

Comprehensive Annual Financial Report

of the
City of North Miami Beach
for the
Fiscal Year Ended
September 30, 2008



CITY OF NORTH MIAMI BEACH, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2008

Prepared by:

Department of Finance

CITY OF NORTH MIAMI BEACH, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2008

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INTRODUCTORY SECTION

June 22, 2009

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, 2008. The CAFR is issued pursuant to the following requirements:

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



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

MarcumRachlin, a division of Marcum LLP, a licensed certified public accounting firm, has audited the City's financial statements. The goal of the independent audit was to provide reasonable assurance that the City's financial statements for the fiscal year ended September 30, 2008, 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, 2008, are fairly presented in conformity with GAAP. The report of the independent certified public accountants is presented as the first component of the financial section of this report.

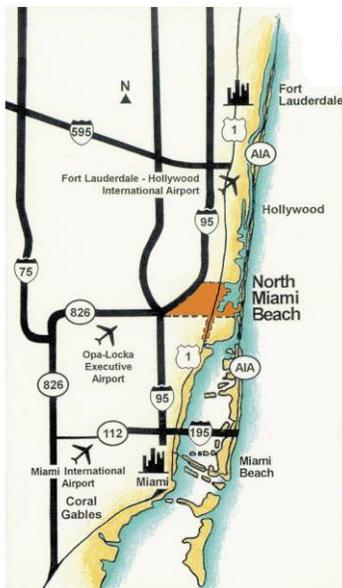
GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and

Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of North Miami Beach's MD&A can be found immediately following the report of the independent certified public accountants.

Profile of the Government

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

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



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

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

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

The annual budget serves as the foundation for the City of North Miami Beach's financial planning and control. All departments of the City are required to submit requests for appropriation to the City Manager and these requests are the starting point for developing a proposed budget. The City Manager, thereafter, proposes a budget to the Council for review. The Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than September 30, the close of the City's fiscal year. The budget is legally enacted through the passage of an ordinance. The appropriated budget is prepared by fund and department (e.g., police). No department may legally expend in excess of

amounts appropriated for that department within an individual fund. The City Manager may make transfers of appropriations within a department and to a department from his contingency account. Transfers of appropriations between departments, however, require the approval of the City Council. The City Council approves supplemental appropriations; however, the City Manager is granted authority to amend, modify, or otherwise adjust the annual budget to a maximum limit of \$50,000 per individual occurrence. Budget-to-actual comparisons are provided in this report for the general fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on pages 74-76 as part of the required supplementary information.

Factors Affecting Financial Condition

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

Local economy. The economy, in general, began to decline in FY 2007 and the decline continues as of the writing of this report. The local economy's difficulties mirror those on the national, state and regional scales. Home prices continued a precipitous drop in FY 2008. Foreclosures also continued a steep rise as the impact of the sub-prime mortgage company failures reached its peak. These two issues continue to directly affect the operations of municipal governments, including the City of North Miami Beach.

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

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



The City of North Miami Beach now has a fully operational Community Redevelopment Agency (CRA). The CRA is active in revitalizing business districts and neighborhoods by providing needed financial support for projects and programs aimed at increasing economic activity and improving the quality of life. For Fiscal Year 2008, the CRA's increment revenue grew to \$1.9 million and those funds in addition to loan proceeds were expended on such things as commercial and residential property improvements, new commercial and residential development, street improvements, parks and playgrounds, parking facilities, business promotion, marketing and promoting the CRA area, and more.

Continuing initiatives. The City of North Miami Beach's \$70 million dollar water treatment plant expansion was significantly completed in 2008 and includes the use of the most advanced membrane technology available. This Norwood Water Treatment Plant Expansion

Program distinguishes the North Miami Beach Public Services Department as the first water utility in Miami-Dade County to tap into an alternative water supply, the Floridan Aquifer and to utilize the latest advances in water treatment—nanofiltration and reverse osmosis. These state-of-the-art water treatment processes, along with the traditional lime-softening water treatment process, allow North Miami Beach to continue to provide its customers with the best-tasting water on tap. The North Miami Beach water utility serves more than 180,000 customers and is the second-largest water producer in Miami-Dade County, serving North Miami Beach, Miami Gardens, portions of Aventura, Sunny Isles Beach and portions of unincorporated North Dade.

Phase three of the sewer and stormwater projects in Highland Village was completed in fiscal year 2008. Homeowners within the area where sewers were installed have been in the process of making the required connections. Funding for loans to homeowners for required connections was in the process of being secured. In addition to sanitary sewers, this multi-phased project includes stormwater and street improvements in the area.

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



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

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

Relevant financial policies

In general, it is the City’s policy to consistently add to the City’s reserve each year and Fiscal Year 2008 was no exception. The commitment against unrestricted net asset balance is intended to be a bottom line for the City and its related governmental and business-type activities. While the City Council and City Administration may have varying commitments against these balances these choices are subject to be revised/changed by the Council.

Awards

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, 2007. This was the twentieth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

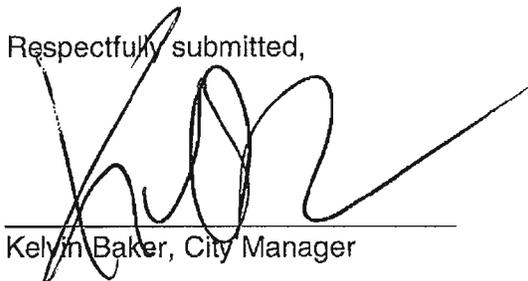
Acknowledgements

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

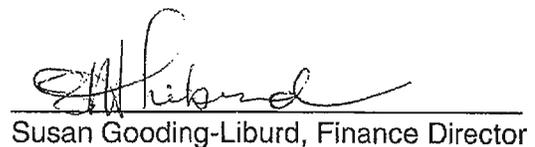
We express our appreciation to all members of other departments who assisted and contributed to the preparation of this report. A special note of thanks and appreciation is also extended to our auditors, MarcumRachlin, a division of Marcum LLP, for their professional approach and high standards in the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

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

Respectfully submitted,



Kelyin Baker, City Manager



Susan Gooding-Liburd, Finance Director



Marcia Fennell, Assistant Finance Director

CITY OF NORTH MIAMI BEACH, FLORIDA

CERTIFICATE OF ACHIEVEMENT

SEPTEMBER 30, 2008

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, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

CITY OF NORTH MIAMI BEACH, FLORIDA

LIST OF CITY OFFICIALS

SEPTEMBER 30, 2008 (AS OF JUNE 1, 2009)

