 32,680,965</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, 2012

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)	\$ 6,405,454
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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 depreciation exceeded capital outlays in the current period.

The details of the difference are as follows:

Capital outlay	\$ 1,675,265	
Depreciation expense	<u>(4,056,242)</u>	
Net adjustment		(2,380,977)

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	(8,190,000)	
Principal payments:		
General obligation and capital improvement bonds	9,443,239	
Notes payable	444,444	
Master leases	<u>501,302</u>	
Net adjustment		2,198,985

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:

Capital Contributions to Business-type Activities	(1,369,408)
Decrease in compensated absences	454,242
Decrease in accrued interest	139,658
Increase in estimated claims	(155,000)
Decrease in OPEB obligation	106,000
Increase in net pension assets	987,928
Decrease in net pension obligations	<u>22,390</u>

Change in net assets of governmental activities (Page 21)	\$ <u>6,409,272</u>
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CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF NET ASSETS PROPRIETARY FUNDS

SEPTEMBER 30, 2012

Business-type Activities - Enterprise Funds

ASSETS	Major Funds			Non-major Funds	Totals
	<u>Water Utility System</u>	<u>Sewer Utility System</u>	<u>Solid Waste System</u>		
Current assets:					
Pooled cash and investments	\$ 8,611,851	\$ 6,253,458	1,214,824	\$ 1,427,972	\$ 17,508,105
Accounts receivable, net	7,742,401	3,435,562	2,533,499	329,196	14,040,658
Inventories	707,636	-	-	-	707,636
Restricted assets:					
Pooled cash and investments - inplant	1,104,513	440,841	-	-	1,545,354
Escrow funds held by agent	873	-	-	-	873
Total current assets	18,167,274	10,129,861	3,748,323	1,757,168	33,802,626
Non-current assets:					
Loans receivable	-	935,350	-	-	935,350
Deferred charges - unamortized issuance costs	976,661	-	-	-	976,661
Capital assets, net of accumulated depreciation	129,636,540	20,748,384	1,142,329	4,291,053	155,818,306
Total non-current assets	130,613,201	21,683,734	1,142,329	4,291,053	157,730,317
Total assets	\$ 148,780,475	\$ 31,813,595	\$ 4,890,652	\$ 6,048,221	\$ 191,532,943
<u>LIABILITIES AND NET ASSETS</u>					
Current liabilities:					
Vouchers payable and accrued liabilities	\$ 4,630,012	\$ 1,284,214	\$ 416,928	\$ 542,222	\$ 6,873,376
Due to other funds	-	-	732,449	25,000	757,449
Customer deposits	3,490,689	399,185	30,446	-	3,920,320
Current portion of compensated absences	20,561	1,213	8,263	1,586	31,623
Current portion of revenue bonds payable	1,996,132	-	-	-	1,996,132
Current portion of notes payable	364,409	242,791	-	163,559	770,759
Current portion of master lease payable	27,475	10,462	159,371	78,762	276,070
Current liabilities payable from restricted assets:					
Vouchers payable and accrued liabilities - bonds	873	-	-	-	873
Total current liabilities	10,530,151	1,937,865	1,347,457	811,129	14,626,602
Non-current liabilities:					
Compensated absences	609,099	56,436	261,958	57,843	985,336
Notes payable	3,318,828	2,456,376	-	1,443,583	7,218,787
Revenue bonds payable	64,215,042	-	-	-	64,215,042
Unamortized bond premium	329,310	-	-	-	329,310
Total non-current liabilities	68,472,279	2,512,812	261,958	1,501,426	72,748,475
Total liabilities	79,002,430	4,450,677	1,609,415	2,312,555	87,375,077
Net assets:					
Invested in capital assets, net of related debt	59,385,344	18,038,755	982,958	2,605,149	81,012,206
Restricted for inplant	1,104,513	440,841	-	-	1,545,354
Unrestricted net assets	9,288,188	8,883,322	2,298,279	1,130,517	21,600,306
Total net assets	\$ 69,778,045	\$ 27,362,918	\$ 3,281,237	\$ 3,735,666	\$ 104,157,866

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, 2012

	Business-type Activities - Enterprise Funds				
	Major Funds				
	Water Utility System	Sewer Utility System	Solid Waste System	Non-major Funds	Totals
Operating revenues:					
Service revenues	\$ 27,989,751	\$ 7,489,643	\$ 9,992,587	\$ 2,793,141	\$ 48,265,122
Total operating revenue	27,989,751	7,489,643	9,992,587	2,793,141	48,265,122
Operating expenses:					
Operating, administrative and maintenance	14,007,023	3,023,912	6,492,579	1,903,663	25,427,177
Depreciation	4,974,248	881,884	72,495	237,490	6,166,117
Total operating expenses	18,981,271	3,905,796	6,565,074	2,141,153	31,593,294
Operating income	9,008,480	3,583,847	3,427,513	651,988	16,671,828
Non-operating revenue (expense):					
Interest income	69,982	23,744	61	456	94,243
Interest expense	(3,597,336)	(46,237)	(8,933)	(38,203)	(3,690,709)
User surcharges	5,083,448	1,563,944	-	-	6,647,392
Other income	676,225	64,993	7,866	195,854	944,938
Total non-operating revenue (expense)	2,232,319	1,606,444	(1,006)	158,107	3,995,864
Income before contributions and transfers	11,240,799	5,190,291	3,426,507	810,095	20,667,692
Capital contributions	606,316	140,475	884,166	-	1,630,957
Impact fees	482,467	36,220	-	13,606	532,293
Transfers in	-	14,400	-	-	14,400
Transfers out	(8,761,860)	(2,665,425)	(1,029,436)	(314,457)	(12,771,178)
Change in net assets	3,567,722	2,715,961	3,281,237	509,244	10,074,164
Net assets, beginning	66,210,323	24,646,957	-	3,226,422	94,083,702
Net assets, ending	\$ 69,778,045	\$ 27,362,918	\$ 3,281,237	\$ 3,735,666	\$ 104,157,866

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Business-type Activities - <u>Enterprise Funds</u>				
	<u>Major Funds</u>				
	<u>Water Utility System</u>	<u>Sewer Utility System</u>	<u>Solid Waste System</u>	<u>Non-major Funds</u>	<u>Totals</u>
Cash flows from operating activities:					
Cash received from customers	\$ 34,256,974	\$ 8,692,467	\$ 7,466,954	\$ 3,000,404	\$ 53,416,799
Cash payments to suppliers	(8,048,601)	(2,066,865)	(2,272,298)	(283,653)	(12,671,417)
Cash payments to employees	(6,752,080)	(686,001)	(2,770,237)	(1,604,778)	(11,813,096)
Net cash provided by operating activities	<u>19,456,293</u>	<u>5,939,601</u>	<u>2,424,419</u>	<u>1,111,973</u>	<u>28,932,286</u>
Cash flows from noncapital financing activities:					
Transfers to other funds	(8,761,860)	(2,651,025)	(1,029,436)	(314,457)	(12,756,778)
Cash flows from capital and related financing activities:					
Capital contributions	606,316	140,475	884,166	-	1,630,957
Impact fees	482,467	36,220	-	13,606	532,293
Acquisition and construction of capital assets	(755,394)	(1,142,794)	(1,214,824)	(4,850)	(3,117,862)
Interest paid	(3,597,336)	(46,237)	(8,933)	(38,203)	(3,690,709)
Deferred charges - issuance costs	50,230	-	-	-	50,230
Payments on master lease payable	(13,625)	(376,656)	-	(83,981)	(474,262)
Payments on bonds and notes payable	(1,921,761)	-	-	(1,736,858)	(3,658,619)
Proceeds from draws on notes	<u>150,544</u>	<u>1,091,091</u>	<u>159,371</u>	<u>1,672,000</u>	<u>3,073,006</u>
Net cash used in capital and related financing activities	<u>(4,998,559)</u>	<u>(297,901)</u>	<u>(180,220)</u>	<u>(178,286)</u>	<u>(5,654,966)</u>
Cash flows from investing activities:					
Interest income	<u>69,982</u>	<u>23,744</u>	<u>61</u>	<u>456</u>	<u>94,243</u>
Net (decrease) increase in pooled cash and investments	5,765,856	3,014,419	1,214,824	619,686	10,614,785
Pooled cash and investments, beginning	<u>3,951,381</u>	<u>3,679,880</u>	<u>-</u>	<u>808,286</u>	<u>8,439,547</u>
Pooled cash and investments, ending	<u>\$ 9,717,237</u>	<u>\$ 6,694,299</u>	<u>\$ 1,214,824</u>	<u>\$ 1,427,972</u>	<u>\$ 19,054,332</u>
Pooled cash and investments per statement of net assets:					
Unrestricted	\$ 8,611,851	\$ 6,253,458	\$ 1,214,824	\$ 1,427,972	\$ 17,508,105
Restricted	<u>1,105,386</u>	<u>440,841</u>	<u>-</u>	<u>-</u>	<u>1,546,227</u>
	<u>\$ 9,717,237</u>	<u>\$ 6,694,299</u>	<u>\$ 1,214,824</u>	<u>\$ 1,427,972</u>	<u>\$ 19,054,332</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, 2012

	Business-type Activities - <u>Enterprise Funds</u>				
	<u>Major Funds</u>				
	<u>Water Utility System</u>	<u>Sewer Utility System</u>	<u>Solid Waste System</u>	<u>Non-major Funds</u>	<u>Totals</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ 9,008,480	\$ 3,583,847	\$ 3,427,513	\$ 651,988	\$ 16,671,828
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	4,974,248	881,884	72,495	237,490	6,166,117
Other income	5,759,673	1,628,937	7,866	195,854	7,592,330
Other expense					
Changes in operating assets and liabilities:					
(Increase) decrease in:					
Accounts receivables	446,867	(442,413)	(2,533,499)	11,409	(2,517,636)
Inventories	(59,938)	-	-	-	(59,938)
Prepaid costs	-	(59,201)	-	-	(59,201)
Increase (decrease) in:					
Customer deposits	60,683	16,310	30,446	-	107,439
Vouchers payable and accrued liabilities	(733,720)	330,237	687,149	(9,768)	273,898
Due to other funds	-	-	732,449	25,000	757,449
Due to other governmental units	-	-	-	-	-
Total adjustments	<u>10,447,813</u>	<u>2,355,754</u>	<u>(1,003,094)</u>	<u>459,985</u>	<u>12,260,458</u>
Net cash provided by operating activities	<u>\$ 19,456,293</u>	<u>\$ 5,939,601</u>	<u>\$ 2,424,419</u>	<u>\$ 1,111,973</u>	<u>\$ 28,932,286</u>
Non-cash investing, capital and financing activities:					
State Revolving Loan proceeds	<u>\$ 150,544</u>	<u>\$ 1,091,091</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,241,635</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

SEPTEMBER 30, 2012

<u>ASSETS</u>	<u>Trust Funds</u>	<u>Police Holding Account Agency Fund</u>
Cash	\$ -	\$ 1,918,446
Cash held with trustee	18,319	-
Investments:		
Mutual funds	20,081,785	-
U.S. Government securities	26,237,591	-
Corporate bonds	21,184,485	-
Common stocks	83,943,289	-
Real estate	7,381,653	-
Accrued interest and dividends	580,655	-
Other receivables	167,374	-
Total assets	<u>159,595,151</u>	<u>1,918,446</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Vouchers payable and accrued liabilities	1,346,878	-
Due to other funds	-	964,910
Deposits held in trust	-	953,536
Total liabilities	<u>1,346,878</u>	<u>1,918,446</u>
 Net assets held in trust for pension benefits	 <u>\$ 158,248,273</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, 2012

	<u>Trust Funds</u>
ADDITIONS	
Contributions:	
Employees	\$ 2,482,673
Employer	10,651,843
State/County	<u>718,240</u>
Total contributions	<u>13,852,756</u>
Investment income:	
Net appreciation in fair value of investments	19,137,652
Interest and dividends	6,419,311
Other income	17,861
Investment expenses	<u>(707,233)</u>
Net investment gain	<u>24,867,591</u>
Total additions	<u>38,720,347</u>
DEDUCTIONS	
Pension benefits	10,507,688
Refunds of contributions	1,666,349
Administrative expenses	<u>435,991</u>
Total deductions	<u>12,610,028</u>
Net increase	26,110,319
Net assets held in trust for pension benefits:	
Beginning	<u>132,137,954</u>
Ending	<u>\$ 158,248,273</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, 2012**

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CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2012

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 as a blended component unit. 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, 2012

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, 2012

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.

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

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for services. Operating expenses for proprietary 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.

The City reports the following major governmental funds:

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

The *Forfeiture Funds* are used to account for confiscated and forfeited property received from the federal and state governments. The uses of the property are governed by the State of Florida Statutes, Chapter 932; the United States Department of Justice publication, *A Guide to Equitable Sharing of Federally Forfeited Property for State and Local Law Enforcement Agencies*; and the United States Treasury Department publication, *Guide to Equitable Sharing for Foreign Countries and Federal, State and Local Law Enforcement Agencies*.

CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2012

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

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

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 *Solid Waste Fund* accounts for providing sanitation services 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.

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.

CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2012

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

2. Receivables and Payables

Activities between funds that represent lending and borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to or due 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”.

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

CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2012

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

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

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.

Escrow funds held by lessor are used to report the proceeds of 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 used for liquidation of the liability in the governmental funds.

CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2012

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

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

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 statements 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.

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 the 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, 2012, was 6.6036 mills per \$1,000 of assessed valuation; the millage rate for bonded debt service was 1.2580 mills.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2012**

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

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

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.

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. The 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. The 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 implemented 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.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2012**

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

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

11. Fund Equity (cont'd)

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 (resolution or ordinance) 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.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is the City’s policy to maintain an amount equal to at least ten percent of total budgeted revenues of the General Fund as originally adopted as unassigned fund balance in the General Fund. This fund balance classification 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, 2012, the City reported negative unassigned fund balances in the 2003B Debt Service Fund and the Leisure Services Programs Capital Projects Fund. The shortfall in the 2003B Debt Service Fund is the result of higher than expected loan service charges. The shortfall in the Leisure Services Programs results from Miami-Dade County’s General Obligation Bond program. These deficiencies are anticipated to be eliminated during the next fiscal year.

CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2012

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.

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.

Investments

On May 15, 2012, the City adopted a written investment policy; investments are made in accordance with the provisions of that policy.

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.

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, 2012, the fair value factor for Fund B was \$0.83481105 per share. 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 Fund, 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.

CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2012

Note 3 - Deposits and Investments (cont'd)

Investments (cont'd)

The Florida Municipal Investment Trust (FMIVT) 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, the OPEB Trust and the Retirement Plan and Trust for General Management Employees are invested in the FMIVT portfolio, not the individual securities held by the Trust. The fair value of the positions in the FMIVT is equal to the value of the portfolio shares.

The investment policies of the Retirement Plans for the General Employees and for Police Officers and Firefighters have been adopted by their respective Boards of Trustees. The policies have been designed to maximize Plan asset values while assuming risk levels that are consistent with the respective Board's risk tolerance. The Boards have adopted individual policies intended to diversify risk across various asset classes including bonds, debentures and other corporate obligations, equity securities and domestic real estate.

Risk Disclosures

Credit Risk

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

The City's investment policy limits the quality and quantity of investments and requires pre-qualification of the financial institutions, broker/dealers, intermediaries, and advisors with which the City conducts investment transactions. Likewise, the Pension Trust Plans' and OPEB Trust investment policies limit the quality and quantity of investments. These policy requirements are intended to mitigate the effects of credit risk.

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.

Consistent with the investment policies of the Retirement Plans for General Employees and for Police Officers and Firefighters, the investments are held by each Plan's custodial bank and registered in each Plan's name.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2012**

Note 3 - Deposits and Investments (cont'd)

Risk Disclosures (cont'd)

In accordance with GASB Statement No. 40, the following disclosures are made regarding the City's deposit and investment balances as of September 30, 2012:

<u>Investment Type</u>	<u>Credit Quality Rating</u>	<u>Fair Value</u>
Governmental and business-type		
SBA Florida Prime	AAAm	\$ 3,894,652
SBA Fund B	Not rated	82,879
FMIVT 1-3 Year High Quality Bond Fund	AAA/V2	36,184,003
Deposits - pooled cash	Not rated	<u>9,339,328</u>
Total governmental and business-type investments		<u>\$ 49,500,862</u>
Retirement Plan for General Employees		
Equity	Not rated	\$ 38,291,638
Mutual funds	Not rated	1,778,940
US Agencies	Not rated	11,457,143
Corporate Bonds	A1	1,021,684
Corporate Bonds	A2	1,859,873
Corporate Bonds	A3	3,631,852
Corporate Bonds	Baa1	1,079,691
Corporate Bonds	Baa2	2,124,934
Real estate	Not rated	<u>4,229,072</u>
Total plan investments		<u>\$ 65,474,827</u>
Retirement Plan for Police Officers and Firefighters		
Equity	Not rated	\$ 45,651,651
Mutual funds	Not rated	2,763,463
US Agencies	Not rated	14,780,448
Corporate Bonds	A1	1,222,371
Corporate Bonds	A2	2,635,926
Corporate Bonds	A3	3,618,763
Corporate Bonds	Baa1	1,315,689
Corporate Bonds	Baa2	2,673,702
Real estate	Not rated	<u>3,152,581</u>
Total plan investments		<u>\$ 77,814,594</u>
Retirement Plan and Trust for General Management Employees		
FMIVT Broad Market High Quality Bond Fund	AA/V4	<u>\$ 14,448,290</u>
OPEB Trust		
FMIVT Broad Market High Quality Bond Fund	AA/V4	<u>\$ 1,091,093</u>

CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2012

Note 3 - Deposits and Investments (cont'd)

Risk Disclosures (cont'd)

Concentration Credit Risk

The City's investment policy and the investment policies of the Retirement Plans for the General Employees and for Police Officers and Firefighters 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, 2012.