COUNCIL - MANAGER FORM OF GOVERNMENT

CITY COUNCIL

Myron Rosner, Mayor

Barbara Kramer	Frantz Pierre
Philippe Derose	Beth Spiegel
John P. Julien	Phyllis S. Smith

CITY MANAGER

Kelvin L. Baker

CITY ATTORNEY

Darcee Siegel

FINANCE DIRECTOR

Susan Gooding-Liburd

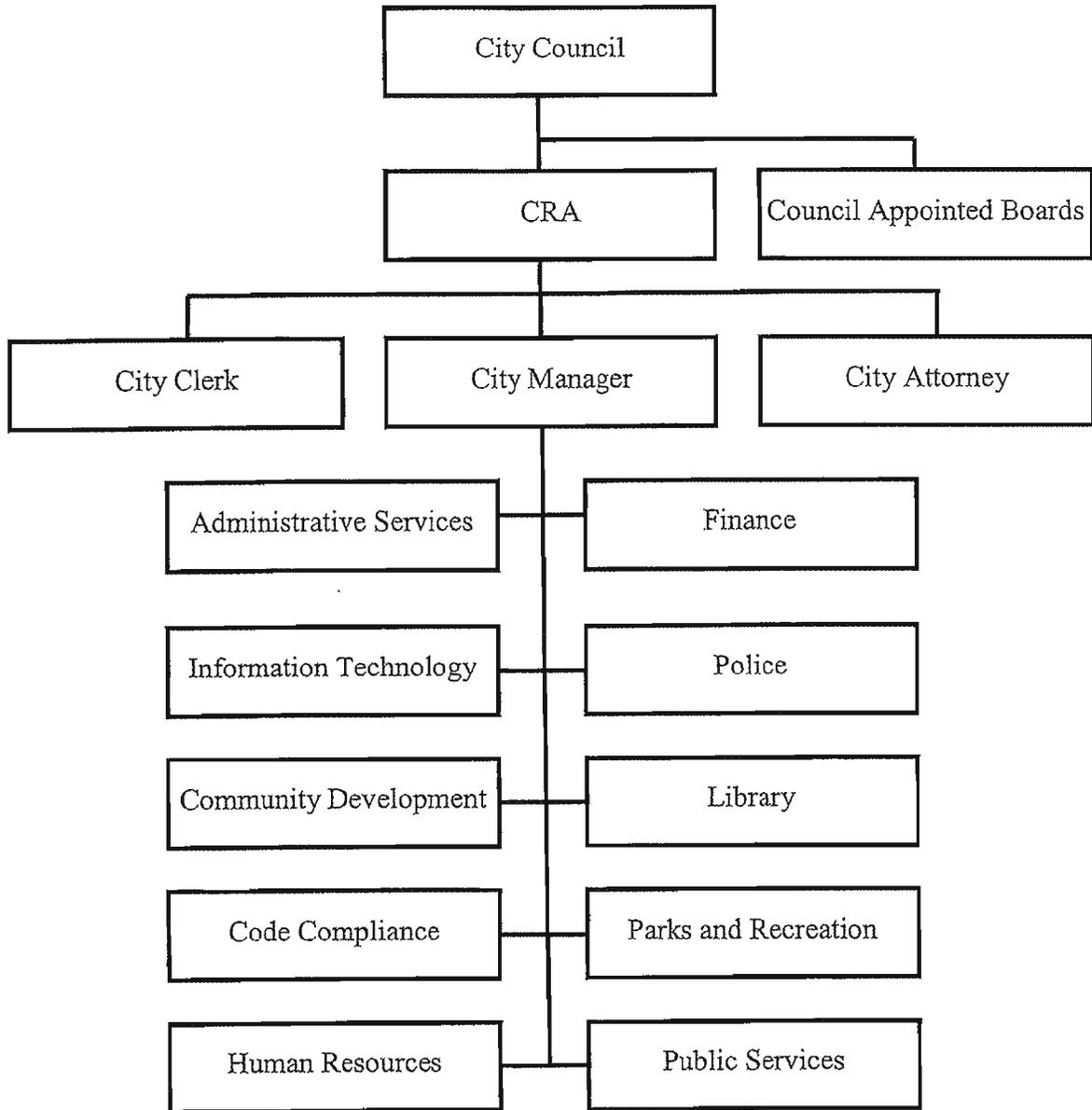
CITY AUDITORS

MarcumRachlin
Accountants ▪ Advisors

CITY OF NORTH MIAMI BEACH, FLORIDA

SEPTEMBER 30, 2008

ORGANIZATION CHART



FINANCIAL SECTION

**REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information (including the community redevelopment agency special revenue fund) of the City of North Miami Beach, Florida (the City) as of and for the year ended September 30, 2008, which, collectively, comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information (including the community redevelopment agency special revenue fund) of the City, as of September 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 7, 2009 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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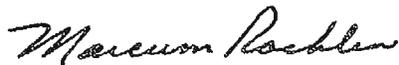
One Southeast Third Avenue ■ Tenth Floor ■ Miami, Florida 33131 ■ Phone 305.377.4228 ■ Fax 305.377.8331

FLORIDA ■ NEW YORK ■ NEW JERSEY ■ CONNECTICUT ■ GRAND CAYMAN

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

Management's Discussion and Analysis and the Required Supplementary Information on pages 3-19 and pages 74-84, respectively, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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



a division of Marcum LLP
Miami, Florida
June 7, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS
(MD&A)

Management's Discussion and Analysis

As management of the City of North Miami Beach, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2008. Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal, which can be found on pages i to v of this report.

Financial Highlights

- The assets of the City of North Miami Beach exceeded its liabilities at the close of the most recent fiscal year by \$121.0 million (*net assets*). Of this amount, \$2.1 million (*unrestricted net assets*) may be used to meet the ongoing obligations to citizens and creditors.
- The City's total net assets overall increased by \$7.5 million during the current fiscal year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$17.4 million, an increase of \$4.4 million in comparison with the prior year. Approximately one third of this total amount is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved undesignated fund balance for the General Fund was \$6.5 million, or 12.6 percent of total *General Fund* expenditures.
- At the end of the current fiscal year, unrestricted net assets for the Water Fund are negative \$6.0 million. This was a significant decrease over last year's \$3.7 million, primarily because a large portion was expended from the restricted funding sources.

Overview of the Financial Statements

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

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

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

Management's Discussion and Analysis (continued)

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

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

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

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*.