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. Neither the City, the OPEB Trust nor the Retirement Plan and Trust for General Management Employees invests 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, 2012 is \$5,469,680, approximately 8% 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, 2012 is \$7,297,998, approximately 9% of total plan investments. The investment policy of both plans limits foreign investments to 15% of the portfolio.

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. Interest rate risk disclosures are required for all debt instruments as well as investments in mutual funds, external investment pools and other pooled investments that do not meet the definition of a "2a-7 like" pool.

The City's investment policy limits the maturity and duration of specific investment vehicles. The objective is to structure the portfolio so that securities mature to meet cash requirements for ongoing operations thereby avoiding the need to sell securities on the open market prior to maturity. The policy also addresses liquidity by requiring operating funds to be invested primarily in shorter-term securities. These policy requirements are intended to mitigate the effects of interest rate risk. The City's investment portfolio at September 30, 2012 consists of SBA, which meets the 2a-7 pool requirements; thus, no interest rate disclosures are necessary and FMIvT 1-3 Year High Quality Bond Fund which reports a duration of 1.64 and a WAM of 1.67.

CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2012

Note 3 - Deposits and Investments (cont'd)

Risk Disclosures (cont'd)

Interest Rate Risk (cont'd)

At September 30, 2012, the Retirement Plan for General Employees has approximately 32% 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	\$ 9,718,034	\$ -	\$ 793,432	\$ 8,924,602	\$ -
US Agencies	11,457,143	-	1,689,517	1,882,776	7,884,850
Total	<u>\$ 21,175,177</u>	<u>\$ -</u>	<u>\$ 2,482,949</u>	<u>\$ 10,807,378</u>	<u>\$ 7,884,850</u>

As a means of limiting its exposure to interest rate risk, the Retirement Plan for Police Officers and Firefighters 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, 2012.

<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	\$ 11,466,451	\$ 9,705,401	\$ -	\$ 1,761,050	\$ -
US Agencies	14,780,448	11,537,767	2,604,271	638,410	-
Total	<u>\$ 26,246,899</u>	<u>\$ 21,243,168</u>	<u>\$ 2,604,271</u>	<u>\$ 2,399,460</u>	<u>\$ -</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 4.66 and a weighted average method (WAM) of 5.42.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2012**

Note 4 - Receivables

Accounts receivable at September 30, 2012 for the City's individual major funds and non-major in the aggregate, are as follows:

	<u>General</u>	<u>Non-major Governmental</u>	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Non-major Enterprise</u>	<u>Total</u>
Accounts Receivable							
Billed	\$ -	\$ -	\$ 5,414,107	\$ 1,411,767	\$1,303,485	\$ 206,754	\$ 8,336,113
Unbilled	-	-	2,263,721	767,116	1,230,014	119,157	4,380,008
Franchise and utility	870,188	-	-	-	-	-	870,188
Intergovernmental	684,937	401,634	49,963	588,153	-	207	1,724,894
Grants	-	596,444	-	-	-	-	596,444
Other	722,116	-	14,610	668,526	-	3,078	1,408,330
Property taxes	91,664	-	-	-	-	-	91,664
Total receivables	<u>\$2,368,905</u>	<u>\$ 998,078</u>	<u>\$ 7,742,401</u>	<u>\$ 3,435,562</u>	<u>\$2,533,499</u>	<u>\$ 329,196</u>	<u>\$17,407,641</u>

Accounts receivable at September 30, 2012, consisted primarily of billed and unbilled charges for services in the enterprise funds. The governmental funds' receivables consist of grants, taxes and intergovernmental receivables mostly due from the state and county pursuant to shared revenue agreements; franchise fees and utility taxes paid in arrears in accordance with franchise agreements; and other receivables that primarily consist of business tax receipts and fees charged to other municipalities for utility bill processing and collection. 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 \$935,350 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.

Note 5 - Capital Assets

During the fiscal year ending September 30, 2012, the assets, liabilities and activities associated with the collection and disposal of solid waste were segregated from the general fund. An enterprise fund was created specifically to account for those activities. Capital assets net of accumulated depreciation transferred from governmental activities total approximately \$1.4 million. Liabilities include capital lease agreements totaling about \$160,000.

CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2012

Note 5 - Capital Assets (cont'd)

Capital assets activity for the year ended September 30, 2012 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	\$ 4,300,360	\$ 45,514	\$ -	\$ 4,345,874
Construction in progress	<u>32,431,563</u>	<u>1,078,965</u>	<u>(8,443,060)</u>	<u>25,067,468</u>
Total capital assets not being depreciated	<u>36,731,923</u>	<u>1,124,479</u>	<u>(8,443,060)</u>	<u>29,413,342</u>
Capital assets being depreciated				
Buildings	28,960,764	872,340	(31,876)	29,801,228
Improvements other than buildings	29,308,948	268,337	(6,365)	29,570,920
Infrastructure	5,645,370	7,217,226	(29,351)	12,833,245
Capital lease equipment	6,832,497	-	(3,065,228)	3,767,269
Furniture, fixtures, machinery and equipment	<u>28,311,698</u>	<u>611,207</u>	<u>(10,189,089)</u>	<u>18,733,816</u>
Total capital assets being depreciated	99,059,277	8,969,110	(13,321,909)	94,706,478
Less accumulated depreciation				
Buildings	(22,163,393)	(1,243,409)	24,899	(23,381,903)
Improvements other than buildings	(9,611,227)	(1,464,095)	252,484	(10,822,838)
Infrastructure	(2,765,490)	(247,397)	13,335	(2,999,552)
Capital lease equipment	(3,753,706)	(313,219)	1,594,746	(2,472,179)
Furniture, fixtures, machinery and equipment	<u>(24,403,275)</u>	<u>(788,122)</u>	<u>10,091,777</u>	<u>(15,099,620)</u>
Total accumulated depreciation	<u>(62,697,091)</u>	<u>(4,056,242)</u>	<u>11,977,241</u>	<u>(54,776,092)</u>
Total capital assets being depreciated, net	<u>36,362,186</u>	<u>4,912,868</u>	<u>(1,344,668)</u>	<u>39,930,386</u>
Governmental activities capital assets, net	<u>\$ 73,094,109</u>	<u>\$ 6,037,347</u>	<u>\$ (9,787,728)</u>	<u>\$ 69,343,728</u>
<u>Business-type activities</u>				
Capital assets not being depreciated				
Land	\$ 5,872,367	\$ -	\$ -	\$ 5,872,367
Construction in progress	<u>14,679,077</u>	<u>1,363,853</u>	<u>(5,946,340)</u>	<u>10,096,590</u>
Total capital assets not being depreciated	<u>20,551,444</u>	<u>1,363,853</u>	<u>(5,946,340)</u>	<u>15,968,957</u>
Capital assets being depreciated				
Buildings and utility plant	199,012,076	6,029,491	-	205,041,567
Capital lease equipment	2,785,681	2,718,203	-	5,503,884
Machinery and equipment	<u>12,077,282</u>	<u>3,214,782</u>	<u>(219,978)</u>	<u>15,072,086</u>
Total capital assets being depreciated	<u>213,875,039</u>	<u>11,962,476</u>	<u>(219,978)</u>	<u>225,617,537</u>
Less accumulated depreciation				
Buildings and utility plant	(63,734,122)	(5,624,155)	-	(69,358,277)
Capital lease equipment	(1,572,396)	(1,780,937)	-	(3,353,333)
Machinery and equipment	<u>(10,253,404)</u>	<u>(3,023,152)</u>	<u>219,978</u>	<u>(13,056,578)</u>
Total accumulated depreciation	<u>(75,559,922)</u>	<u>(10,428,244)</u>	<u>219,978</u>	<u>(85,768,188)</u>
Total capital assets being depreciated, net	<u>138,315,117</u>	<u>1,534,232</u>	<u>-</u>	<u>139,849,349</u>
Business-type activities capital assets, net	<u>\$ 158,866,561</u>	<u>\$ 2,898,085</u>	<u>\$ (5,946,340)</u>	<u>\$ 155,818,306</u>

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2012**

Note 5 - Capital Assets (cont'd)

Depreciation expense for the year ended September 30, 2012 was charged to the following functions of the City:

Governmental Activities:

General government	\$ 2,843,850
Public safety	639,904
Leisure services	159,627
Public services	412,861
Total depreciation expense - governmental activities	<u>\$ 4,056,242</u>

Business-type activities:

Water	\$ 4,974,248
Sewer	881,884
Stormwater	235,182
Solid Waste	72,495
Building permit	2,308
Total depreciation expense - business-type activities	<u>\$ 6,166,117</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 \$37.2 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 \$14.7 million for the reduction of volatile organic compounds from drinking water produced by the City's utility plant, approximately \$10.5 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 \$4.1 million to reduce infiltration and inflow to the City's sewer system, and approximately \$6.3 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, 2012 are as follows:

Water fireflow and inplant	\$ 1,104,513
Water escrow funds held by agent	873
Sewer inplant	440,841
Total business-type activities restricted assets	<u>\$ 1,546,227</u>

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2012**

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, 2012 are as follows:

<u>Fund</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>
<u>Governmental Activities</u>		
General Fund	\$ -	\$ 1,740,995
Forfeiture Funds		964,910
 <u>Non-major Governmental Funds</u>		
Grants Fund	322,944	-
Community Redevelopment Agency	250,292	
2003B Bond Debt Service Fund	518	-
Leisure Services Capital Projects	320,262	-
Public Works Capital Projects	<u>89,530</u>	
Total Non-major Governmental Funds	983,546	-
 <u>Business-type Activities</u>		
Building Permit Fund	25,000	-
Solid Waste Fund	<u>732,449</u>	-
Total Enterprise Funds	757,449	-
 <u>Agency Fund</u>		
Police Holding Account	<u>964,910</u>	-
Total due to/from other funds	<u>\$ 2,705,905</u>	<u>\$ 2,705,905</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. Transfers into the forfeiture funds and sewer fund reflect residual balances from funds closed during the fiscal year.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2012**

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

Interfund transfers (cont'd)

Interfund transfers made during fiscal year 2012 are as follows:

Transfers out	Transfers In				Total
	General Fund	Forfeiture Funds	Non-major Governmental Funds	Sewer Fund	
General fund	\$ -	\$ -	\$ 341,620	\$ -	\$ 341,620
Forfeiture funds	82,289	-	1,345	-	83,634
Non-major governmental funds	398,348	9,139	918,902	-	1,326,389
Water utility	8,761,860	-	-	-	8,761,860
Sewer utility	2,665,425	-	-	-	2,665,425
Solid waste	1,029,436	-	-	-	1,029,436
Non-major enterprise funds	181,057	-	119,000	14,400	314,457
Total transfers out	<u>\$13,118,415</u>	<u>\$ 9,139</u>	<u>\$ 1,380,867</u>	<u>\$14,400</u>	<u>\$14,522,821</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>
Advanced Revenues - business tax receipts	\$ -	\$ 754,582
Grant revenues not yet earned	76,905	-
Total	<u>\$ 76,905</u>	<u>\$ 754,582</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 2012, the credit line was decreased from \$2.0 million to \$1.0 million. No funds were drawn down during the year. There is currently no balance due.

CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2012

Note 9 - Long-term Debt

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

	Beginning			Ending	Due
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Due Within</u>
					<u>One Year</u>
Governmental activities:					
Bonds and notes payable:					
General obligation and term bonds	\$ 14,497,065	\$ 8,190,000	\$ (9,443,239)	\$ 13,243,826	\$ 1,493,868
Notes payable	14,835,000	-	-	14,835,000	350,000
Notes payable CRA - Taxable	4,305,556	-	(277,778)	4,027,778	277,778
Notes payable CRA - Nontaxable	<u>2,583,332</u>	<u>-</u>	<u>(166,666)</u>	<u>2,416,666</u>	<u>166,667</u>
Total bonds and notes payable	36,220,953	8,190,000	(9,887,683)	34,523,270	2,288,313
Master leases	595,076	-	(501,302)	93,774	93,774
Estimated claims	1,807,000	316,000	(161,000)	1,962,000	852,000
Compensated absences	3,963,052	2,046,144	(2,500,386)	3,508,810	418,368
Other post employment benefit obligation	<u>843,000</u>	<u>578,000</u>	<u>(684,000)</u>	<u>737,000</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 43,429,081</u>	<u>\$ 11,130,144</u>	<u>\$ (13,734,371)</u>	<u>\$ 40,824,854</u>	<u>\$ 3,652,455</u>
Business-type activities:					
Revenue bonds	\$ 68,132,935	\$ -	\$ (1,921,761)	\$ 66,211,174	\$ 1,996,132
Notes payable - Stormwater	1,672,000	1,672,000	(1,736,858)	1,607,142	163,559
State Revolving Loans - Water	3,532,467	42,886	107,884	3,683,237	364,409
State Revolving Loans - Sewer	1,608,076	1,154,008	(62,917)	2,699,167	242,791
Premium on revenue bonds	<u>353,024</u>	<u>-</u>	<u>(23,714)</u>	<u>329,310</u>	<u>-</u>
Total bonds and notes payable	75,298,502	2,868,894	(3,637,366)	74,530,030	2,766,891
Master leases	590,961	-	(314,891)	276,070	276,070
Compensated absences	<u>977,871</u>	<u>885,404</u>	<u>(846,316)</u>	<u>1,016,959</u>	<u>31,623</u>
Business-type activities long-term liabilities	<u>\$ 76,867,334</u>	<u>\$ 3,754,298</u>	<u>\$ (4,798,573)</u>	<u>\$ 75,823,059</u>	<u>\$ 3,074,584</u>

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, 2012**

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

Bonds Payable (cont'd)

Bond issues authorized and outstanding at September 30, 2012 are summarized as follows:

Capital Improvements Bonds:

\$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%.	\$ 425,000
\$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%.	4,450,000
\$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 4.125%.	178,826
\$8,190,000 General Obligation Refunding Bond, Series 2012 Capital Appreciation and term bonds; secured by revenues pledged from voted debt millage; due in annual installments of \$585,000 to \$760,000 from May 1, 2013 to May 1, 2024; interest at 2.08%.	<u>8,190,000</u>
Total capital improvement bonds	13,243,826

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%.	62,125,000
\$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>4,086,174</u>
Total revenue bonds	<u>66,211,174</u>
Total bonds payable	<u><u>\$ 79,455,000</u></u>

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2012**

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

Bonds Payable (cont'd)

Debt Service Requirements

Debt service requirements to maturity for each bond series at September 30, 2012 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Capital Improvements Bonds, Series 1998			
2013	425,000	19,040	444,040
	<u>\$ 425,000</u>	<u>\$ 19,040</u>	<u>\$ 444,040</u>

Florida Municipal Loan Council (Water)

2002 B Series:

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	1,885,000	2,980,706	4,865,706
2018-2022	12,395,000	12,956,137	25,351,137
2023-2027	18,065,000	8,215,400	26,280,400
2028-2032	23,110,000	3,579,750	26,689,750
	<u>\$ 62,125,000</u>	<u>\$ 38,703,799</u>	<u>\$ 100,828,799</u>

Florida Municipal Loan Council (Capital)

2003 B Series:

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	565,000	113,794	678,794
2018-2020	1,885,000	151,857	2,036,857
	<u>\$ 4,450,000</u>	<u>\$ 993,808</u>	<u>\$ 5,443,808</u>

Florida Municipal Loan Council (Water & Capital)

2005C Series Capital

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	22,851	4,169	27,020
2018-2020	74,843	6,169	81,012
Subtotal Capital	<u>178,826</u>	<u>37,117</u>	<u>215,943</u>

CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2012

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

Bonds Payable (cont'd)

Debt Service Requirements (cont'd)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Florida Municipal Loan Council (Water & Capital)			
2005C Series Water Revenue			
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	522,149	95,256	617,405
2018-2020	<u>1,710,157</u>	<u>140,956</u>	<u>1,851,113</u>
Subtotal Water Revenue	<u>4,086,174</u>	<u>848,132</u>	<u>4,934,306</u>
Total 2005C Series	<u>\$ 4,265,000</u>	<u>\$ 885,249</u>	<u>\$ 5,150,249</u>
General Obligation Refunding Bond, Series 2012			
2013	\$ 585,000	\$ 198,744	\$ 783,744
2014	625,000	158,184	783,184
2015	635,000	145,184	780,184
2016	655,000	131,976	786,976
2017	665,000	118,352	783,352
2018-2022	3,520,000	379,080	3,899,080
2023-2024	<u>1,505,000</u>	<u>47,112</u>	<u>1,552,112</u>
	<u>\$ 8,190,000</u>	<u>\$ 1,178,632</u>	<u>\$ 9,368,632</u>

Notes Payable

Notes payable authorized and outstanding at September 30, 2012 are summarized as follows:

\$3,000,000 Bank of America, Community Redevelopment Agency, Non-taxable, Series 2007A, secured by Tax Increment Financing revenues; principal and interest payments are due quarterly from May 1, 2009 to February 1, 2027; interest is paid at a variable rate	\$ 2,416,666
\$5,000,000 Bank of America, Community Redevelopment Agency, Taxable, Series 2007B, secured by Tax Increment Financing revenues; principal and interest payments are due quarterly from May 1, 2009 to February 1, 2027; interest is paid at a variable rate	4,027,778
\$14,835,000 Chase Bank, N.A., Promissory Note, Series 2011, secured by revenues pledged from voted debt millage; due in annual installments of \$350,000 to \$1,220,000 from November 1, 2012 to November 1, 2030; interest at 3.99%.	14,835,000
\$1,672,000 Branch Banking & Trust Company Promissory Note, Series 2011A; secured by revenues pledged from net stormwater utility revenues; due in annual installments of \$64,858 to \$194,358 from May 1, 2012 to May 1, 2021; interest at 2.18%.	<u>1,607,142</u>
Total notes payable	<u>\$ 22,886,586</u>

CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2012

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

Notes Payable (cont'd)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Bank of America, CRA Non-taxable			
Series 2007A			
2013	\$ 166,667	\$ 39,148	\$ 205,815
2014	166,667	36,376	203,043
2015	166,667	33,605	200,272
2016	166,667	30,833	197,500
2017	166,667	28,062	194,729
2018-2022	833,335	98,735	932,070
2023-2027	749,996	29,621	779,617
	<u>\$ 2,416,666</u>	<u>\$ 296,380</u>	<u>\$ 2,713,046</u>
Bank of America, CRA Taxable			
Series 2007B			
2013	\$ 277,778	\$ 83,237	\$ 361,015
2014	277,778	77,344	355,122
2015	277,778	71,451	349,229
2016	277,778	65,558	343,336
2017	277,778	59,666	337,444
2018-2022	1,388,890	209,934	1,598,824
2023-2027	1,249,998	62,980	1,312,978
	<u>\$ 4,027,778</u>	<u>\$ 630,170</u>	<u>\$ 4,657,948</u>
Chase Bank, N.A.			
Promissory Note Series 2011			
2013	\$ 350,000	\$ 584,934	\$ 934,934
2014	470,000	568,575	1,038,575
2015	505,000	549,124	1,054,124
2016	540,000	528,276	1,068,276
2017	565,000	506,231	1,071,231
2018-2022	3,405,000	2,150,710	5,555,710
2023-2027	4,475,000	1,368,470	5,843,470
2028-2031	4,525,000	372,766	4,897,766
	<u>\$ 14,835,000</u>	<u>\$ 6,629,086</u>	<u>\$ 21,464,086</u>
Branch Banking and Trust Company			
Promissory Note Series 2011A			
2013	\$ 163,559	\$ 35,034	\$ 198,593
2014	167,125	31,470	198,595
2015	170,768	27,826	198,594
2016	174,491	24,104	198,595
2017	178,295	20,300	198,595
2018-2021	752,904	41,478	794,382
	<u>\$ 1,607,142</u>	<u>\$ 180,212</u>	<u>\$ 1,787,354</u>

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2012**

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>
\$450,226 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 \$14,592 from August 15, 2012 to August 15, 2030; interest at 2.71%.	\$ 413,535
\$8,852,388 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 \$286,413 from October 15, 2012 to April 15, 2032; interest at 2.58%.	3,144,222
\$1,195,062 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 \$35,977 from May 15, 2012 through November 15, 2030; interest at 1.94%.	1,113,988
\$373,933 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 \$11,046 from May 15, 2012 through November 15, 2030; interest at 1.94%.	344,598
\$4,261,965 State Revolving Fund Loan Agreement, Number WW130110; 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 \$131,732 from March 15, 2013 through September 15, 2033; interest at 2.10%.	889,598
\$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 March 15, 2014 to September 15, 2034; interest at 2.05%.	350,983
Total state revolving loans	<u>\$ 6,256,924</u>

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2012**

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

State Revolving Loan Programs (cont'd)

Debt Service Requirements

Debt service requirements to maturity for each loan at September 30, 2012 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
DW 130102 (Water)			
2013	\$ 18,099	\$ 11,085	\$ 29,184
2014	18,593	10,591	29,184
2015	19,100	10,084	29,184
2016	19,621	9,563	29,184
2017	20,157	9,027	29,184
2018-2022	109,338	36,582	145,920
2023-2027	125,090	20,829	145,919
2028-2030	83,537	4,006	87,543
	<u>\$ 413,535</u>	<u>\$ 111,767</u>	<u>\$ 525,302</u>
DW 130103 (Water)			
2013	\$ 346,310	\$ 226,516	\$ 572,826
2014	355,316	217,510	572,826
2015	364,556	208,270	572,826
2016	374,037	198,789	572,826
2017	383,764	189,062	572,826
2018-2021	1,320,239	654,156	1,974,395
	<u>\$ 3,144,222</u>	<u>\$ 1,467,787</u>	<u>\$ 6,298,417</u>
WW 130100 (Sewer)			
2013	\$ 50,587	\$ 21,367	\$ 71,954
2014	51,573	20,381	71,954
2015	52,578	19,376	71,954
2016	53,603	18,351	71,954
2017	54,648	17,306	71,954
2018-2022	289,641	70,129	359,770
2023-2027	318,995	40,775	359,770
2028-2031	242,373	9,496	251,869
	<u>\$ 1,113,998</u>	<u>\$ 217,181</u>	<u>\$ 1,331,179</u>

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2012**

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

State Revolving Loan Programs (cont'd)

Debt Service Requirements (cont'd)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
WW 130101 (Sewer)			
2013	\$ 17,806	\$ 6,468	\$ 24,274
2014	18,135	6,139	24,274
2015	18,471	5,803	24,274
2016	18,812	5,462	24,274
2017	19,160	5,114	24,274
2018-2022	101,253	20,117	121,370
2023-2027	110,976	10,394	121,370
2028-2032	39,985	991	40,976
	<u>\$ 344,598</u>	<u>\$ 60,488</u>	<u>\$ 405,086</u>
WW 130110 (Sewer)			
2013	\$ 174,398	\$ 89,066	\$ 263,464
2014	178,080	85,384	263,464
2015	181,839	81,625	263,464
2016	185,678	77,786	263,464
2017	169,603	73,866	243,469
	<u>\$ 889,598</u>	<u>\$ 407,727</u>	<u>\$ 1,297,325</u>
WW 745080 (Sewer)			
2013	\$ -	\$ -	\$ -
2014	20,947	10,391	31,338
2015	21,379	9,959	31,338
2016	21,820	9,518	31,338
2017	22,269	9,069	31,338
2018-2022	118,420	38,270	156,690
2023-2027	131,135	25,555	156,690
2028	15,013	3,468	18,481
	<u>\$ 350,983</u>	<u>\$ 106,230</u>	<u>\$ 457,213</u>

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2012**

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, 2012 follows:

<u>Issue</u>	<u>Revenue Source</u>	<u>Percentage</u>
Bond issues:		
Series 1998	Guaranteed entitlement revenue	29%
Series 2002A	Voted debt millage	99%
Series 2002B	Gross revenue less operating expenses	25%
Series 2003B	Transit surtax revenue	55%
Series 2005C	Non-ad valorem revenue	1%
Notes issues:		
Series 2007A	TIF revenue and interest earnings	43%
Series 2007B	TIF revenue and interest earnings	72%
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	2%

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 and consist of machinery and equipment with a total cost of \$2,319,000. The City did not enter any new lease agreements during fiscal year 2012. Future minimum lease payments and the present value of net minimum lease payments at September 30, 2012 are as follows:

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Fiscal year ending September 30:			
2013	\$ 95,276	\$ 280,493	\$ 375,769
Less amount representing interest	<u>(1,502)</u>	<u>(4,423)</u>	<u>(5,925)</u>
Present value of net minimum lease payments	<u>\$ 93,774</u>	<u>\$ 276,070</u>	<u>\$ 369,844</u>

CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2012

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

Debt Retirement

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 has been 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.

On March 21, 2012, the City issued a \$8,190,000 promissory note, Series 2012 to JPMorgan Chase Bank, N.A. at an interest rate of 2.08%. The proceeds were used to refinance a loan from the Florida Local Government Finance Commission in the original principal amount of \$11,510,000. The gross proceeds of \$8,190,000 along with \$693,487.50 of City funds were transferred to Deutsche Bank Trust Company Americas to provide for the final principal payment due on May 1, 2012. As a result, the loan is considered to be paid in full and the liability for the loan has been removed from the Statement of Net Assets for fiscal year ended September 30, 2012. The refinancing resulted in an economic gain of approximately \$1.44 million and a decrease of approximately \$136,000 in annual future debt service payments.

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 in negligence matters to \$200,000 per person up 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.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2012**

Note 10 – Risk Management (cont'd)

Self Insurance

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

	<u>2012</u>	<u>2011</u>
Unpaid claims, beginning	\$ 1,807,000	\$ 1,902,000
IBNR claims	59,000	610,000
Claim payments	(161,000)	(705,000)
Claim reimbursements	<u>257,000</u>	<u>-</u>
Unpaid claims, ending	<u>\$ 1,962,000</u>	<u>\$ 1,807,000</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, 2012 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.

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 Ave., North Miami Beach, Florida 33162.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2012**

Note 11 - Employee Retirement Systems (cont'd)

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, 2012.

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.

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)	\$ 10,612	\$ 5,856	\$ 1,861	\$ 23,143
Plan members:				
Currently receiving or entitled to receive benefits	272	147	29	227
Active employees				
Vested	207	38	11	104
Non-vested	41	25	13	358
Total members	<u>520</u>	<u>210</u>	<u>53</u>	<u>689</u>

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2012**

Note 11 - Employee Retirement Systems (cont'd)

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.

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.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2012**

Note 11 - Employee Retirement Systems (cont'd)

Retirement Plan for General Employees (cont'd)

Additional information as of the latest actuarial valuation follows:

Valuation Date	October 1, 2012
Actuarial cost method	Entry age normal
Amortization method	Level percent of pay, closed
Remaining amortization period	26 years
Asset valuation method	Smoothed market value

Actuarial Assumptions

Investment rate of return	7.75%
Projected salary increases	3.75% to 8.00%
Cost of living adjustments	2.25%
Inflation	3.25%

Funded Status and Funding Progress

The funded status of the Plan as of October 1, 2012, 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, 2012	\$ 60,520	\$ 96,695	\$ 36,175	62.6%	\$ 10,612	340.9%

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.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2012**

Note 11 - Employee Retirement Systems (cont'd)

Retirement Plan for General Employees (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	\$2,677,804
Interest on net pension asset	(37,787)
Adjustment to annual required contribution	<u>37,153</u>
Annual pension cost	2,677,170
Contributions made	<u>2,927,951</u>
Increase in net pension asset	250,781
Net pension asset, beginning of year	<u>487,572</u>
Net pension asset, end of year	<u><u>\$ 738,353</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>
9/30/2010	\$ 2,638,993	100%	\$ 478,665
9/30/2011	2,803,892	100%	487,572
9/30/2012	2,677,170	109%	738,353

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.

CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2012

Note 11 - Employee Retirement Systems (cont'd)

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

Plan Description (cont'd)

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 2012, the amounts were \$247,891 and \$470,349 for police and firefighters, respectively. Additional information as of the latest actuarial valuation follows:

Valuation Date	October 1, 2012
Actuarial cost method	Entry age normal
Amortization method	Level percent of pay
Remaining amortization period	30 years
Asset valuation method	Market related value

Actuarial Assumptions

Investment rate of return	8.00%
Projected salary increases	2.06%
Cost of living adjustments	2.50%
Inflation	3.00%

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2012**

Note 11 - Employee Retirement Systems (cont'd)

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

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, 2012 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, 2012	\$ 74,793	\$ 124,239	\$ 49,446	60.2%	\$ 5,856	844.4%

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 Pension Cost and Net Pension Asset

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

Annual required contribution	\$ 5,061,668
Interest on net pension asset	(385,732)
Adjustment to annual required contribution	<u>336,016</u>
Annual pension cost	5,011,952
Contributions made	<u>5,749,099</u>
Increase in net pension asset	737,147
Net pension asset, beginning of year	<u>4,821,653</u>
Net pension asset, end of year	<u><u>5,558,800</u></u>

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2012**

Note 11 - Employee Retirement Systems (cont'd)

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

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>
9/30/2010	\$ 4,503,329	168%	\$3,997,537
9/30/2011	4,558,457	118%	4,821,653
9/30/2012	5,011,952	115%	5,558,800

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. 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.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2012**

Note 11 - Employee Retirement Systems (cont'd)

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

Plan Description (cont'd)

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, 2012 actuarial valuation using the frozen initial liability actuarial cost method.

Additional information related to the actuarial valuation follows:

Valuation Date	October 1, 2012
Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, fixed
Remaining amortization period	20 years
Asset valuation method	Market value

Actuarial Assumptions

Investment rate of return (includes inflation)	7.75%
Projected salary increases	5.75%
Cost of living adjustments	2.25%

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2012**

Note 11 - Employee Retirement Systems (cont'd)

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

Funded Status and Funding Progress

The funded status of the Plan as of October 1, 2012 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, 2012	\$ 14,616	\$ 18,553	\$ 3,937	78.8%	\$ 1,861	211.6%

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

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	\$ 1,181,898
Interest on net pension obligation	7,496
Adjustment to annual required contribution	<u>(8,790)</u>
Annual pension cost	1,180,604
Contributions made	<u>1,202,994</u>
Decrease in net pension obligation	22,390
Net pension obligation, beginning of year	<u>(96,717)</u>
Net pension obligation, end of year	<u><u>\$ (74,327)</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>
9/30/2010	\$ 1,565,012	50%	\$ (247,767)
9/30/2011	1,316,866	111%	(96,717)
9/30/2012	1,180,604	102%	\$ (74,327)

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2012**

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, 2012:

Statement of Fiduciary Net Assets

As of September 30, 2012

Assets	
Investments at fair value	\$ <u>14,448,289</u>
Net Assets	
Held in trust for pension benefits	\$ <u><u>14,448,289</u></u>

Statement of Fiduciary Net Assets

Retirement Plan and Trust for General Management Employees
For the Year Ended September 30, 2012

Additions	
Contributions:	
Employees	\$ 193,086
Employer	1,474,793
Investment income:	
Net appreciation in fair value of investments	<u>2,068,849</u>
Total additions	3,736,728
Deductions	
Pension benefits	1,154,380
Forfeitures of contributions	(45,456)
Administrative expenses	<u>40,482</u>
Total deductions	<u>1,149,406</u>
Increase in net assets	2,587,322
Net assets - beginning	<u>11,860,967</u>
Net assets - ending	\$ <u><u>14,448,289</u></u>

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2012**

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 Retirement Plan and Trust for General Management Employees whose retirement benefit exceeds the maximum benefit under Section 415 of the Code is a participant.

Benefits Provided

A participant shall be eligible to receive benefits after termination of employment, as an unrestricted benefit on a monthly basis that otherwise would have been received under the terms of the Retirement Plan and Trust for General Management Employees 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. City contributions may not accumulate from year to year. 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, 2012. 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.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2012**

Note 11 - Employee Retirement Systems (cont'd)

Management Employees Excess Benefits Plan (cont'd)

Annual Pension Cost and Net Pension Asset/Obligation

The City's annual pension cost and net pension obligation at September 30, 2012 are as follows:

Annual required contribution	\$ 204,548
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual pension cost	204,548
Contributions made	204,548
Decrease in net pension obligation	-
Net pension obligation, beginning of year	-
Net pension obligation, end of year	\$ -

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). The City contributes 17% of annual covered payroll and the employee is required to contribute 8%. During the fiscal year ending September 30, 2012, the City made contributions of approximately \$16,500 to the plan for one employee. Plan provisions and contribution requirements are established and may be amended by the City Manager.

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.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2012**

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

Benefit Description (cont'd)

Choice of Healthcare Plans

Eligible individuals may choose healthcare coverage under a health maintenance organization (HMO) plan, under a point-of-service (POS) plan, or under a preferred 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.

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. 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.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2012**

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

Funded Status and Funding Progress

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%

The funded status of the trust as of October 1, 2012 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, 2012	\$ 526	\$ 4,386	\$ 3,860	12.0%	\$ 23,143	16.7%

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 trust 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, 2012 is as follows:

Annual required contribution	\$ 632,000
Interest on net OPEB obligation	59,000
Adjustment to annual required contribution	<u>(113,000)</u>
Annual OPEB cost	578,000
Contributions made	<u>684,000</u>
Decrease in net OPEB obligation	(106,000)
Net OPEB obligation, beginning of year	<u>843,000</u>
Net OPEB obligation, end of year	<u><u>\$ 737,000</u></u>

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2012**

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

Annual OPEB Costs and Net OPEB Obligation (cont'd)

The following table provides trend information about the level of city contributions toward the annual OPEB 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>
9/30/2010	\$ 574,000	112%	\$ 917,000
9/30/2011	610,000	118%	843,000
9/30/2012	578,000	118%	737,000

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, 2012:

<u>Expenditures</u>	<u>Amount</u>
General government	\$ 398,564
Public safety	108,723
Capital outlay	3,565
Debt service:	
Principal	444,444
Interest	108,825
Total expenditures	<u>\$ 1,064,121</u>

In 2012, the following projects were funded:

- Continued bi-monthly meetings of the Community Redevelopment Board and the Redevelopment Advisory Board.
- 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.

CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2012

Note 15 – Subsequent Events

Defeasance of Long-term Debt

On December 20, 2012, the City issued \$56,060,000 par amount of Water Revenue Refunding Bonds, Series 2012 at coupon rates ranging from 2.00% to 5.00%. The proceeds were used to refinance a loan from the Florida Local Government Finance Commission in the original principal amount of \$66,385,000. The gross proceeds of \$62,593,577 plus \$2,077,618 of City funds were transferred to Deutsche Bank Trust Company Americas to provide for the escrow requirements for the redemption of the outstanding bonds. As a result, the loan is considered to be paid in full and the liability will be removed from the Statement of Net Assets for fiscal year ended September 30, 2013. The refinancing resulted in an economic gain of approximately \$9.2 million and a decrease of approximately \$645,000 in annual future debt service payments.

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 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.

ASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources*, was issued June 2011. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The provisions of this Statement will be effective for the City beginning with its year ending September 30, 2013.

CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2012

Note 16 - Pronouncements Issued, Not Yet Effective, and Recently Adopted (cont'd)

GASB Statement 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions-an amendment of GASB Statement No. 53* issued June 2011. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The provisions of this Statement will be effective for the City beginning with its year ending September 30, 2012.

GASB Statement 65, *Items Previously Reported as Assets and Liabilities* was issued March 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement will be effective for the City beginning with its year ending September 30, 2013.

GASB Statement 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25* was issued June 2012. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. The provisions of this Statement will be effective for the City beginning with its year ending September 30, 2014.

GASB Statement 68, *Accounting and Financial Reporting for Pensions an amendment of GASB Statement No. 27* was issued June 2012. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The provisions of this Statement will be effective for City beginning with its year ending September 30, 2015.

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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Budget -</u> <u>Positive</u> <u>(Negative)</u>
Property taxes	\$ 10,928,711	\$ 10,928,711	\$ 11,217,934	\$ 289,223
Franchise fees:				
Florida Power & Light	1,800,000	1,800,000	1,883,861	83,861
Towing	30,000	30,000	19,490	(10,510)
Gas and propane	22,000	22,000	24,642	2,642
Bus shelters	13,400	13,400	15,300	1,900
Total franchise fees	1,865,400	1,865,400	1,943,293	77,893
Utility taxes:				
Florida Power & Light	2,000,000	2,000,000	2,175,878	175,878
Gas, propane and oil	64,250	64,250	90,579	26,329
N.M.B. Water & Sewer	500,000	500,000	527,333	27,333
Total utility taxes	2,564,250	2,564,250	2,793,790	229,540
Communication service tax	2,150,000	2,150,000	2,168,141	18,141
Other taxes	451,496	451,496	732,849	281,353
Licenses and permits:				
Business tax receipts	725,300	725,300	898,690	173,390
Building permits and fees	3,900	3,900	20,570	16,670
Total licenses and permits	729,200	729,200	919,260	190,060
Intergovernmental:				
Sales tax	2,450,000	2,450,000	2,695,837	245,837
Shared revenues	500,000	500,000	660,721	160,721
Local option gas tax	765,000	765,000	796,932	31,932
Beverage licenses	18,000	18,000	38,448	20,448
Other state revenue	35,500	35,500	32,282	(3,218)
County revenue	77,000	77,000	147,605	70,605
Total intergovernmental	3,845,500	3,845,500	4,371,825	526,325

(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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget - Positive (Negative)</u>
Charges for services:				
General services	\$ 689,100	\$ 689,100	\$ 756,641	\$ 67,541
Recreation fees	739,350	739,350	837,826	98,476
County sewer	140,000	140,000	156,574	16,574
Police services	197,500	197,500	254,120	56,620
Sanitation fees	-	-	(1,212,797)	(1,212,797)
Recycling and maintenance charges	<u>27,563</u>	<u>27,563</u>	<u>76,667</u>	<u>49,104</u>
Total charges for services	<u>1,793,513</u>	<u>1,793,513</u>	<u>869,031</u>	<u>(924,482)</u>
Fines and forfeitures:				
Traffic and parking	225,000	225,000	172,808	(52,192)
Local ordinance violations	138,000	138,000	214,211	76,211
Library	<u>22,000</u>	<u>22,000</u>	<u>20,752</u>	<u>(1,248)</u>
Total fines and forfeitures	<u>385,000</u>	<u>385,000</u>	<u>407,771</u>	<u>22,771</u>
Other:				
Impact fees	70	70	11,379	11,309
Interest	23,016	23,016	155,713	132,697
Miscellaneous	<u>169,570</u>	<u>171,270</u>	<u>417,703</u>	<u>246,433</u>
Total other	<u>192,656</u>	<u>194,356</u>	<u>584,795</u>	<u>390,439</u>
Total revenues	<u>24,905,726</u>	<u>24,907,426</u>	<u>26,008,689</u>	<u>1,101,263</u>
Current expenditures:				
General government:				
Administrative	1,232,829	1,221,464	1,149,211	72,253
Legislative	3,329,414	3,381,292	3,028,497	352,795
Executive	2,802,829	2,870,755	2,697,026	173,729
Human resources	3,115,116	2,943,276	2,136,326	806,950
Finance	<u>1,240,027</u>	<u>1,151,201</u>	<u>1,088,482</u>	<u>62,719</u>
Total general government	<u>11,720,215</u>	<u>11,567,988</u>	<u>10,099,542</u>	<u>1,468,446</u>
Public safety	17,874,484	17,865,418	17,566,912	298,506
Leisure services	4,358,101	4,372,897	4,086,186	286,711
Public services	<u>3,786,020</u>	<u>3,716,121</u>	<u>3,283,612</u>	<u>432,509</u>
Total current expenditures	<u>37,738,820</u>	<u>37,522,424</u>	<u>35,036,252</u>	<u>2,486,172</u>

(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, 2012

	<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	\$ 41,165	\$ 41,165	\$ -	\$ 41,165
Executive	41,733	290,727	174,425	116,302
Finance	<u>1,956</u>	<u>1,956</u>	<u>1,932</u>	<u>24</u>
Total general government	<u>84,854</u>	<u>333,848</u>	<u>176,357</u>	<u>157,491</u>
Public safety	145,715	158,915	41,053	117,862
Leisure services	343,882	349,997	135,589	214,408
Public services	<u>769,245</u>	<u>841,530</u>	<u>104,350</u>	<u>737,180</u>
Total capital outlay	<u>1,343,696</u>	<u>1,684,290</u>	<u>457,349</u>	<u>1,226,941</u>
Debt service:				
Principal	194,360	194,360	165,557	28,803
Interest	<u>25,365</u>	<u>25,365</u>	<u>22,113</u>	<u>3,252</u>
Total debt service	<u>219,725</u>	<u>219,725</u>	<u>187,670</u>	<u>32,055</u>
Total expenditures	<u>39,302,241</u>	<u>39,426,439</u>	<u>35,681,271</u>	<u>3,745,168</u>
Other financing sources (uses):				
Proceeds from debt issuance	100,000	100,000	-	(100,000)
Transfers in	13,316,763	13,135,092	13,118,415	(16,677)
Transfers out	(76,730)	(76,730)	(341,620)	(264,890)
Prior year appropriations	<u>1,056,482</u>	<u>1,360,651</u>	<u>-</u>	<u>(1,360,651)</u>
Total other financing sources	<u>14,396,515</u>	<u>14,519,013</u>	<u>12,776,795</u>	<u>(1,742,218)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,104,213</u>	<u>\$ 3,104,213</u>

See notes to budgetary comparison schedule.

CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BUDGETARY COMPARISON SCHEDULE
FISCAL YEAR ENDED SEPTEMBER 30, 2012

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 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 except as outlined in (b) below.
 - 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 assignments of fund balances to indicate that they are not available for appropriation and are not expendable available financial resources.

Note 2 – Sanitation Fees

During the fiscal year, the assets and activities associated with solid waste collection and disposal were transferred out of the general fund and into an enterprise fund created specifically to account for those activities. Unbilled revenues and receivables accrued and recorded in the general fund at fiscal year-end September 30, 2011 were reversed, resulting in a debit balance in the charges for services line item for sanitation services and the negative variance on the Budgetary Comparison Schedule and as a debit balance in the charges for services line item of the Statement of Activities . The revenue and receivables resulting from those subsequent billings are recorded in the solid waste fund for the fiscal year ending September 30, 2012.

CITY OF NORTH MIAMI BEACH, FLORIDA

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

SEPTEMBER 30, 2012

<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Employer Contribution</u>	<u>State Contribution</u>	<u>Total Contributions</u>	<u>Percentage Contributed</u>
<u>General Employees Plan</u>					
2003	\$ 1,548	\$ 1,512	N/A	\$ 1,512	98%
2004	1,695	1,730	N/A	1,730	102%
2005	1,830	1,739	N/A	1,739	95%
2006	1,830	1,859	N/A	1,859	102%
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%
2012	2,832	2,928	N/A	2,928	103%
<u>Police & Firefighters Plan</u>					
2003	\$ 1,892	\$ 1,900	\$ 402	\$ 2,302	122%
2004	2,739	2,740	666	3,406	124%
2005	2,692	2,587	562	3,149	117%
2006	3,316	3,316	515	3,831	116%
2007	3,621	3,656	737	4,393	121%
2008	4,138	4,338	759	5,097	123%
2009	4,362	4,562	536	5,098	117%
2010	4,522	7,572	547	8,119	180%
2011	4,633	5,383	615	5,998	129%
2012	5,062	5,749	718	6,467	128%
<u>General Management Plan</u>					
2003	\$ 345	\$ 285	N/A	\$ 285	83%
2004	519	566	N/A	566	109%
2005	614	687	N/A	687	112%
2006	410	614	N/A	614	150%
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%
2012	1,182	1,203	N/A	1,203	102%
<u>Excess Benefit Plan¹</u>					
2010	\$ 183	\$ 183	N/A	\$ 183	100%
2011	197	197	N/A	197	100%
2012	204	204	N/A	204	100%
<u>OPEB²</u>					
2009	\$ 561	\$ 106	N/A	\$ 106	19%
2010	590	106	N/A	106	18%
2011	670	662	N/A	662	99%
2012	632	684	N/A	684	108%

¹ The City did not incur any expenses of the plan until fiscal year ended September 30, 2010.

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, 2012

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a) / (c)
<u>General Employees Plan</u>						
10/1/2003	\$ 44,423	\$ 50,447	\$ 6,024	88.1%	\$ 12,035	50.1%
10/1/2004	44,968	54,772	9,804	82.1%	12,467	78.6%
10/1/2005	45,628	58,943	13,315	77.4%	12,749	104.4%
10/1/2006	48,554	63,645	15,091	76.3%	12,853	117.4%
10/1/2007	53,576	67,210	13,634	79.7%	13,112	104.0%
10/1/2008	56,505	74,148	17,643	76.2%	13,030	135.4%
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%
10/1/2012	60,520	96,695	36,175	62.6%	10,612	340.9%
<u>Police & Firefighters Plan</u>						
10/1/2003	\$ 46,360	\$ 70,330	\$ 23,970	65.9%	\$ 7,767	308.6%
10/1/2004	46,762	77,714	30,952	60.2%	8,137	380.4%
10/1/2005	47,170	84,260	37,090	56.0%	8,115	457.1%
10/1/2006	50,986	90,872	39,886	56.1%	8,571	465.4%
10/1/2007	57,040	95,564	38,524	59.7%	9,609	400.9%
10/1/2008	61,127	101,075	39,948	60.5%	9,286	430.2%
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%
10/1/2012	74,793	124,239	49,446	60.2%	5,856	844.4%
<u>General Management Plan</u>						
10/1/2003	\$ 4,543	\$ 10,139	\$ 5,596	44.8%	\$ 2,474	226.2%
10/1/2004	5,741	11,448	5,707	50.1%	2,767	206.3%
10/1/2005	7,215	13,028	5,813	55.4%	2,412	241.0%
10/1/2006	8,762	14,676	5,914	59.7%	2,290	258.3%
10/1/2007	10,474	16,483	6,009	63.5%	2,428	247.5%
10/1/2008 ¹	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%
10/1/2012	14,616	18,553	3,937	78.8%	1,861	211.6%
<u>OPEB²</u>						
10/1/2009	\$ -	\$ 4,241	\$ 4,241	0.0%	\$ 26,027	16.3%
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%
10/1/2012	526	4,386	3,860	12.0%	23,143	16.7%

¹ Prior to fiscal year 2009, the actuarial accrued liability was calculated using the entry-age normal cost method for which the funding status was not presented.

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

**COMBINING, INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

NON-MAJOR 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.

Guardhouse Funds – This fund is used to account for the operations of the guardhouses on 35th Avenue and on 164th Street.

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 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 \$14,835,000 promissory note issued to defease the Series 2000B bonds originally issued to fund improvements related to the 'Proud Neighborhood' plan.

Series 2012 – This fund is used to account for the debt service of the \$8,190,000 promissory note issued to defease the Series 2002A Series Capital Appreciation and Term Bonds. The 2002A bond proceeds were used to defease the Series 1994 bonds originally issued to fund the expansion of the police station and various neighborhood improvements.

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.

Leisure Services Projects Fund – To account for funds received from capital grants for improvements to the City’s Parks.

Public Services Projects Fund – To account for funds received from capital grants for infrastructure improvements.

CITY OF NORTH MIAMI BEACH, FLORIDA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2012

	Special Revenue				
	Grants <u>Funds</u>	Transit <u>Surtax</u>	Community Redevelopment <u>Agency</u>	Guardhouse <u>Funds</u>	Total Special <u>Revenue</u>
<u>ASSETS</u>					
Pooled cash and investments	\$ 179,640	\$ 770,917	\$ 5,345,532	\$ 211,241	\$ 6,507,330
Accounts receivable:					
Intergovernmental	-	334,652	-	64,616	399,268
Grants	266,230	-	-	-	266,230
Due from other funds	-	-	-	-	-
Prepaid costs	-	55	-	-	55
Total assets	\$ 445,870	\$ 1,105,624	\$ 5,345,532	\$ 275,857	\$ 7,172,883
 <u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Vouchers payable and accrued liabilities	\$ 36,238	\$ 4,882	\$ 58,231	\$ 13,720	\$ 113,071
Due to other funds	322,944	-	250,292	-	573,236
Deferred revenue	76,905	-	-	-	76,905
Total liabilities	436,087	4,882	308,523	13,720	763,212
Fund balances:					
Nonspendable:					
Prepaid costs	-	55	-	-	55
Restricted:					
Grant related	9,783	-	-	-	9,783
Community Redevelopment	-	-	5,037,009	-	5,037,009
Interlocal agreements	-	1,016,432	-	262,137	1,278,569
Public safety	-	-	-	-	-
Assigned:					
Encumbrances	-	84,255	-	-	84,255
Total fund balances	9,783	1,100,742	5,037,009	262,137	6,409,671
Total liabilities and fund balances	\$ 445,870	\$ 1,105,624	\$ 5,345,532	\$ 275,857	\$ 7,172,883

(Continued)

CITY OF NORTH MIAMI BEACH, FLORIDA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

(Continued)

SEPTEMBER 30, 2012

Debt Service

	<u>Series</u> <u>2002A</u>	<u>Series</u> <u>2012</u>	<u>Series</u> <u>1997-98</u>	<u>Series</u> <u>2011</u>	<u>Series</u> <u>2003B</u>	<u>Series</u> <u>2005C</u>	<u>Total</u> <u>Debt</u> <u>Service</u>
<u>ASSETS</u>							
Pooled cash and investments	\$ -	\$ 4,675	\$ 222,487	\$ 17,198	\$ 316	\$ -	\$ 244,676
Total assets	<u>\$ -</u>	<u>\$ 4,675</u>	<u>\$ 222,487</u>	<u>\$ 17,198</u>	<u>\$ 316</u>	<u>\$ -</u>	<u>\$ 244,676</u>
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ 518	\$ -	\$ 518
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>518</u>	<u>-</u>	<u>518</u>
Fund balances:							
Restricted:							
Debt service	-	4,675	222,487	17,198	-	-	244,360
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(202)</u>	<u>-</u>	<u>(202)</u>
Total fund balances	<u>-</u>	<u>4,675</u>	<u>222,487</u>	<u>17,198</u>	<u>(202)</u>	<u>-</u>	<u>244,158</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 4,675</u>	<u>\$ 222,487</u>	<u>\$ 17,198</u>	<u>\$ 316</u>	<u>\$ -</u>	<u>\$ 244,676</u>

(Continued)

CITY OF NORTH MIAMI BEACH, FLORIDA

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

(Continued)

SEPTEMBER 30, 2012

	Capital Projects			Total Capital Projects	Total Nonmajor Governmental Funds
	Alley Restoration Program	Leisure Services Projects	Public Services Projects		
<u>ASSETS</u>					
Pooled cash and investments	\$ 447,278	\$ -	171,495	\$ 618,773	\$ 7,370,779
Accounts receivable:					
Intergovernmental	-	-	-	-	399,268
Grants	-	227,509	105,071	332,580	598,810
Due from other funds	-	-	-	-	-
Prepaid costs	-	-	-	-	55
Total assets	\$ 447,278	\$ 227,509	\$ 276,566	\$ 951,353	\$ 8,368,912
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Vouchers payable and accrued liabilities	\$ -	\$ 66,637	\$ 61,618	\$ 128,255	\$ 241,326
Due to other funds	-	320,262	89,530	409,792	983,546
Deferred revenue	-	-	-	-	76,905
Total liabilities	-	386,899	151,148	538,047	1,301,777
Fund balances:					
Nonspendable:					
Prepaid costs	-	-	-	-	55
Restricted:					
Grant related	-	-	120,782	120,782	130,565
Debt service	-	-	-	-	244,360
Community Redevelopment	-	-	-	-	5,037,009
Interlocal agreements	-	-	-	-	1,278,569
Public safety	-	-	-	-	-
Committed:					
Alley restoration	257,143	-	-	257,143	257,143
Assigned:					
Encumbrances	190,135	-	4,636	194,771	279,026
Unassigned	-	(159,390)	-	(159,390)	(159,592)
Total fund balances	447,278	(159,390)	125,418	413,306	7,067,135
Total liabilities and fund balances	\$ 447,278	\$ 227,509	\$ 276,566	\$ 951,353	\$ 8,368,912