Management's Discussion and Analysis (continued)

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

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

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

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

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

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

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

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Note 12 contains information regarding the Community Redevelopment Agency, which is a component unit.

The notes to the basic financial statements can be found on pages 32-73 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* including the budgetary comparison schedule of the General Fund and information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

Management's Discussion and Analysis (continued)

Required supplementary information can be found on pages 74-84 of this report.

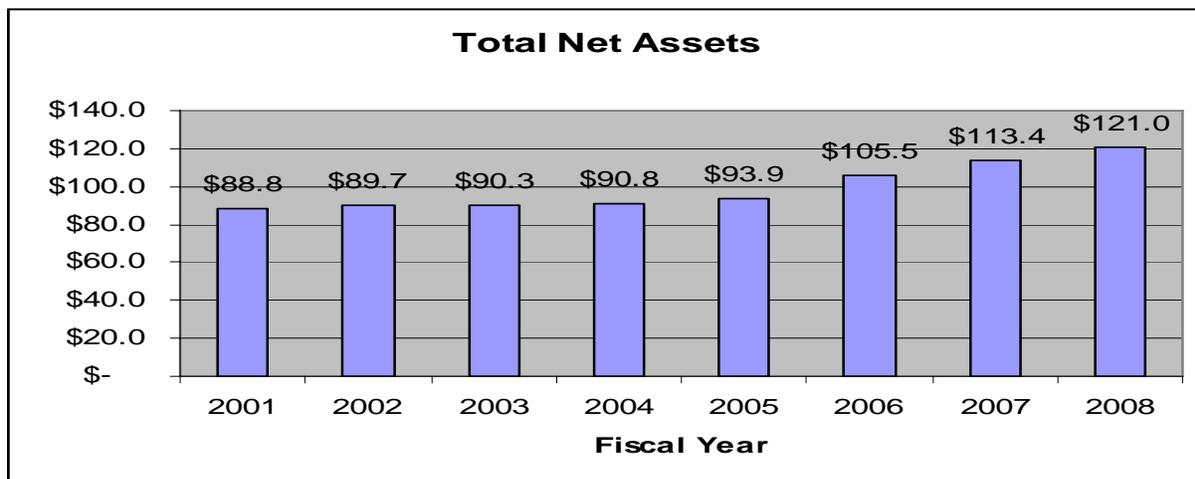
The combining statements referred to earlier in connection with non major governmental funds are presented immediately following the required supplementary information. Budgetary comparison schedules are included for non major governmental funds that adopt budgets.

Combining and individual fund statements and schedules can be found on pages 85-104 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 total net assets exceeded liabilities by \$121.0 million at the close of this fiscal year. This was an increase of approximately seven percent compared to last year's net assets of \$113.4 million. The chart below shows a steady and gradual increase over the last eight fiscal years.

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



The largest portion of the City's net assets (89 percent) reflects its investment in capital assets (e.g.; land, buildings, and equipment), less any related debt used to acquire those assets that are still outstanding. Capital assets are used to provide services to citizens; and thus, they are *not* available for future spending. The City's investment in its capital assets is reported net of related debt. The resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Some of the City's net assets (2 percent) are subject to external restrictions on how they may be used. These assets have been set aside for the completion of capital projects, inplant, debt service payments, or law enforcement and grant related expenditures.

Management's Discussion and Analysis (continued)

The remaining balance of unrestricted net assets (9 percent) may be used to meet the City's ongoing obligations to citizens and creditors. The amount of the City's total unrestricted net assets increased by \$2.8 million compared to last fiscal year with the bulk of the increase occurring in the water utility system.

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

	2008			2007		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 23.2	\$ 8.8	\$ 32.0	\$ 17.0	\$ 9.1	\$ 26.1
Restricted assets	1.1	1.0	2.1	1.7	6.3	8.0
Capital assets, net	<u>67.5</u>	<u>158.6</u>	<u>226.1</u>	<u>65.4</u>	<u>148.0</u>	<u>213.4</u>
Total assets	<u>91.8</u>	<u>168.4</u>	<u>260.2</u>	<u>84.1</u>	<u>163.4</u>	<u>247.5</u>
Long-term liabilities	44.5	75.1	119.6	43.2	76.2	119.4
Other liabilities	<u>5.4</u>	<u>14.2</u>	<u>19.6</u>	<u>4.9</u>	<u>9.7</u>	<u>14.6</u>
Total liabilities	<u>49.9</u>	<u>89.3</u>	<u>139.2</u>	<u>48.1</u>	<u>85.9</u>	<u>134.0</u>
Net assets:						
Invested in capital assets, net of related debt	32.5	84.1	116.6	27.8	67.7	95.5
Restricted	2.1	0.1	2.2	3.4	5.1	8.5
Unrestricted	<u>7.3</u>	<u>(5.1)</u>	<u>2.2</u>	<u>4.8</u>	<u>4.6</u>	<u>9.4</u>
Total net assets	<u>\$ 41.9</u>	<u>\$ 79.1</u>	<u>\$ 121.0</u>	<u>\$ 36.0</u>	<u>\$ 77.4</u>	<u>\$ 113.4</u>

Management's Discussion and Analysis (continued)

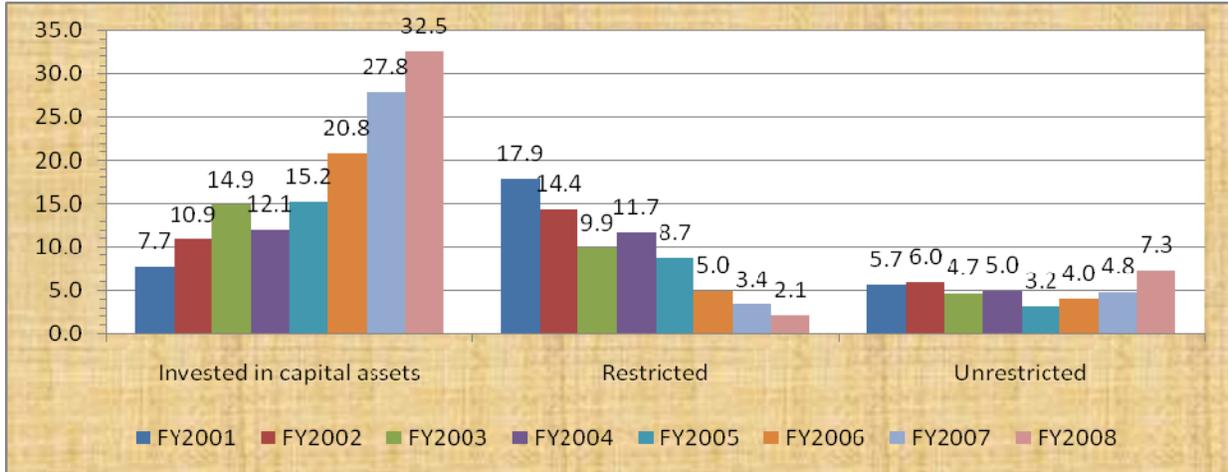
City of North Miami Beach's Changes in Net Assets (in \$ millions) – Government-wide

	2008			2007	
	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>	Governmental <u>Activities</u>	Business-type <u>Activities</u>
Revenues:					
Program revenues:					
Charges for services	\$ 19.9	\$ 30.6	\$ 50.5	\$ 19.3	\$ 25.2
Operating grants & contributions	1.8	1.4	3.2	3.5	1.3
Capital grants & contributions	-	1.4	1.4	0.1	3.5
General revenues:					
Property taxes	19.7	-	19.7	19.2	-
Other taxes	6.8	-	6.8	6.7	-
Intergovernmental (including sales tax)	8.4	-	8.4	8.1	-
Other miscellaneous	1.6	0.7	2.3	2.0	1.3
Total revenues	<u>58.2</u>	<u>34.1</u>	<u>92.3</u>	<u>58.9</u>	<u>31.3</u>
Expenses:					
General government	14.9	-	14.9	17.4	-
Public safety	23.3	-	23.3	21.6	-
Library	1.0	-	1.0	1.2	-
Parks and recreation	4.9	-	4.9	4.8	-
Public services	11.6	-	11.6	10.7	-
Interest on long-term debt	1.9	-	1.9	2.0	-
Water	-	18.4	18.4	-	19.6
Sewer	-	4.4	4.4	-	4.2
Stormwater	-	0.8	0.8	-	0.8
Total expenses	<u>57.6</u>	<u>23.6</u>	<u>81.2</u>	<u>57.7</u>	<u>24.6</u>
Increase in net assets before transfers	0.6	10.5	11.1	1.2	6.7
Transfers	<u>5.3</u>	<u>(5.3)</u>	<u>-</u>	<u>5.0</u>	<u>(5.0)</u>
Change in net assets	<u>5.9</u>	<u>5.2</u>	<u>11.1</u>	<u>6.2</u>	<u>1.7</u>
Net assets - beginning	36.0	77.4	113.4	29.8	75.7
Prior period adjustment	-	(3.5)	(3.5)	-	-
Net assets beginning as restated	<u>36.0</u>	<u>73.9</u>	<u>109.9</u>	<u>-</u>	<u>-</u>
Net assets - ending	<u>\$ 41.9</u>	<u>\$ 79.1</u>	<u>\$ 121.0</u>	<u>\$ 36.0</u>	<u>\$ 77.4</u>

Governmental activities: Net assets of the City's governmental activities increased by seventeen percent from \$36.0 million in the last fiscal year compared to \$41.9 million in the current fiscal year. Small increases in revenues received from property taxes, charges for services and capital grants and contributions, offset by minor decreases in operating grants and contributions and other miscellaneous revenue, overall resulted in a slight decrease of revenues. The City reduced its expenditures by over \$2.5 million from general government, although police services expenditures increased \$1.7 million. Overall, the City increased its net assets by approximately \$5.9 million due primarily to inter-fund transfers from the Enterprise funds.

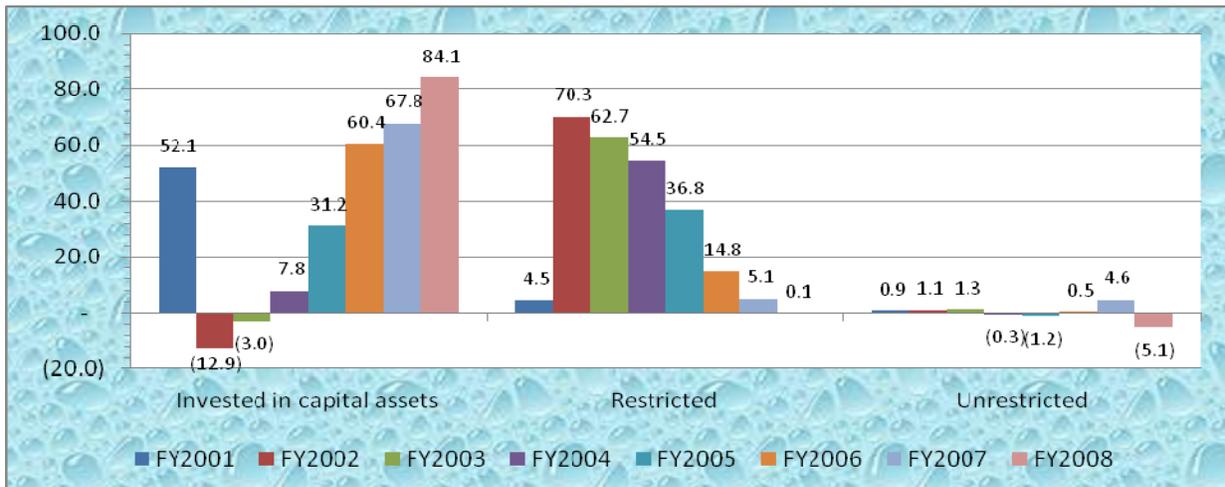
Management's Discussion and Analysis (continued)

**Governmental Activities – Total Net Assets
(In millions)**



Business-type activities: The City's net assets of the business-type activities increased by two percent from \$77.4 million in last fiscal year compared to \$79.1 million in the current fiscal year. A significant decrease in the restricted net assets occurred as restricted bond proceeds and impact funds were spent on the water treatment plant expansion. While the restricted net assets are decreasing, there is an offsetting increase in investment in capital assets as the bond proceeds and various grant monies are used to construct the plant and other capital items.