CITY OF NORTH MIAMI BEACH, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Special Revenue				Total Special Revenue
	Grants Funds	Transit Surtax	Community Redevelopment Agency	Guardhouse Funds	
Revenues:					
Intergovernmental	\$ -	\$ 1,409,058	\$ 480,810	\$ 386,496	\$ 2,276,364
Grants	945,334	-	-	-	945,334
Fines and forfeitures	-	-	-	-	-
Other	1,961	-	-	83	2,044
Interest	44	254	38,187	-	38,485
Total revenues	947,339	1,409,312	518,997	386,579	3,262,227
Expenditures:					
Current:					
General government	-	-	398,564	-	398,564
Public safety	885,568	-	108,723	354,074	1,348,365
Leisure services	126,660	188,833	-	-	315,493
Public services	181,838	-	-	-	181,838
Capital outlay	141,588	98,110	3,565	-	243,263
Debt service:					
Principal	-	-	444,444	-	444,444
Interest	-	-	108,825	-	108,825
Total expenditures	1,335,654	286,943	1,064,121	354,074	3,040,792
Excess (deficiency) of revenues over expenditures	(388,315)	1,122,369	(545,124)	32,505	221,435
Other financing sources (uses):					
Transfers in	269,047	-	19,786	-	288,833
Transfers out	(97,642)	(908,230)	(72,034)	(10,000)	(1,087,906)
Total other financing sources (uses)	171,405	(908,230)	(52,248)	(10,000)	(799,073)
Net changes in fund balances	(216,910)	214,139	(597,372)	22,505	(577,638)
Fund balances, beginning	226,693	886,603	5,634,381	239,632	6,987,309
Fund balances, ending	\$ 9,783	\$ 1,100,742	\$ 5,037,009	\$ 262,137	\$ 6,409,671

(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, 2012

	Debt Service						Total
	Series <u>2002A</u>	Series <u>2012</u>	Series <u>1997-98</u>	Series <u>2011</u>	Series <u>2003B</u>	Series <u>2005C</u>	Debt Service
Revenues:							
Property taxes	\$ 926,490	\$ -	\$ -	\$ 1,155,200	\$ -	\$ -	\$ 2,081,690
Intergovernmental	-	-	640,000	-	-	-	640,000
Total revenues	<u>926,490</u>	<u>-</u>	<u>640,000</u>	<u>1,155,200</u>	<u>-</u>	<u>-</u>	<u>2,721,690</u>
Expenditures:							
Debt service:							
Principal	470,000	-	445,000	345,000	450,000	18,239	1,728,239
Interest and fiscal charges	451,462	47,289	40,549	800,194	240,219	8,567	1,588,280
Total expenditures	<u>921,462</u>	<u>47,289</u>	<u>485,549</u>	<u>1,145,194</u>	<u>690,219</u>	<u>26,806</u>	<u>3,316,519</u>
Excess (deficiency) of revenues over expenditures	<u>5,028</u>	<u>(47,289)</u>	<u>154,451</u>	<u>10,006</u>	<u>(690,219)</u>	<u>(26,806)</u>	<u>(594,829)</u>
Other financing sources (uses):							
Proceeds from credit facilities	-	8,190,000	-	-	-	-	8,190,000
Payments to escrow agent on debt refunding	-	(8,140,600)	-	-	-	-	(8,140,600)
Transfers in	-	2,564	-	95,000	690,219	26,806	814,589
Transfers out	(2,564)	-	(153,450)	-	-	-	(156,014)
Total other financing sources (uses)	<u>(2,564)</u>	<u>51,964</u>	<u>(153,450)</u>	<u>95,000</u>	<u>690,219</u>	<u>26,806</u>	<u>707,975</u>
Net changes in fund balances	2,464	4,675	1,001	105,006	-	-	113,146
Fund balances, beginning	<u>(2,464)</u>	<u>-</u>	<u>221,486</u>	<u>(87,808)</u>	<u>(202)</u>	<u>-</u>	<u>131,012</u>
Fund balances, ending	<u>\$ -</u>	<u>\$ 4,675</u>	<u>\$ 222,487</u>	<u>\$ 17,198</u>	<u>\$ (202)</u>	<u>\$ -</u>	<u>\$ 244,158</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, 2012

	Capital Projects				
	Alley Restoration <u>Program</u>	Leisure Services <u>Projects</u>	Public Services <u>Projects</u>	Total Capital <u>Projects</u>	Total Nonmajor Governmental <u>Funds</u>
Revenues:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 2,081,690
Intergovernmental	-	-	-	-	2,916,364
Grants	-	253,678	842,263	1,095,941	2,041,275
Fines and forfeitures	-	-	-	-	-
Other	-	106,935	115,151	222,086	224,130
Interest	151	-	228	379	38,864
Total revenues	<u>151</u>	<u>360,613</u>	<u>957,642</u>	<u>1,318,406</u>	<u>7,302,323</u>
Expenditures:					
Current:					
General government	-	-	-	-	398,564
Public safety	-	-	-	-	1,348,365
Leisure services	-	-	-	-	315,493
Public services	744	3,000	-	3,744	185,582
Capital outlay	-	234,526	692,719	927,245	1,170,508
Debt service:					
Principal	-	-	-	-	2,172,683
Interest and fiscal charges	-	-	-	-	1,697,105
Total expenditures	<u>744</u>	<u>237,526</u>	<u>692,719</u>	<u>930,989</u>	<u>7,288,300</u>
Excess (deficiency) of revenues over expenditures	<u>(593)</u>	<u>123,087</u>	<u>264,923</u>	<u>387,417</u>	<u>14,023</u>
Other financing sources (uses):					
Proceeds from credit facilities	-	-	-	-	8,190,000
Payments to escrow agent on debt refunding	-	-	-	-	(8,140,600)
Transfers in	189,000	-	88,445	277,445	1,380,867
Transfers out	-	(1,400)	(81,069)	(82,469)	(1,326,389)
Total other financing sources (uses)	<u>189,000</u>	<u>(1,400)</u>	<u>7,376</u>	<u>194,976</u>	<u>103,878</u>
Net changes in fund balances	188,407	121,687	272,299	582,393	117,901
Fund balances, beginning	<u>258,871</u>	<u>(281,077)</u>	<u>(146,881)</u>	<u>(169,087)</u>	<u>6,949,234</u>
Fund balances, ending	<u>\$ 447,278</u>	<u>\$ (159,390)</u>	<u>\$ 125,418</u>	<u>\$ 413,306</u>	<u>\$ 7,067,135</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2012

	TRANSIT SURTAX FUND				COMMUNITY REDEVELOPMENT AGENCY			
	Budgeted Amounts		Actual Amounts	Variance from Final Budget - Favorable (Unfavorable)	Budgeted Amounts		Actual Amounts	Variance from Final Budget - Favorable (Unfavorable)
	Original	Final			Original	Final		
Revenues:								
Intergovernmental	\$ 1,187,595	\$ 1,187,595	\$ 1,409,058	\$ 221,463	\$ 1,059,167	\$ 480,810	\$ 480,810	\$ -
Interest	-	-	254	254	40,000	11,000	38,187	27,187
Total revenues	<u>1,187,595</u>	<u>1,187,595</u>	<u>1,409,312</u>	<u>221,717</u>	<u>1,099,167</u>	<u>491,810</u>	<u>518,997</u>	<u>27,187</u>
Expenditures:								
Current:								
General government	-	-	-	-	542,650	427,473	398,564	28,909
Leisure services	214,583	214,583	188,833	25,750	-	-	-	-
Public safety	-	-	-	-	84,393	108,978	108,723	255
Capital outlay	265,146	265,146	98,110	167,036	5,082,843	5,044,623	3,565	5,041,058
Debt service:								
Principal	-	-	-	-	444,500	444,500	444,444	56
Interest and finance charges	-	-	-	-	115,000	115,000	108,825	6,175
Total expenditures	<u>479,729</u>	<u>479,729</u>	<u>286,943</u>	<u>192,786</u>	<u>6,269,386</u>	<u>6,140,574</u>	<u>1,064,121</u>	<u>5,076,453</u>
Excess of revenues over expenditures	<u>707,866</u>	<u>707,866</u>	<u>1,122,369</u>	<u>414,503</u>	<u>(5,170,219)</u>	<u>(5,648,764)</u>	<u>(545,124)</u>	<u>5,103,640</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	19,786	19,786
Transfers out	(908,212)	(908,212)	(908,230)	(18)	(253,654)	(72,034)	(72,034)	-
Prior year appropriations	200,346	200,346	-	(200,346)	5,423,873	5,720,798	-	(5,720,798)
Total other financing sources (uses)	<u>(707,866)</u>	<u>(707,866)</u>	<u>(908,230)</u>	<u>(200,364)</u>	<u>5,170,219</u>	<u>5,648,764</u>	<u>(52,248)</u>	<u>(5,701,012)</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 214,139</u>	<u>\$ 214,139</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (597,372)</u>	<u>\$ (597,372)</u>
Fund balances, beginning			886,603				5,634,381	
Fund balances, ending			<u>\$ 1,100,742</u>				<u>\$ 5,037,009</u>	

CITY OF NORTH MIAMI BEACH, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NON-MAJOR GOVERNMENTAL FUNDS (continued)

DEBT SERVICE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2012

	SERIES 2002A				SERIES 2012			
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance from Final Budget - Favorable (Unfavorable)	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance from Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>			<u>Original</u>	<u>Final</u>		
Revenues:								
Property taxes	\$ 926,490	\$ 926,490	\$ 926,490	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>926,490</u>	<u>926,490</u>	<u>926,490</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:								
Debt service:								
Principal	470,000	470,000	470,000	-	-	-	-	-
Interest and finance charges	<u>456,490</u>	<u>456,490</u>	<u>451,462</u>	<u>5,028</u>	<u>-</u>	<u>-</u>	<u>47,289</u>	<u>(47,289)</u>
Total expenditures	<u>926,490</u>	<u>926,490</u>	<u>921,462</u>	<u>5,028</u>	<u>-</u>	<u>-</u>	<u>47,289</u>	<u>(47,289)</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>5,028</u>	<u>5,028</u>	<u>-</u>	<u>-</u>	<u>(47,289)</u>	<u>(47,289)</u>
Other financing sources (uses):								
Proceeds from credit facilities	-	-	-	-	-	-	8,190,000	8,190,000
Payments to escrow agent on debt refunding	-	-	-	-	-	-	(8,140,600)	(8,140,600)
Transfers in	-	-	-	-	-	-	2,564	2,564
Transfers out	<u>-</u>	<u>-</u>	<u>(2,564)</u>	<u>(2,564)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(2,564)</u>	<u>(2,564)</u>	<u>-</u>	<u>-</u>	<u>51,964</u>	<u>51,964</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>2,464</u>	<u>\$ 2,464</u>	<u>\$ -</u>	<u>\$ -</u>	<u>4,675</u>	<u>\$ 4,675</u>
Fund balances, beginning			<u>(2,464)</u>				<u>-</u>	
Fund balances, ending			<u>\$ -</u>				<u>\$ 4,675</u>	

(Continued)

CITY OF NORTH MIAMI BEACH, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NON-MAJOR GOVERNMENTAL FUNDS (continued)

DEBT SERVICE FUNDS (continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2012

	SERIES 1997-98				SERIES 2011			
	Budgeted Amounts		Actual Amounts	Variance from Final Budget - Favorable (Unfavorable)	Budgeted Amounts		Actual Amounts	Variance from Final Budget - Favorable (Unfavorable)
	Original	Final			Original	Final		
Revenues:								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,155,200	\$ 1,155,200	\$ 1,155,200	\$ -
Intergovernmental	640,000	640,000	640,000	-	-	-	-	-
Interest	120	120	-	(120)	-	-	-	-
Total revenues	<u>640,120</u>	<u>640,120</u>	<u>640,000</u>	<u>(120)</u>	<u>1,155,200</u>	<u>1,155,200</u>	<u>1,155,200</u>	<u>-</u>
Expenditures:								
Debt service:								
Principal	445,000	445,000	445,000	-	315,000	315,000	345,000	(30,000)
Interest and finance charges	41,670	41,670	40,549	1,121	840,200	840,200	800,194	40,006
Total expenditures	<u>486,670</u>	<u>486,670</u>	<u>485,549</u>	<u>1,121</u>	<u>1,155,200</u>	<u>1,155,200</u>	<u>1,145,194</u>	<u>10,006</u>
Excess of revenues over expenditures	<u>153,450</u>	<u>153,450</u>	<u>154,451</u>	<u>1,001</u>	<u>-</u>	<u>-</u>	<u>10,006</u>	<u>10,006</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	95,000	95,000
Transfers out	(153,450)	(153,450)	(153,450)	-	-	-	-	-
Total other financing sources (uses)	<u>(153,450)</u>	<u>(153,450)</u>	<u>(153,450)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>95,000</u>	<u>95,000</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>1,001</u>	<u>\$ 1,001</u>	<u>\$ -</u>	<u>\$ -</u>	<u>105,006</u>	<u>\$ 105,006</u>
Fund balances, beginning			<u>221,486</u>				<u>(87,808)</u>	
Fund balances, ending			<u>\$ 222,487</u>				<u>\$ 17,198</u>	

(Continued)

CITY OF NORTH MIAMI BEACH, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NON-MAJOR GOVERNMENTAL FUNDS (continued)

DEBT SERVICE FUNDS (continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2012

	SERIES 2003B				SERIES 2005C			
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>from Final</u>	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>from Final</u>
				<u>Budget -</u>				<u>Budget -</u>
				<u>Favorable</u>				<u>Favorable</u>
				<u>(Unfavorable)</u>				<u>(Unfavorable)</u>
Expenditures:								
Debt service:								
Principal	450,000	450,000	450,000	-	18,245	18,245	18,239	6
Interest and finance charges	<u>240,200</u>	<u>240,200</u>	<u>240,219</u>	<u>(19)</u>	<u>8,485</u>	<u>8,485</u>	<u>8,567</u>	<u>(82)</u>
Total expenditures	<u>690,200</u>	<u>690,200</u>	<u>690,219</u>	<u>(19)</u>	<u>26,730</u>	<u>26,730</u>	<u>26,806</u>	<u>(76)</u>
Excess of revenues over expenditures	<u>(690,200)</u>	<u>(690,200)</u>	<u>(690,219)</u>	<u>(19)</u>	<u>(26,730)</u>	<u>(26,730)</u>	<u>(26,806)</u>	<u>(76)</u>
Other financing sources (uses):								
Transfers in	690,200	690,200	690,219	19	26,730	26,730	26,806	76
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>690,200</u>	<u>690,200</u>	<u>690,219</u>	<u>19</u>	<u>26,730</u>	<u>26,730</u>	<u>26,806</u>	<u>76</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances, beginning			<u>(202)</u>				<u>-</u>	
Fund balances, ending			<u>\$ (202)</u>				<u>\$ -</u>	

CITY OF NORTH MIAMI BEACH, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
NON-MAJOR GOVERNMENTAL FUNDS (continued)

CAPITAL PROJECTS FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2012

ALLEY RESTORATION PROGRAM

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest	\$ 100	\$ 100	\$ 151	\$ 51
Total revenues	<u>100</u>	<u>100</u>	<u>151</u>	<u>51</u>
Expenditures:				
Current:				
Public services	100	100	744	(644)
Capital outlay	<u>202,318</u>	<u>202,318</u>	<u>-</u>	<u>202,318</u>
Total expenditures	<u>202,418</u>	<u>202,418</u>	<u>744</u>	<u>201,674</u>
Deficiency of revenues over expenditures	<u>(202,318)</u>	<u>(202,318)</u>	<u>(593)</u>	<u>201,725</u>
Other financing sources (uses):				
Transfers in	189,000	189,000	189,000	-
Prior year appropriations	<u>13,318</u>	<u>13,318</u>	<u>-</u>	<u>(13,318)</u>
Total other financing sources (uses)	<u>202,318</u>	<u>202,318</u>	<u>189,000</u>	<u>(13,318)</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	188,407	<u>\$ 188,407</u>
Fund balances, beginning			<u>258,871</u>	
Fund balances, ending			<u>\$ 447,278</u>	

NON-MAJOR ENTERPRISE FUNDS

Non-major Enterprise Funds

Stormwater Fund – accounts for providing stormwater services within the City.