**Business-type Activities – Total Net Assets
(In millions)**



Management's Discussion and Analysis (continued)

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

Financial Analysis of the City's Funds

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

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

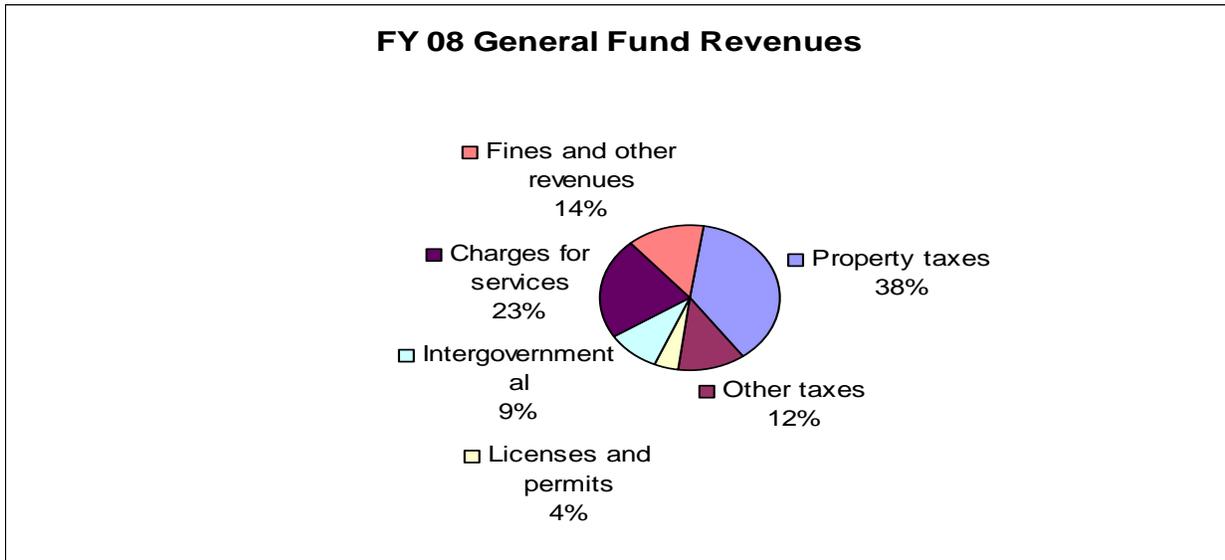
As of the end of the current fiscal year, the City's *governmental funds* reported combined ending fund balances (reserved, designated, and undesignated) of \$17.4 million, an increase of \$4.4 million in comparison with the prior year. The increase was due to the City receiving proceeds from credit facilities for the Community Redevelopment Agency of \$4.0 million; \$3.0 million and \$1.0 million to be needed respectively in the upcoming years for infrastructure improvements and land acquisitions.

Unreserved fund balance is the portion of what is available for spending at the City's discretion. This year, 76 percent of fund balance (\$13.2 million) constitutes unreserved fund balance. Of this amount, the Council has designated approximately \$1.9 million for land acquisition, liability and workers' compensation claims and an additional \$4.7 million has been set aside for special grant and transportation purposes and approximately \$6.6 as undesignated. The remainder of fund balance is *reserved* to indicate it is not available for new spending because it has already been committed for a variety of restricted purposes, such as construction projects, grant expenditures and encumbrances.

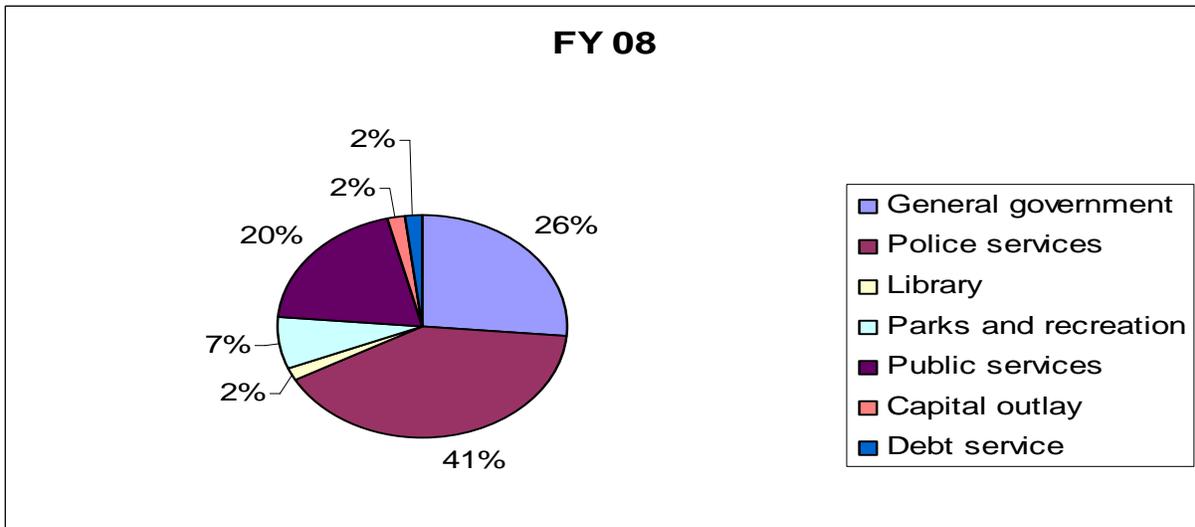
The General Fund is the chief operating fund of the City. General tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. General operating expenses, fixed charges and capital improvement costs not paid through other funds are paid from this fund. At the end of the current fiscal year, unreserved undesignated fund balance of the General Fund was \$6.5 million, unreserved designated fund balance was \$1.9 million and reserved fund balance was \$1.9 million, for a total fund balance of \$10.3 million. Last fiscal year the General Fund's total fund balance was \$8.6 million.

Total General Fund revenue increased by \$1.7 million compared to the prior fiscal year. Increases were due mainly to a Water Surcharge that the City charges to customers outside City limits that use City water.

Management's Discussion and Analysis (continued)



Total General Fund expenditures also decreased by \$1.8 million as compared to the prior year. General government decreased by approximately \$1.0 million which was due to the City streamlining and consolidating departments to operate in a more efficient manner: Police services posted an increase of approximately \$1.4 million which was a result of an increase in the pension contribution and a wage increase of the police union contract. Parks and recreation showed a slight increase which is related to normal salary and benefit costs. However, the biggest contributor to the decrease in expenditures was a reduced capital outlay by the City in fiscal year 2008 which mirrored the downturn in the economy.

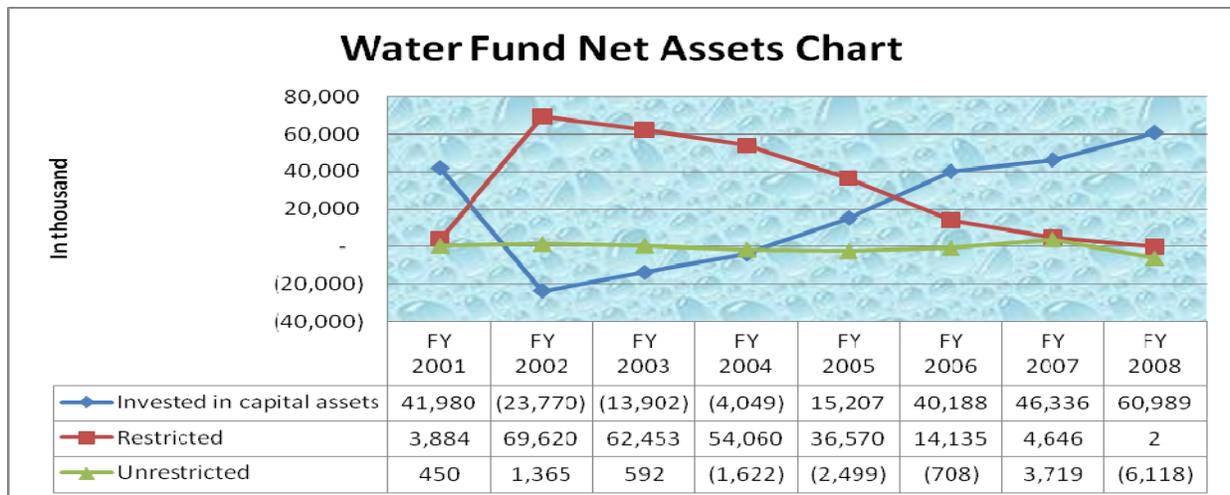


Proprietary funds: The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Management’s Discussion and Analysis (continued)

Unrestricted net assets for the enterprise funds at the end of the year were a negative \$5.0 million. This negative balance was comprised of the following: Water Fund negative balance of \$6.0 million, Sewer Fund positive balance of \$0.7 million, and Stormwater Fund positive balance of \$0.3 million.

The Water Fund’s unrestricted net assets decreased by \$9.7 million. The City’s unrestricted net assets reflect all liabilities that are not related to capital assets or restricted assets. In general, *accounting statements* show a liability when it is incurred while *financing and budgeting statements* focus on when a liability is paid. The City budgets for and raises operating revenues during the year in which a liability is to be liquidated, rather than during the year in which the liability is incurred. As the chart indicates, as more of the water treatment plant construction phases are completed, the various capital and capital-related financing activities have been changing. The restricted assets that fund the capital construction are decreasing as the City’s investment in these capital assets is increasing. The City made a diligent effort to keep operating income sufficient to cover its operating activities. This trend will continue to be monitored and adjustments may still need to be made in future budget years.



Water Fund capital contributions and impact fee revenue decreased by approximately \$2.2 million compared to last year. The effects of the weak outlook in the commercial property segment and high-rise condominium construction markets have continued to impact these revenue sources. This resulted in the developer-required contributions and impact fees decreasing by 59 percent this year.

This, in turn, decreased restricted net assets in the Water Fund. Most of the inplant and fireflow reserves and the entire bond proceeds will be used for the water treatment plant expansion project in future fiscal years. In fiscal year 2008, \$15 million was expended from all restricted funding sources. The majority of the expenditures were for the water treatment plant.

In the Sewer Fund, net assets increased by \$1.3 million and in the Stormwater Fund, net assets increased by \$0.2 million. Intergovernmental revenues in the Water Fund decreased and the Sewer

Management's Discussion and Analysis (continued)

Fund increased as the grant related activity of the City's portion of the Highland Village Sewer Improvement Project Phase III and the individual residents' connection into the new system.

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

	2008				2007			
	Water Utility	Sewer Utility	Stormwater Utility	Total	Water Utility	Sewer Utility	Stormwater Utility	Total
Revenues:								
Operating revenues	\$ 23.4	\$ 5.9	\$ 1.3	\$ 30.6	\$ 18.8	\$ 5.1	\$ 1.3	\$ 25.2
Expenses:								
Operating expenses	11.7	3.8	0.5	16.0	14.0	3.4	0.6	18.0
Depreciation	3.3	0.7	0.1	4.1	2.5	0.6	0.1	3.2
Total expenses	15.0	4.5	0.6	20.1	16.5	4.0	0.7	21.2
Operating income	8.4	1.4	0.7	10.5	2.3	1.1	0.6	4.0
Non-operating revenue (expense)	(2.5)	1.0	-	(1.5)	(1.0)	0.3	(0.1)	(0.8)
Capital contributions	1.3	0.1	-	1.4	3.2	0.3	-	3.5
Transfers	(3.6)	(1.3)	(0.1)	(5.0)	(3.4)	(1.2)	0.4	(4.2)
Changes in net assets	3.7	1.3	0.2	5.2	1.1	0.5	0.1	1.7
Net assets - beginning	54.7	20.0	2.7	77.4	53.6	19.5	2.6	75.7
Prior period adjustment	(3.5)	-	-	(3.5)	-	-	-	-
Net asset, beginning as restated	51.2	20.0	2.7	73.9	53.6	19.5	2.6	75.7
Net assets - ending	\$ 54.9	\$ 21.3	\$ 2.9	\$ 79.1	\$ 54.7	\$ 20.0	\$ 2.7	\$ 77.4

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 74-76 of this report.

Differences between the *original budget* and the *final amended budget* amounted to approximately \$796,000 this year and can be briefly summarized as follows:

- New or expanded capital improvement projects, including expenditures to the Columbia Bridge of \$235,000, plus various roadway construction in the amount of \$75,000 plus various new equipment costing \$126,000.
- Increases in required pension plan contributions totaled \$244,000 and were funded when additional unanticipated revenue including intergovernmental funding was received thus allowing for the additional expenditures.
- Other normal operation of business to provide continued service to our resident totaled approximately \$116,000.

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

Management's Discussion and Analysis (continued)

- For the second consecutive year, the City's housing market was the victim of a depressed economy. Therefore, actual building permits and fees experienced another negative variance for the year in the amount of \$400,000 as compared to the budgeted amount.
- The franchise fee and utility tax revenues received from Florida Power and Light Company (FPL) were slightly higher than budgeted. The combined revenue received was \$505,000 more than expected. This was due in part to higher fuel costs passed on to customers by FPL and a surcharge to provide for hurricane preparedness.
- Overall, departments' current expenditures were in line with budgeted expenditures due to the City implementing some cost saving strategies.
- The Human Resources and Parks and Recreation Departments experienced a combined \$846,000 positive variance compared to the budgeted amounts due to effective and efficient strategies initiated to reduce expenditures.