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

CITY OF NORTH MIAMI BEACH, FLORIDA

COMBINING STATEMENT OF NET ASSETS PROPRIETARY FUNDS

SEPTEMBER 30, 2012

	Enterprise Funds		
<u>ASSETS</u>	<u>Stormwater Fund</u>	<u>Building Fund</u>	<u>Total Enterprise Funds</u>
Current assets:			
Pooled cash and investments	\$ 367,587	1,060,385	\$ 1,427,972
Accounts receivable	325,911	3,285	329,196
Total current assets	693,498	1,063,670	1,757,168
Non-current assets:			
Capital assets, net of accumulated depreciation	4,281,243	9,810	4,291,053
Total assets	\$ 4,974,741	\$ 1,073,480	\$ 6,048,221
<u>LIABILITIES AND NET ASSETS</u>			
Current liabilities:			
Vouchers payable and accrued liabilities	\$ 13,113	\$ 529,109	\$ 542,222
Due to other funds	-	25,000	25,000
Current portion of compensated absences	823	763	1,586
Current portion of notes payable	163,559	-	163,559
Current portion of master lease payable	78,762	-	78,762
Total current liabilities	256,257	554,872	811,129
Non-current liabilities:			
Compensated absences	22,225	35,618	57,843
Notes payable	1,443,583	-	1,443,583
Total non-current liabilities	1,465,808	35,618	1,501,426
Total liabilities	1,722,065	590,490	2,312,555
Net assets:			
Invested in capital assets, net of related debt	2,595,339	9,810	2,605,149
Unrestricted net assets	657,337	473,180	1,130,517
Total net assets	\$ 3,252,676	\$ 482,990	\$ 3,735,666

CITY OF NORTH MIAMI BEACH, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Enterprise Funds		Total Enterprise Funds
	Stormwater Fund	Building Fund	
Operating revenues:			
Service revenues	\$ 1,278,634	\$ 1,514,507	\$ 2,793,141
Total operating revenue	1,278,634	1,514,507	2,793,141
Operating expenses:			
Operating, administrative and maintenance	612,872	1,290,791	1,903,663
Depreciation	235,182	2,308	237,490
Total operating expenses	848,054	1,293,099	2,141,153
Operating income	430,580	221,408	651,988
Non-operating revenue (expense):			
Interest income	100	356	456
Interest expense	(38,203)	-	(38,203)
Other income	19,352	176,502	195,854
Total non-operating revenue (expense)	(18,751)	176,858	158,107
Income before contributions and transfers	411,829	398,266	810,095
Impact fees	-	13,606	13,606
Transfers out	(282,658)	(31,799)	(314,457)
Change in net assets	129,171	380,073	509,244
Net assets, beginning	3,123,505	102,917	3,226,422
Net assets, ending	\$ 3,252,676	\$ 482,990	\$ 3,735,666

CITY OF NORTH MIAMI BEACH, FLORIDA

COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Enterprise Funds		
	Stormwater Fund	Building Fund	Total Enterprise Funds
Cash flows from operating activities:			
Cash received from customers	\$ 1,312,181	\$ 1,688,223	\$ 3,000,404
Cash payments to suppliers	(171,575)	(112,078)	(283,653)
Cash payments to employees	<u>(442,244)</u>	<u>(1,162,534)</u>	<u>(1,604,778)</u>
Net cash provided by operating activities	698,362	413,611	1,111,973
Cash flows from noncapital financing activities:			
Transfers to other funds	(282,658)	(31,799)	(314,457)
Cash flows from capital and related financing activities:			
Impact fees	-	13,606	13,606
Acquisition and construction of capital assets	-	(4,850)	(4,850)
Interest paid	(38,203)	-	(38,203)
Payments on master lease payable	(83,981)	-	(83,981)
Payments on notes payable	(1,736,858)	-	(1,736,858)
Proceeds from draws on notes	<u>1,672,000</u>	<u>-</u>	<u>1,672,000</u>
Net cash used in capital and related financing activities	(1,859,042)	8,756	(1,850,286)
Cash flows from investing activities:			
Interest income	<u>100</u>	<u>356</u>	<u>456</u>
Net (decrease) increase in pooled cash and investments	(1,443,238)	390,924	(1,052,314)
Pooled cash and investments, beginning	<u>138,825</u>	<u>669,461</u>	<u>808,286</u>
Pooled cash and investments, ending	<u>\$ (1,304,413)</u>	<u>\$ 1,060,385</u>	<u>\$ (244,028)</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 430,580	\$ 221,408	\$ 651,988
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	235,182	2,308	237,490
Other income	19,352	176,502	195,854
Other expense			
Changes in operating assets and liabilities:			
(Increase) decrease in:			
Accounts receivables	14,195	(2,786)	11,409
Increase (decrease) in:			
Vouchers payable and accrued liabilities	(947)	(8,821)	(9,768)
Due to other funds	<u>-</u>	<u>25,000</u>	<u>25,000</u>
Total adjustments	<u>267,782</u>	<u>192,203</u>	<u>459,985</u>
Net cash provided by operating activities	<u>\$ 698,362</u>	<u>\$ 413,611</u>	<u>\$ 1,111,973</u>
Non-cash investing, capital and financing activities:	\$ -	\$ -	\$ -

FIDUCIARY FUNDS

CITY OF NORTH MIAMI BEACH, FLORIDA

FIDUCIARY FUNDS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS

SEPTEMBER 30, 2012

<u>ASSETS</u>	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>	
Cash held with trustee	\$ 7,877	\$ 10,442	\$ -	\$ -	\$ 18,319
Investments:					
Common stocks	38,291,638	45,651,651	-	-	83,943,289
Corporate bonds	9,718,034	11,466,451	-	-	21,184,485
U.S. Government securities	11,457,143	14,780,448	-	-	26,237,591
Mutual funds	1,778,940	2,763,463	14,448,289	1,091,093	20,081,785
Real estate	4,229,072	3,152,581	-	-	7,381,653
Accrued interest and dividends	268,478	312,177	-	-	580,655
Other receivables	-	167,374	-	-	167,374
Total assets	65,751,182	78,304,587	14,448,289	1,091,093	159,595,151
<u>LIABILITIES AND NET ASSETS</u>					
Vouchers payable and accrued liabilities	560,851	786,027	-	-	1,346,878
Total liabilities	560,851	786,027	-	-	1,346,878
Net assets held in trust for pension benefits	\$ 65,190,331	\$ 77,518,560	\$ 14,448,289	\$ 1,091,093	\$ 158,248,273

CITY OF NORTH MIAMI BEACH, FLORIDA

FIDUCIARY FUNDS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED SEPTEMBER 30, 2012

	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	\$ 793,842	\$ 1,495,745	\$ 193,086	\$ -	\$ 2,482,673
Employer	2,927,951	5,749,099	1,474,793	500,000	10,651,843
State/County	-	718,240	-	-	718,240
Total contributions	3,721,793	7,963,084	1,667,879	500,000	13,852,756
Investment income:					
Net appreciation (depreciation) in fair value of investments	8,584,779	10,393,275	45,456	114,142	19,137,652
Interest and dividends	2,030,067	2,320,395	2,068,849	-	6,419,311
Other income	11,231	6,630	-	-	17,861
Investment expenses	(335,298)	(371,935)	-	-	(707,233)
Net investment gain	10,290,779	12,348,365	2,114,305	114,142	24,867,591
Total additions	14,012,572	20,311,449	3,782,184	614,142	38,720,347
DEDUCTIONS					
Pension benefits	3,641,394	5,659,106	1,207,188	-	10,507,688
Refunds (forfeitures) of contributions	791,372	927,785	(52,808)	-	1,666,349
Administrative expenses	182,427	198,340	40,482	14,742	435,991
Total deductions	4,615,193	6,785,231	1,194,862	14,742	12,610,028
Net increase	9,397,379	13,526,218	2,587,322	599,400	26,110,319
Net assets held in trust for pension benefits:					
Beginning	55,792,952	63,992,342	11,860,967	491,693	132,137,954
Ending	\$ 65,190,331	\$ 77,518,560	\$ 14,448,289	\$ 1,091,093	\$ 158,248,273

CITY OF NORTH MIAMI BEACH, FLORIDA

AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2012

	POLICE HOLDING			
	Balance September 30, <u>2011</u>	<u>Seizures</u>	<u>Distributions</u>	Balance September 30, <u>2012</u>
<u>ASSETS</u>				
Cash	\$ 1,306,749	\$ 1,157,400	\$ 545,703	\$ 1,918,446
	<u>1,306,749</u>	<u>1,157,400</u>	<u>545,703</u>	<u>1,918,446</u>
<u>LIABILITIES</u>				
Due to other funds	-	487,310	(477,600)	964,910
Deposits held in trust	1,306,749	670,090	1,023,303	953,536
	<u>1,306,749</u>	<u>1,157,400</u>	<u>545,703</u>	<u>1,918,446</u>

III. STATISTICAL SECTION

CITY OF NORTH MIAMI BEACH, FLORIDA
STATISTICAL SECTION
SEPTEMBER 30, 2012

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.

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	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>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>	<u>2012</u>
Governmental activities:										
Invested in capital assets, net of related debt	\$ 14,888	\$ 12,088	\$ 15,239	\$ 20,831	\$ 27,797	\$ 23,071	\$ 35,288	\$ 25,400	\$ 36,278	\$ 35,202
Restricted	9,908	11,775	8,662	4,978	3,369	2,140	7,679	6,324	14,422	16,699
Unrestricted	<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>	<u>15,121</u>
Total governmental activities net assets	<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>	<u>67,022</u>
Business-type activities:										
Invested in capital assets, net of related debt	55,829	57,376	61,584	60,373	67,750	84,046	87,440	86,623	82,977	81,013
Restricted	3,932	4,988	6,371	14,794	5,095	89	204	833	907	1,545
Unrestricted (deficit)	<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>	<u>21,600</u>
Total business-type activities net assets	<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>	<u>104,158</u>
Total government:										
Invested in capital assets, net of related debt	70,717	69,464	76,823	81,204	95,547	107,117	122,728	112,023	119,255	116,215
Restricted	13,840	16,763	15,033	19,772	8,464	2,229	7,883	7,157	15,329	18,244
Unrestricted	<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>	<u>36,721</u>
Total government net assets	<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>	<u>\$ 171,180</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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses:										
Governmental activities:										
General government	\$ 13,682	\$ 13,966	\$ 15,063	\$ 15,258	\$ 17,433	\$ 14,951	\$ 16,556	\$ 18,821	\$ 15,279	\$ 12,016
Public safety	15,932	17,655	18,678	20,340	21,629	23,283	22,042	22,091	25,069	22,452
Leisure services	5,318	5,545	5,713	5,897	5,997	5,833	5,021	5,373	4,950	4,561
Public services	9,571	10,174	11,147	13,977	10,659	11,635	12,966	10,718	10,631	5,213
Interest on long-term debt	1,717	1,980	1,998	2,672	1,971	1,873	1,952	1,943	1,735	1,580
Total governmental activities	<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>	<u>45,822</u>
Business-type activities:										
Water	18,466	18,471	19,381	20,124	19,624	22,003	23,344	23,990	23,367	22,579
Sewer	3,746	3,423	3,642	3,801	4,233	4,456	5,007	5,305	4,487	3,952
Solid Waste	-	-	-	-	-	-	-	-	-	6,574
Stormwater	750	690	663	738	755	752	762	868	864	886
Building permits	-	-	-	-	-	-	-	1,359	1,437	1,293
Total business-type activities	<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>	<u>35,284</u>
Total government expenses	<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>	<u>\$ 81,106</u>
Program revenues:										
Governmental activities:										
Charges for services:										
General government	\$ 4,494	\$ 6,542	\$ 7,338	\$ 8,561	\$ 7,883	\$ 8,941	\$ 10,021	\$ 2,772	\$ 3,097	\$ 1,676
Public safety	1,769	1,239	1,164	1,092	2,376	1,630	8,996	1,513	5,095	6,801
Leisure services	651	588	568	559	555	624	639	597	821	838
Public services	7,507	7,684	7,998	8,212	8,504	8,674	8,991	8,870	8,956	(979)
Operating grants and contributions	2,086	1,135	1,470	2,196	3,548	1,817	1,215	2,013	1,028	945
Capital grants and contributions	389	163	168	16	27	34	379	3	2,013	1,069
Total governmental activities program revenues	<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>	<u>10,350</u>
Business-type activities:										
Charges for services:										
Water	16,215	17,375	17,251	18,154	18,805	23,477	27,599	31,465	33,790	27,990
Sewer	4,707	4,919	4,854	5,128	5,068	5,865	6,360	7,082	7,701	7,490
Solid Waste	-	-	-	-	-	-	-	-	-	9,992
Stormwater	1,019	1,024	1,037	1,140	1,291	1,279	1,280	1,282	1,268	1,279
Building permits	-	-	-	-	-	-	-	1,250	1,204	1,514
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	5,781	1,954	4,345	7,648	3,547	1,439	4,917	770	482	2,163
Total business-type activities program revenues	<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>	<u>50,428</u>
Total program revenues	<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>	<u>\$ 60,778</u>
Net (expense) revenue:										
Governmental activities	\$ (29,324)	\$ (31,969)	\$ (33,893)	\$ (37,508)	\$ (34,796)	\$ (35,855)	\$ (28,296)	\$ (43,178)	\$ (36,654)	\$ (35,472)
Business-type activities	6,304	4,020	7,610	11,821	5,380	6,250	11,099	11,863	16,624	15,144
Total net expense	<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>	<u>\$ (20,328)</u>
General revenues:										
Governmental activities:										
Taxes:										
Property taxes	\$ 11,858	\$ 12,640	\$ 13,769	\$ 15,810	\$ 19,155	\$ 19,669	\$ 18,151	\$ 16,263	\$ 12,552	\$ 13,300
Sales and other taxes	8,023	8,490	8,193	9,170	9,436	9,375	9,628	9,282	9,559	9,601
State and local shared revenue	2,837	3,566	4,164	8,501	5,373	5,786	5,429	5,085	5,671	5,325
Unrestricted interest earnings	78	535	542	637	674	173	339	353	131	223
Miscellaneous	743	973	1,040	1,367	1,283	1,437	1,439	1,793	284	675
Transfers	4,143	4,339	4,453	4,771	5,009	5,297	5,973	13,054	13,769	12,757
Total governmental activities	<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>	<u>41,881</u>
Business-type activities:										
Unrestricted interest earnings	42	965	1,297	1,445	884	136	192	167	46	94
Miscellaneous	265	355	300	369	546	577	519	2,218	6,261	7,593
Transfers	(4,143)	(4,339)	(4,453)	(4,771)	(5,009)	(5,297)	(5,973)	(13,054)	(13,769)	(12,757)
Total business-type activities	<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>	<u>(5,070)</u>
Total general revenues	<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>	<u>\$ 36,811</u>
Change in net assets:										
Governmental activities	\$ (1,642)	\$ (1,426)	\$ (1,732)	\$ 2,748	\$ 6,134	\$ 5,882	\$ 12,663	\$ 2,652	\$ 5,312	\$ 6,409
Business-type activities	2,468	1,001	4,754	8,864	1,801	1,666	5,837	1,194	9,162	10,074
Total change in net assets	<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>	<u>\$ 16,483</u>

Source: City of North Miami Beach

CITY OF NORTH MIAMI BEACH, FLORIDA

FUND BALANCES OF GOVERNMENTAL FUNDS

CURRENT AND LAST FISCAL YEAR
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(AMOUNTS EXPRESSED IN THOUSANDS)

	Fiscal Year	
	2011	2012
General fund:		
Nonspendable:		
Inventories	\$ 226,484	\$ 226,484
Prepaid costs	795	-
Committed:		
Impact fees	35,093	114,299
Assigned:		
Encumbrances	643,567	1,214,391
Liability claims	1,249,412	719,451
Workers' compensation claims	1,263,113	1,560,601
Land acquisition	115,996	100,000
Unassigned	8,838,322	11,541,766
Total general fund	12,372,782	15,476,992
 All other governmental funds:		
Nonspendable:		
Prepaid costs	752,078	7,232
Restricted:		
Grant related	487,396	130,565
Debt service	221,486	244,360
Community Redevelopment	5,633,272	5,037,009
Interlocal agreements	1,126,663	1,278,569
Public safety	6,953,112	10,008,634
Committed:		
Alley restoration	258,871	257,143
Assigned:		
Encumbrances	-	400,053
Unassigned		
Grant related	(689,088)	(159,390)
Debt service	(841,057)	(202)
Total all other governmental funds	13,902,733	17,203,973
Total governmental funds	\$ 26,275,515	\$ 32,680,965

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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:										
Ad valorem taxes	\$ 11,858	\$ 12,640	\$ 13,769	\$ 15,810	\$ 19,155	\$ 19,669	\$ 18,151	\$ 16,263	\$ 12,552	\$ 13,300
Franchise fees	1,443	1,591	1,454	1,809	1,914	1,906	2,292	2,225	2,019	1,943
Utility taxes	2,377	2,349	2,243	2,377	2,336	2,452	2,516	2,680	2,751	2,794
Communication service tax	1,785	1,990	1,863	2,168	2,460	2,431	2,491	2,140	2,314	2,168
Other taxes	19	18	21	38	792	806	558	561	628	733
Licenses and permits	1,485	1,795	2,201	3,103	2,101	2,083	1,760	574	885	919
Intergovernmental	6,885	7,391	7,306	10,755	7,839	7,484	7,200	6,761	7,518	7,288
Charges for services	8,970	9,046	9,771	10,039	10,437	10,913	11,662	11,571	12,210	869
Fines and forfeitures	1,763	1,298	1,207	1,075	2,363	1,589	8,958	1,465	4,874	6,547
Other	3,076	4,902	6,037	8,310	8,743	8,680	9,115	3,951	3,325	2,728
Interest	774	535	542	637	674	173	339	353	131	223
Total revenues	<u>40,435</u>	<u>43,555</u>	<u>46,414</u>	<u>56,121</u>	<u>58,814</u>	<u>58,186</u>	<u>65,042</u>	<u>48,544</u>	<u>49,207</u>	<u>39,512</u>
Expenditures:										
Current:										
General government	11,866	11,831	12,814	13,230	15,546	14,886	14,398	15,237	13,116	10,498
Public safety	14,926	16,852	17,878	19,805	21,041	22,902	22,721	24,566	24,501	21,812
Leisure services	4,902	5,211	5,334	5,646	5,758	4,918	5,496	5,175	4,945	4,402
Public services	8,168	9,547	10,315	13,487	10,162	10,089	9,796	10,001	10,214	3,469
Capital outlay	7,448	8,033	5,738	8,336	10,000	5,930	5,088	6,310	5,897	1,675
Debt service:										
Principal	1,654	1,509	1,970	2,105	2,247	2,451	2,434	2,523	2,393	2,338
Interest and other fiscal charges	1,717	1,980	1,998	1,977	2,008	1,896	1,977	1,907	1,830	1,719
Total expenditures	<u>50,681</u>	<u>54,963</u>	<u>56,047</u>	<u>64,586</u>	<u>66,762</u>	<u>63,072</u>	<u>61,910</u>	<u>65,719</u>	<u>62,896</u>	<u>45,913</u>
Deficiency of revenues over expenditures	<u>(10,246)</u>	<u>(11,408)</u>	<u>(9,633)</u>	<u>(8,465)</u>	<u>(7,948)</u>	<u>(4,886)</u>	<u>3,132</u>	<u>(17,175)</u>	<u>(13,689)</u>	<u>(6,401)</u>
Other financing sources (uses):										
Transfers in	5,976	6,044	6,686	6,742	7,363	8,157	9,012	17,980	15,750	14,508
Transfers out	(1,833)	(1,705)	(2,233)	(1,972)	(2,353)	(2,860)	(3,054)	(4,926)	(1,981)	(1,752)
Lease proceeds	547	719	864	1,317	1,425	-	788	-	-	-
Debt issuance	-	7,765	226	-	-	-	-	-	-	-
Proceeds from credit facilities	-	-	-	-	-	4,000	4,000	517	14,835	8,190
Premium on debt issuance	-	370	7	-	-	-	-	-	-	-
Payment to escrow agent	-	-	(228)	-	-	-	-	-	(14,835)	(8,140)
Total other financing sources (uses)	<u>4,690</u>	<u>13,193</u>	<u>5,322</u>	<u>6,087</u>	<u>6,435</u>	<u>9,297</u>	<u>10,746</u>	<u>13,571</u>	<u>13,769</u>	<u>12,806</u>
Net change in fund balances	(5,556)	1,785	(4,311)	(2,378)	(1,513)	4,411	13,878	(3,604)	80	6,405
Fund balances - beginning	19,422	21,207	16,896	14,518	13,005	17,417	29,800	26,196	26,276	26,276
Fund balances - ending	<u>\$ (5,556)</u>	<u>\$ 21,207</u>	<u>\$ 16,896</u>	<u>\$ 14,518</u>	<u>\$ 13,005</u>	<u>\$ 17,417</u>	<u>\$ 31,295</u>	<u>\$ 26,196</u>	<u>\$ 26,276</u>	<u>\$ 32,681</u>
Debt service as a percentage of non-capital expenditures	7.80%	7.43%	7.89%	7.26%	7.50%	7.61%	7.76%	7.46%	7.41%	9.17%

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>
2003	\$ 1,210,077	\$ 115,814	\$ 858	\$ 1,326,749	\$ 24,705	\$ 1,302,044	\$ 9.095
2004	1,372,854	120,113	855	1,493,822	22,805	1,471,017	8.896
2005	1,533,037	122,126	1,043	1,656,206	14,825	1,641,381	8.781
2006	1,812,635	122,216	1,109	1,935,960	40,287	1,895,673	8.609
2007	2,243,492	131,519	1,191	2,376,202	40,788	2,335,414	8.409
2008	2,600,993	130,023	1,214	2,732,230	33,706	2,698,524	7.479
2009	2,521,418	124,873	1,392	2,647,683	5,087	2,642,596	7.437
2010	2,156,288	112,131	1,377	2,269,796	4,297	2,265,499	7.573
2011	1,684,317	121,656	1,024	1,806,997	3,137	1,803,860	7.573
2012	1,610,062	130,944	1,060	1,742,066	2,968	1,739,098	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						Other Taxing Authorities and Special Districts	Total Direct and Overlapping Rates
	Operating Millage	Debt Service Millage	Total City Millage	Miami-Dade County			School Board				
				Operating Millage	Debt Service Millage	Total County Millage	Operating Millage	Debt Service Millage	Total School Millage		
2003	7.5000	1.3957	8.8957	5.9690	0.2850	6.2540	8.4180	0.6820	9.1000	3.8965	28.1462
2004	7.5000	1.2812	8.7812	5.9690	0.2850	6.2540	8.0900	0.5970	8.6870	3.8407	27.5629
2005	7.5000	1.1084	8.6084	5.8350	0.2850	6.1200	7.9470	0.4910	8.4380	3.8253	26.9917
2006	7.5000	0.9085	8.4085	5.7200	0.2850	6.0050	7.6910	0.4140	8.1050	3.8307	26.3492
2007	7.5000	0.7889	8.2889	4.5796	0.2850	4.8646	7.5700	0.3780	7.9480	3.3295	24.4310
2008	6.6905	0.8139	7.5044	4.8379	0.2850	5.1229	7.5330	0.2640	7.7970	3.3068	23.7311
2009	6.6236	0.9595	7.5831	4.8379	0.2850	5.1229	7.6980	0.2970	7.9950	3.3856	24.0866
2010	6.6136	0.9595	7.5731	4.8379	0.2850	5.1229	7.6980	0.2970	7.9950	3.3856	24.0766
2011	6.6036	1.2060	7.8096	5.4275	0.4450	5.8725	7.8640	0.3850	8.2490	3.7538	25.6849
2012	6.6036	1.2580	7.8616	4.8050	0.2850	5.0900	7.7650	0.2400	8.0050	3.4335	24.3901

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>2012</u>			<u>2003</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	Utility	42,531	1	2.45%	\$ 24,439	2	1.66%
CJUF III Intracoastal LLC	Retail	32,340	2	1.86%	-	-	-
A.SUR Net Inc	Telecommunications	26,556	3	1.53%	-	-	-
Southern Memorial Park	Cemetery	24,997	4	1.44%	-	-	-
Costco Wholesaler Corporation	Retail	17,740	5	1.02%	13,122	4	0.89%
Biscayne Commons (Edens) LLC	Retail	16,390	6	1.02%	-	-	-
Dayton Hudson Corp (Target)	Retail	14,430	7	0.83%	12,604	5	0.86%
Sonic Ward, Inc. (K-Mart)	Retail	12,980	8	0.75%	10,200	7	0.69%
Grand Island Place LLC	Real Estate	10,626	9	0.61%	-	-	-
Coramar Investment Inc	Retail	9,460	10	0.54%	-	-	-
RHC Parkway Inc	Hospital	-	-	-	54,690	1	3.72%
Intracoastal Pacific, Ltd.	Office Building	-	-	-	16,900	3	1.15%
BellSouth Communications	Telecommunications	-	-	-	10,898	6	0.74%
RK Associates	Retail	-	-	-	7,300	8	0.50%
NMB Commerce Center	Office Building	-	-	-	7,103	9	0.48%
Arcos 1 USA, Inc	Retail	-	-	-	2,609	10	0.18%
Total		<u>\$ 208,050</u>		<u>12.04%</u>	<u>159,865</u>		<u>10.87%</u>
Total assessed value				<u>\$ 1,739,098</u>			<u>\$ 1,471,017</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 Fiscal Year	Levied Taxes Collected within the Fiscal Year		Delinquent Tax Collections	Total Tax Collections	
		<u>Amount</u>	<u>Percent of Levy</u>		<u>Amount</u>	<u>Percent of Levy</u>
2003	9,765	9,365	96%	83	9,448	97%
2004	11,033	10,605	96%	54	10,659	97%
2005	12,310	11,637	95%	116	11,753	95%
2006	14,218	13,726	97%	46	13,772	97%
2007	17,516	16,877	96%	227	17,104	98%
2008	18,054	17,421	96%	200	17,621	98%
2009	17,503	15,936	91%	168	16,104	92%
2010	14,983	13,491	90%	704	14,195	95%
2011	11,912	9,978	84%	564	10,542	88%
2012	11,484	10,687	93%	531	11,218	98%

Source: City of North Miami Beach Certificate of Taxable Value

CITY OF NORTH MIAMI BEACH, FLORIDA

WATER PRODUCED AND CONSUMED

LAST TEN FISCAL YEARS
(IN THOUSANDS OF DOLLARS)

Fiscal Year Ended September 30,	Gallons of Water Produced by City's Norwood Treatment Plant (1)	Gallons of Water Purchased from Miami-Dade County WASA (1)	Gallons of Water Consumed (2)	Water Operating Service Revenue Collected	Direct Rate (3)
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
2012	7,570,517	82,408	6,379,488	28,590	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.
- (5) Estimated amount

Sources:

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

CITY OF NORTH MIAMI BEACH, FLORIDA

WATER RATE HISTORY

LAST TEN FISCAL YEARS

(IN THOUSANDS OF DOLLARS)

	2003 (1)	2004 (1)	2005 (1)	2006	2007	2008	2009	2010	2011	2012
Minimum Chg - Single Family:										
5/8"	6.82	6.82	6.82	6.97	7.16	8.10	9.10	8.85	9.78	9.78
3/4"	6.82	6.82	6.82	6.97	7.16	8.10	9.10	8.85	9.78	9.78
1"	17.05	17.05	17.05	17.43	17.90	20.25	22.75	22.13	24.75	24.45
1 1/2"	34.10	34.10	34.10	34.85	35.80	40.50	45.50	44.25	48.90	48.90
2"	54.56	54.56	54.56	55.76	57.28	64.80	72.80	70.80	78.34	78.24
3"	109.12	109.12	109.12	111.52	114.56	129.60	145.60	N/A	N/A	N/A
4"	170.50	170.50	170.50	174.25	179.00	202.50	227.50	N/A	N/A	N/A
6"	341.00	341.00	341.00	348.50	358.00	405.00	455.00	N/A	N/A	N/A
8"	545.60	545.60	545.60	557.60	572.80	648.00	728.00	N/A	N/A	N/A
10"	784.30	784.30	784.30	801.55	823.40	931.50	1,046.50	N/A	N/A	N/A
Minimum Chg - Multi-Fam/Non-Residential:										
5/8"	6.82	6.82	6.82	6.97	7.16	8.10	9.10	10.24	11.32	11.32
3/4"	6.82	6.82	6.82	6.97	7.16	8.10	9.10	10.24	11.32	11.32
1"	17.05	17.05	17.05	17.43	17.90	20.25	22.75	25.60	28.30	28.30
1 1/2"	34.10	34.10	34.10	34.85	35.80	40.50	45.50	51.20	56.60	56.60
2"	54.56	54.56	54.56	55.76	57.28	64.80	72.80	81.92	90.56	90.56
3"	109.12	109.12	109.12	111.52	114.56	129.60	145.60	163.84	181.12	181.12
4"	170.50	170.50	170.50	174.25	179.00	202.50	227.50	256.00	283.00	283.00
6"	341.00	341.00	341.00	348.50	358.00	405.00	455.00	512.00	566.00	566.00
8"	545.60	545.60	545.60	557.60	572.80	648.00	728.00	819.20	905.60	905.60
10"	784.30	784.30	784.30	801.55	823.40	931.50	1,046.50	1,177.60	1,301.80	1301.80
Conservation Increments (Blocks):										
<u>Single Fam/Non-Resi</u>										
0 - 10 mgs	\$ 1.53	\$ 1.64	\$ 1.67	\$ 1.81	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11 - 20 mgs	1.74	1.84	1.87	2.02	-	-	-	-	-	-
over 20 mgs	2.15	2.28	2.32	2.51	-	-	-	-	-	-
<u>Multi-family</u>										
0 - 9 mgs/unit	1.38	1.48	1.50	1.62	-	-	-	-	-	-
10 - 18 mgs/unit	1.57	1.66	1.69	1.83	-	-	-	-	-	-
over 18 mgs/unit	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	2.94
8 - 12 mgs	-	-	-	-	2.08	2.35	2.64	2.97	3.28	3.28
over 12 mgs	-	-	-	-	2.58	2.92	3.28	3.69	4.08	4.08
<u>Multi-family</u>										
0 - 5 mgs/unit	-	-	-	-	1.86	2.1	2.36	2.66	2.94	2.94
3 - 5 mgs/unit	-	-	-	-	2.08	2.35	2.64	2.97	3.28	3.28
over 5 mgs/unit	-	-	-	-	2.58	2.92	3.28	3.69	4.08	4.08

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

(2) Non-Residential customers are charged for all consumption at the first incremental rate.

Source: City of North Miami Beach GSA-Customer Service Department

CITY OF NORTH MIAMI BEACH, FLORIDA

PRINCIPAL WATER CUSTOMERS

FISCAL YEAR 2012

<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	60,133	1	0.94%
Plaza Del Prado	Shopping Mall	50,511	2	0.79%
William Island Ocean Club	Condominium	49,545	3	0.78%
Commodore Plaza Condo Assoc.	Condominium	49,487	4	0.78%
Arlen House E Condo Assoc.	Condominium	42,207	5	0.66%
Admirals Port	Condominium	40,711	6	0.64%
Plaza of the Americas Club	Condominium	39,284	7	0.62%
Trump International Sonesta Beach	Hotel	38,517	8	0.60%
Intracoastal Yacht Club	Condominium	37,490	9	0.59%
South Florida Stadium LLC	Stadium	33,237	10	0.52%
 Total customers		<u>441,122</u>		<u>6.91%</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)

Fiscal Year	Governmental Activities						Business-type Activities						
	General Obligation Bonds	Notes Payable	Capital Leases	Total	Percentage of Personal Income (1)	Per Capita (1)	Water Revenue Bonds	Notes Payable	Capital Leases	State Revolving Loans	Total	Percentage of Personal Income (1)	Per Capita (1)
2003	\$ 31,330	\$ 647	\$ 1,305	\$ 33,282	1.97%	\$ 836	\$ 73,240	\$ 2,600	\$ 498	\$ -	\$ 76,338	4.52%	\$ 1,918
2004	38,413	550	1,294	40,257	2.41%	1,023	72,977	2,500	328	-	75,805	4.54%	1,927
2005	37,320	450	1,339	39,109	2.36%	1,003	73,125	2,400	868	-	76,393	4.62%	1,960
2006	36,163	350	1,869	38,382	2.35%	999	72,527	2,300	1,008	-	75,835	4.65%	1,973
2007	34,959	250	2,215	37,424	2.32%	987	72,036	2,198	737	-	74,971	4.66%	1,976
2008	33,703	4,000	1,344	39,047	2.42%	1,028	71,527	2,094	334	-	73,955	4.59%	1,946
2009	32,387	7,778	1,300	41,465	2.35%	987	70,878	1,990	256	-	73,124	4.15%	1,741
2010	31,020	7,333	1,106	39,459	2.42%	956	69,985	3,669	862	1,783	76,299	4.68%	1,849
2011	29,332	6,889	595	36,816	4.39%	887	68,133	1,672	591	5,140	75,536	9.01%	1,819
2012	28,079	6,445	94	34,618	4.50%	814	66,211	1,607	276	6,382	74,476	9.68%	1,752

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)

Fiscal Year	<u>General Bonded Debt Outstanding</u>			Percentage of Assessed Property Value (1)	Per Capita(2)
	<u>General Obligation Bonds</u>	<u>Amount in Debt Service</u>	<u>Net Amount</u>		
2003	\$ 31,330	\$ 293	\$ 31,037	2.38%	\$ 878
2004	38,413	237	38,176	2.60%	1,080
2005	37,320	210	37,110	2.26%	1,050
2006	36,163	209	35,954	1.90%	1,017
2007	34,959	252	34,707	1.49%	982
2008	33,703	251	33,452	1.24%	946
2009	32,387	232	32,155	1.22%	909
2010	31,020	222	30,798	1.36%	871
2011	29,332	131	29,201	1.62%	703
2012	28,079	244	27,835	1.60%	655

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, 2012

(AMOUNTS EXPRESSED IN THOUSANDS)

<u>Government Unit</u>	2012		
	Net Debt <u>Outstanding</u>	Percentage Applicable to the City of North Miami Beach (1)	Amount Applicable to the City of North Miami Beach
Debt repaid with property taxes:			
Miami-Dade County	\$ 1,004,398	0.95%	\$ 9,518
Miami-Dade County School Board	2,935,340	0.89%	26,028
Other debt:			
Miami-Dade County	2,385,895	0.95%	22,611
Miami-Dade County School Board	222,945	0.89%	<u>1,977</u>
Subtotal, Overlapping Debt			60,134
City of North Miami Beach Direct Debt			<u>34,618</u>
Total Direct and Overlapping Debt			<u><u>\$ 94,752</u></u>

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

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

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

CITY OF NORTH MIAMI BEACH, FLORIDA

PLEDGED REVENUE COVERAGE

LAST TEN FISCAL YEARS

(AMOUNTS EXPRESSED IN THOUSANDS)

Fiscal Year Ended September 30,	Capital Improvement Bonds - 2003 B Series					Capital Improvement Bonds 1997 and 1998 Series					Community Redevelopment - CRA			
	County Transit Surtax	Debt Service			Coverage	Municipal Revenue Sharing	Debt Service			Coverage	TIF Revenue	Debt Service		
		Principal	Interest				Principal	Interest				Principal	Interest	Coverage
2003	\$ 799	\$ -	\$ -	-	\$ 766	\$ 310	\$ 124	1.76	\$ -	\$ -	\$ -	-		
2004	1,225	-	145	8.45	1,032	160	110	3.82	-	-	-	-		
2005	1,254	395	314	1.77	1,038	165	103	3.87	-	-	-	-		
2006	1,416	390	306	2.03	1,046	170	94	3.96	-	-	-	-		
2007	1,367	395	297	1.98	994	175	86	3.81	-	-	-	-		
2008	1,307	405	288	1.89	1,024	185	78	3.89	756	-	28	27.00		
2009	1,195	415	278	1.72	1,025	190	69	3.96	898	222	153	2.39		
2010	1,202	425	267	1.74	1,022	200	60	3.93	711	444	149	1.20		
2011	1,261	440	255	1.81	1,023	210	50	3.93	1,139	444	139	1.95		
2012	1,409	465	219	2.06	793	445	41	1.63	481	444	109	0.87		

Fiscal Year Ended September 30,	Water Utility Bonds - 2002 B					State Revolving Loan - Water					State Revolving Loan - Sewer				
	Gross Revenue Less Operating Expense	Debt Service			Coverage	Net Available Revenue ¹	Debt Service			Coverage	Gross Revenue Less Operating Expense	Debt Service			
		Principal	Interest				Principal	Interest				Principal	Interest	Coverage	
2003	\$ 5,705	\$ -	\$ -	-	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	-			
2004	6,592	-	3,260	2.02	-	-	-	-	-	-	-	-			
2005	5,160	-	3,260	1.58	-	-	-	-	-	-	-	-			
2006	6,570	215	3,260	1.89	-	-	-	-	-	-	-	-			
2007	5,904	155	3,254	1.73	-	-	-	-	-	-	-	-			
2008	6,488	155	3,249	1.91	-	-	-	-	-	-	-	-			
2009	13,202	280	3,244	3.75	-	-	-	-	-	-	-	-			
2010	17,850	505	3,235	4.77	-	-	-	-	-	-	-	-			
2011	23,262	1,445	3,217	4.99	18,600	9	6	1,240.00	8,240	25	11	228.89			
2012	19,813	1,505	2,546	4.89	15,762	162	112	57.53	6,119	81	34	53.21			

¹ Pledged revenue consists of gross revenue less operating expense less senior debt obligations of the water fund.