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, 2008 amounted to \$226.1 million (net of accumulated depreciation).

This investment in capital assets includes land, buildings, improvements other than buildings, and machinery and equipment. The total increase in the City's investment in capital assets for the current fiscal year was 9 percent.

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

	2008			2007	
	<u>Govern- mental</u>	<u>Business- type</u>	<u>Total</u>	<u>Govern- mental</u>	<u>Business- type</u>
Land	\$ 4.3	\$ 5.9	\$ 10.2	\$ 4.3	\$ 5.9
Buildings and plant	10.5	137.2	147.7	11.8	65.6
Improvements other than buildings	7.8	-	7.8	7.2	-
Furniture, fixtures, machinery and equipment	6.8	2.3	9.1	7.3	2.5
Infrastructure	3.4	-	3.4	3.6	-
Construction in progress	<u>34.8</u>	<u>13.1</u>	<u>47.9</u>	<u>31.1</u>	<u>74.0</u>
Total capital assets	<u>\$ 67.6</u>	<u>\$ 158.5</u>	<u>\$ 226.1</u>	<u>\$ 65.3</u>	<u>\$ 148.0</u>

Approximately \$5.9 million in capital assets was acquired within governmental activities and includes the following items:

- The improvements and restorations to Hanford Boulevard continued construction at an additional cost of \$2.1 million.
- Renovations and improvements to the pools within the Victory Pool Complex continued at an additional cost of \$.6 million and are in the final stage of completion.

Management's Discussion and Analysis (continued)

- Improvements and restoration to the alley ways and the Columbia Bridge installation amounted to \$1.1 million.
- Equipment purchases of \$1.1 million included the purchase of vehicles for various departments, the replacement of library books, the upgrades to computers and laptops, the installation of police trunk radios, and riding lawn mower.
- Construction in progress citywide totaled \$1.0 million. This construction and improvements included street renovation and resurfacing, installation of bus shelters and fences.

Business-type activities acquired approximately \$89.3 million in capital assets prior to depreciation. The majority of the increase in capital assets is attributed to the Norwood Water Treatment Plant Expansion Project.

- The Norwood Water Treatment Plant Expansion Project is in its final stage of completion; the cost to date for this project is approximately \$65.7 million.
- The installation of a Stormwater system and a pumping station within the Highland Village area was completed at a cost of \$2.1 million.
- Developers contributed to the water distribution system at approximately \$.8 million.
- Construction in progress totaled \$14.0 million for various projects such as the operation center water storage tank and pump station, rehabilitation of lift stations and sewer pump stations, and wastewater system improvements.
- The replacing of certain septic tanks with a City Sewer Sanitary System was completed within the Highland Village area at a cost of \$6.3 million.

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

Long-term Debt: Governmental Activities debt increased in 2001 with the issuance of the voter-approved Proud Neighborhood bonds and increased again in 2004 with the issuance of the pledged Transit Surtax bonds. In 2002, the Norwood Water Treatment Plant bonds significantly increased the Business-type Activities debt.

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

At the end of the current fiscal year, the City had total bonded debt outstanding of \$105.2 million. Of this amount, \$25.8 million in debt was approved by referendum by the City's voters. The guaranteed portion of State Revenue Sharing was pledged to secure a net outstanding balance of \$1.4 million in debt. The remainder of the City's debt (\$78.1 million) represents bonds secured solely by specified revenue sources, such as water utility revenue and transit

Management's Discussion and Analysis (continued)

surtaxes. Additionally, no new bond issues or refinancing occurred and normal debt service repayments resulted in an overall \$1.8 million decrease in outstanding bonded debt. 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 City's local economy is based primarily on retail and service activities. The occupancy rates of the City's retail establishments and office structures are 89 percent and 78 percent, respectively. Even though the City itself is not a popular tourist location, many of its residents and businesses have begun to feel the effects of the current economic issues in Florida's tourism industry as a whole.

Per the U. S. Department of Labor, the unemployment rate for South Florida is currently 6.7 percent, up from 4.2 percent a year ago. South Florida has been hit especially hard from the failure of the housing market; foreclosures in the City of North Miami Beach have reached 1,000 homes. But it is not all doom and gloom, the City of North Miami Beach is primed to receive Stimulus funds and a Neighborhood Stabilization Grant which will help rehab the foreclosed homes and put them back in the market.

During the current fiscal year, unreserved undesignated fund balance in the General Fund increased \$1.9 million. Fiscal prudence influenced the City's decision to build up its fund balance; therefore, no unreserved fund balance was appropriated for use in the 2008 fiscal year budget.

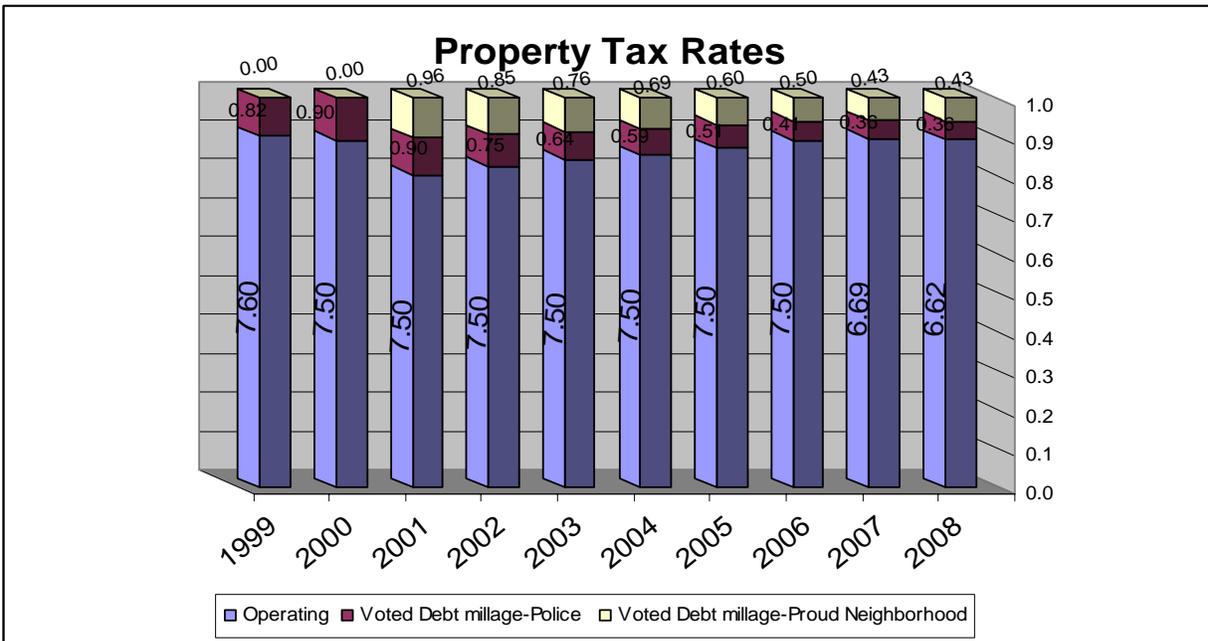
Each year, the City renews a short-term line of credit to be used for emergencies, such as hurricane expenses, as well as for operating expenses while awaiting receipt of property tax revenue. Of the \$2.5 million available in the line of credit, the City drew down \$150,000 in fiscal year 2008.