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>
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	1,764,000	42,000	37.0	10.7%
2010	41,254	1,628,832	39,483	34.5	13.0%
2011	41,523	838,308	20,189	37.0	10.8%
2012	42,504	769,195	18,097	36.4	8.8%

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). U S Census Bureau 2012
- (2) United States Census Bureau
- (3) U.S. Bureau of Labor Statistics

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

CITY OF NORTH MIAMI BEACH, FLORIDA

PRINCIPAL EMPLOYERS CURRENT YEAR AND SIX YEARS AGO FISCAL YEAR 2012

<u>Employer</u>	2012		2006	
	<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
Jackson North Medical Center	737	1	N/A	N/A
City of North Miami Beach	523	2	650	6
Publix Super Markets	265	3	2,100	1
Costco	260	4	N/A	N/A
Target	207*	5	N/A	N/A
Duffy's	200	6	N/A	N/A
Kmart	124	7	N/A	N/A
Winn Dixie	65	8	N/A	N/A
T.G.I.Fridays	57	9	N/A	N/A
McDonalds	44	10	N/A	N/A
Parkway Regional Medical Center	N/A		1,200	2
Aventura Columbia Medical Center	N/A		1,150	3
FMS Management Systems	N/A		1,070	4
Sysco Food Services	N/A		750	5
Southern Wine & Spirits	N/A		600	7
Nabi	N/A		500	8
Turnberry Associates	N/A		470	9
Perko	N/A		450	10
Total	2,275		8,940	

Special Note: The above list includes private and public employers in the Greater North Miami Beach area. City of NMB total includes 97 part-timers. Last available data is from 2006 (Source: City NMB 2006 CAFR). *Estimated

CITY OF NORTH MIAMI BEACH, FLORIDA

FULL-TIME CITY GOVERNMENT EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

	<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>	<u>2012</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	5	5	6	6	4
Mayor and Council's office	9	9	9	10	10	9	9	9	9	8
Executive	45	46	50	49	56	58	41	9	8	18
Human Resources	8	8	7	7	7	5	7	6	6	6
Financial Services	36	37	37	37	39	39	33	46	44	13
Police:										
Police Officers	107	105	108	110	119	114	112	117	110	85
Civilians	53	58	38	45	47	45	42	39	45	35
Library	13	13	12	12	13	12	9	9	9	7
Parks and Recreation	50	50	51	52	51	51	38	37	36	30
Public Services	90	90	91	91	95	92	84	85	76	21
Stormwater	7	7	7	8	7	7	7	10	10	8
Water	109	112	113	112	106	110	105	104	101	115
Sewer	22	19	21	25	17	13	13	14	13	11
Building Permit	-	-	-	-	-	-	-	10	10	10
Solid Waste	-	-	-	-	-	-	-	-	-	50
Total number of employees	<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>	<u>426</u>

Source: City of North Miami Beach annual budgets

Note 1: There are 6 Police Officers budgeted in the LETF and 5 from COPS Grant not included in the count for Police Officers.

Note 2: There are 5 civilian employee budgeted in the LETF not included in count for civilians.

Note 2: There are 3 employees paid from Transit Surtax that are not listed.

Note 3: There are 3 employees and 1 Police Officer paid from CRA that are not listed.

CITY OF NORTH MIAMI BEACH, FLORIDA

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

<u>Function/Program</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>	<u>2012</u>
Public safety:										
Police:										
Police calls for service	85,611	80,486	81,137	86,685	85,283	91,894	99,357	87,254	88,986	92,057
Parking citations	2,250	3,030	2,532	2,011	1,959	1,788	1,273	1,258	1,338	907
Traffic citations	10,360	11,855	12,192	12,043	12,791	14,853	15,398	12,410	13,293	5,650
Arrests	2,185	2,124	2,099	2,266	2,429	2,339	2,069	2,177	1,880	1,466
SRT call outs	17	10	27	26	46	TBD	41	46	48	39
Community development:										
Building permits issued	2,204	2,376	3,199	3,684	2,552	2,941	2,451	2,524	4,985	4,872
Library:										
Number of registered borrowers	13,170	18,233	22,677	27,096	20,641	24,485	35,254	36,117	38,663	35,465
Total annual circulation	154,987	176,341	159,353	141,858	148,496	136,179	115,659	122,015	85,292	100,651
Total reference transactions	135,836	125,021	137,249	137,683	154,081	120,711	84,654	103,343	67,888	37,378
Annual number of users of public internet computers	n/a	61,531	75,448	73,171	75,088	70,737	50,309	65,000	43,320	56,750
Parks and recreation:										
After school program enrollment	283	328	303	312	314	301	312	282	280	232
Summer camp program enrollment	383	406	416	413	431	441	463	505	505	382
Camp No-Mi-Be enrollment (1)	422	370	234	463	160	149	125	113	113	78
Theater camp enrollment***	n/a	46	37	26	39	30	35	n/a	n/a	n/a
Playschool enrollment**	44	35	26	-	-	-	-	-	-	-
Sanitation:										
Refuse collected (tons / year)	40,445	41,612	42,504	53,701	45,210	29,948	33,694	41,557	32,583	33,952
Water:										
Number of customers	32,065	32,164	34,412	32,355	32,587	32,292	32,258	32,279	32,125	32,298
Average daily water consumption (millions of gallons)	24.5	24.5	24.5	24.5	24.5	20.12	21.72	20.16	20.53	20.74
Annual water produced (millions of gallons)	5,500	5,289	4,982	5,391	5,834	7,343	7,927	7,359	7,492	7,571
Sewer:										
Number of customers	6,980	7,010	7,065	7,047	7,260	7,256	7,289	7,434	7,449	7,522

Sources: Various city departments

(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

** Playschool program has been eliminated.

*** Theater camp program was not funded for 2012

CITY OF NORTH MIAMI BEACH, FLORIDA

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

<u>Function/Program</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>	<u>2012</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	50,724	53,212	51,651	58,523	60,736	62,161	76,533	78,196	79,664	76,634
Number of licensed databases	20	15	15	37	61	62	66	64	64	96
Audio materials volumes	2,502	2,972	3,618	3,727	4,362	4,473	4,426	4,470	4,481	4,143
Video materials volumes	3,444	4,106	4,005	4,298	4,715	5,322	5,583	6,120	6,737	6,263
Parks and recreation:										
Parks	9	9	9	10	10	10	10	21	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	49.0	49.0	49.0	51.0	51.0	51.0	51.0	86.0	86.0	86.0
Streets:										
Miles of streets and alleys	109.0	109.0	109.0	109.0	130.1	130.1	130.0	119.0	119.0	119.0
Water:										
Water mains (miles)	515	515	515	515	515	545	547	548	549	550
Fire hydrants	2,200	2,200	2,200	2,200	2,200	2,610	2,660	2,717	2,770	2,800
Valves	8,160	8,160	8,160	8,160	8,160	9,590	9,700	10,258	10,310	10,350
Sewer:										
Lift stations	29	29	29	29	29	35	35	35	35	33
Sewer mains (miles)	90	90	90	90	90	109	109	109	109	113

Sources: Various city departments

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, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 15, 2013. 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 Sections II and III, items 12-1 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 Section III as 11-1, 09-3 and 08-3, to be significant deficiencies.

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 II as item 12-1.

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 15, 2013



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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, 2012. 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.

As described in item 12-1 in the accompanying schedule of findings and questioned costs, City North Miami Beach, did not comply with requirements regarding allowable cost that are applicable to its Equitable Sharing Program. Compliance with such requirements is necessary, in our opinion, for City of North Miami Beach, to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, City of North Miami Beach, 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, 2012.

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance 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 below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

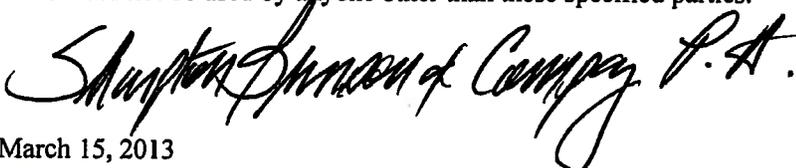
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 12-1 to be material weaknesses.

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

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, 2012, and have issued our report thereon dated March 15, 2013 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 15, 2013

**CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unqualified Opinion

Internal control over financial reporting:

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

Federal Program

Internal control over major programs:

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

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

Unqualified Opinion

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

 X Yes No

Identification of major programs:

Federal CFDA No.	Federal Awards Programs
16.922	Equitable Sharing Program
66.458	Capitalization Grants for Clean Water State Revolving Funds

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

\$300,000

Auditee qualified as low-risk Auditee?

 Yes X No

**CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Section II- Current Year Findings

12-1 Misuse of Federal Forfeiture Funds

Material Weakness

Criteria

Section V111A of the Guide to Equitable Sharing for State and local Law Enforcement Agencies (April 2009) states that participating agencies in the program are prohibited from making cash transfers or donations to support community based programs. Shared funds are also precluded from being used to purchase food and beverage and are only allowed in limited circumstances.

Condition

Based on our review of selected cash disbursements, it was noted that expenditures were made for miscellaneous food and refreshments. It was also noted that a repayment was made to the Department of Justice in the amount of \$173,228 for numerous items of unallowable expenditures.

Questioned Costs

Approximately \$174,000

Cause

The primary cause is the misinterpretation of the permissible uses of Equitably Shared Property.

Effect

City must repay misspent funds to the Department of Justice.

Recommendation

Management should ensure that Equitably Shared Property is used only for permissible purposes as stipulated in the Guide to Equitable Sharing for State and local Law Enforcement Agencies (April 2009).

View of Responsible Officials and Planned Corrective Action

The City has acknowledged the error and the Department of Justice has been reimbursed for the unallowable expenditures. Management is currently seeking additional guidance from the Department on the permissible uses of Equitably Shared Property and has increased oversight activities with regard to the expenditure of the funds.

CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

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.

- 11-3 Fund Balance Classifications Policies & Procedures
- 11-2 Close Out Construction in Progress Activity
- 10-3 Inventory Fixed Assets
- 10-2 Timely Submission of Reports
- 09-5 Update Accounting Process and Procedures Manual

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, 2012

Section III- Prior 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. Additionally, the accounting system currently is unable to generate aging accounts receivable reports and as such management has made no reasonable provision for doubtful accounts.

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

Inability to adequately determine the provision for doubtful accounts, the 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. There is also no provision made for doubtful accounts.

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.

**CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

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

Significant Deficiency (cont'd)

11-1 Accounts Receivable Management (cont'd)

View of Responsible Officials and Planned Corrective Action

The current accounting procedures and policies are under review and revisions are made as priorities present themselves. A complete updates to all policies and procedures will be undertaken as a part of the new ERP system implementation. See finding 09-3.

Current Year Status

Liens are issued for receivables in all of the enterprise funds and are therefore deemed collectible. Most of the special revenue and capital projects funds were reviewed during the current fiscal year. The status of each of the reviewed funds has been updated for fiscal year end. The remaining funds will be reviewed during fiscal year 2013.

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 inquiries.

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.

**CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

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

Significant Deficiency (cont'd)

09-3 Upgrade the Accounting System (cont'd)

View of Responsible Officials and Planned Corrective Actions

Funding for financial software was included in the FY2013 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 consultant has performed the needs assessment. The process is ongoing.

Current Status

An RFP has been issued and responses have been received. A review committee has been established to recommend a vendor to the City Manager.

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.

**CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

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

Material Weakness (cont'd)

08-02 Material Journal Entries (cont'd)

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, 2012.

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.

**CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

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

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

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/initialing 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, 2012 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, 2012**

Section IV - Current Year Findings - Major Federal Program

See Section II, Item 12-1.

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

FISCAL YEAR ENDED SEPTEMBER 30, 2012

<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. 172rd Street Roadway Improvement Project	14.218	CDBG FY2010	\$ 652,812
N.E. 173rd Street Roadway Improvement Project	14.218	CDBG FY2010	31,794
Allen Park Recreational Center Improvement	14.218	CDBG FY2010	<u>91,670</u>
Total U.S. Department of Housing and Urban Development			<u>776,276</u>
U.S. DEPARTMENT OF JUSTICE			
Forfeiture Fund - Federal Equitable Sharing (non-treasury)	16.922	N/A	2,052,606
Operational Support Project (JAG)	16.738	2009-DJ-BX-0116	230
COPS Hiring Recovery Program (ARRA)	16.710	2009-RX-WX-0213	758,319
Operational Equipment Enhancement Project (ARRA)	16.804	2009-SB-B9-1673	1,960
Bulltproof Vest	16.607	N/A	15,352
Community Service Officers Operations Support Program	16.738	2010-DJ-BX-0036	1,768
Repair/Upgrade Police Department CCTV Security System Project	16.738	2011-DJ-BX-0030	<u>30,135</u>
Subtotal - direct awards			<u>2,860,370</u>
Passed through Miami-Dade County:			
Domestic Violence Grant	16.579	2010-JAGC-DADE-7-4X-225	<u>4,588</u>
Subtotal - indirect awards			<u>4,588</u>
Total U.S. Department of Justice			<u>2,864,958</u>
U.S. DEPARTMENT OF EDUCATION			
NMB Disability Sports Program	84.235	H235K080015	<u>40,937</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through Florida Department of Transportation			
Hanford Boulevard Roadway Improvement - Phase IV	20.205	420908-1/AP233	433
N.E. 19th Avenue Roadway Improvement (ARRA)	20.205	APM90/ARRA-455	<u>7,921</u>
Total U.S. Department of Transportation			8,354
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Passed through Florida Department of Environmental Protection:			
Highland Village Sewer Connection Project (ARRA)	66.458	WW130100	1,113,988
Highland Village Sewer Connection Project	66.458	WW130101	344,598
Major Sewer Rehabilitation Project	66.458	WW745080	350,983
Norwood WTP VOC Removal Project - Construction Loan Agreement (ARRA)	66.458	DW130102	413,536
Norwood WTP VOC Removal Project - Construction Loan Agreement	66.458	DW130103	<u>3,226,815</u>
Total U.S. Environmental Protection Agency			<u>5,449,920</u>
Total of Expenditures of Federal Awards			<u>\$ 9,140,445</u>

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

CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

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, 2012. All federal awards expended from federal agencies, and federal awards passed through other government agencies are included in the Schedule.

Basis

The accompanying Schedule is presented on the modified accrual basis of accounting, which is described in Note 2 to the City's financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.



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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, 2012, and have issued our report thereon dated March 15, 2013.

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 15, 2013), 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 15, 2013), and the Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 15, 2013, 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.

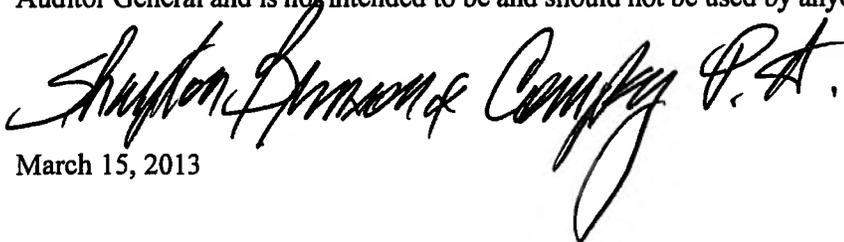
Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City of 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, 2011 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, 2011. 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 15, 2013