In 1995, the State of Florida limited all local governments' ability to raise property assessments of homestead property in any given year to 3 percent or cost of living, whichever is lower. Statutory changes to the state's tax laws were passed by the Florida Legislature on June 14, 2007 and signed into law on June 21, 2007. Implementation of a key provision of the law started for budgets beginning in fiscal year 2008 and provided maximum millage rates for all local governments including counties, municipalities and special taxing districts. The maximum millage allowed is based on each government's compound annual growth in per capita property taxes levied from fiscal year 2002 to 2007. In effect, the State required all governments to decrease property taxes by rolling back the operating millage rate to fiscal year 2002 values. The City lowered its millage rate by 11% changing the rate from 7.50 to 6.6905 in fiscal year 2007 and another 1% decrease was done in fiscal year 2008 changing from 6.6905 to 6.6236.

The City's operating millage (property tax rate) has been reduced or has remained steady over the last ten years with the exception of the 2007 when it dropped to 6.6905 mills and 2008 when it was further reduced to 6.6236 mills. The new tax laws dramatically changed the 2008 millage rate.

Management's Discussion and Analysis (continued)

While these mandates have limited the City's available property tax revenue, the City's operational expenditures, such as salaries, health insurance, and pension contributions, continue to increase. The City negotiated a three-year contract with the general employee's union, which will expire on September 30, 2010. The police employee's union contract will expire on September 30, 2009.



For many years, the City, just like many cities across the country, has had to deal with the conflict of keeping taxes and service charges as low as possible while cost of service requests from taxpayers continue to rise.

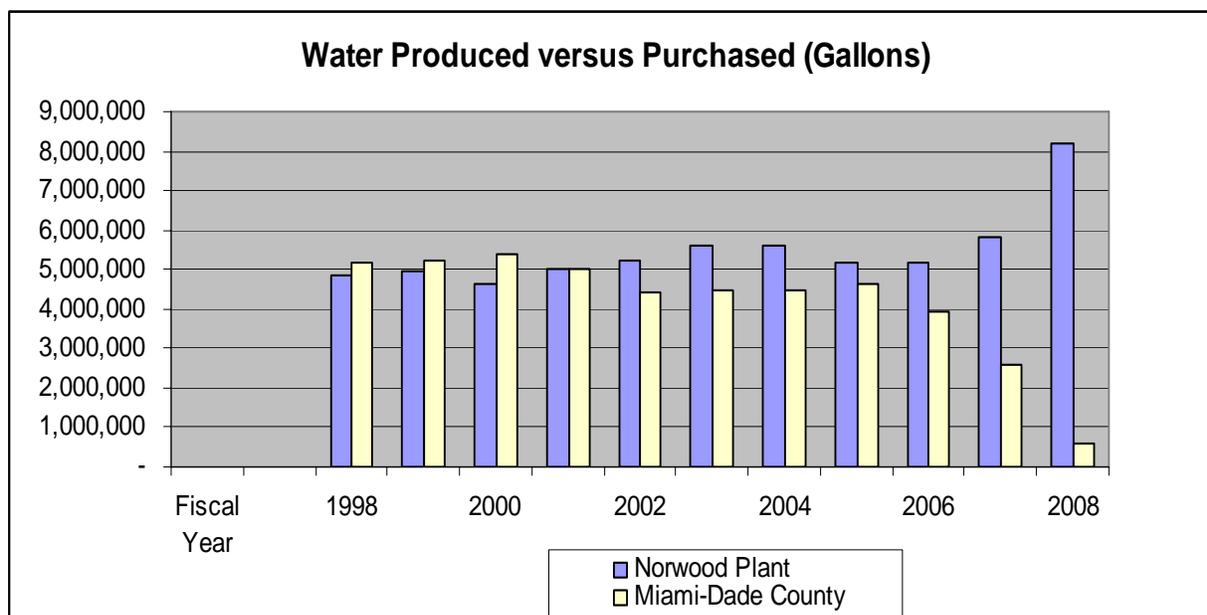
Besides property taxes, the City's other major revenue source is water utility revenue. For water and sewer rates, an automatic annual rate indexing adjustment is in effect in accordance with the Florida Public Service Commission deflator index. For the fiscal year 2008 budget, the adjustment increased the rates charged for water and sewer consumption by 2.50 percent. Additionally, rate structure changes were approved starting in the fiscal year 2007 budget. As well as water conservation block modifications, the rate charged will also be based on the meter size. The bulk of the changes impacted the multi-family customers.

In fiscal year 2002, the City issued bonds in the amount of \$66.4 million for the expansion and improvement of the Norwood water treatment plant, including the installation of new wells into both the Biscayne and Floridan aquifers. The water treatment plant expansion will improve treatment levels and water quality as well as provide future water availability. By allowing the City to become independent of Miami-Dade County Water and Sewer Department, the City can control its rates more efficiently and become a major water source in South Florida.

Management's Discussion and Analysis (continued)

The new Norwood Water Treatment Plant production capacity will almost double, producing up to 32 million gallons per day. Because of the expansion, the City of North Miami Beach is the first water supplier in Miami-Dade County to utilize an alternative water supply and new membrane filtration technology. The project is scheduled for final close-out for the summer of 2009. Since September 2007, the new membrane system has been producing 6 million gallons of water per day. The City will continue to purchase water from Miami-Dade County on a wholesale basis to offset the difference between demand and production; however, the amount of water purchased has decreased substantially since September 2008.

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



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

In order to set rates to provide sufficient revenue and to accommodate future growth needs, a second, multi-phased rate study was performed in fiscal year 2007. This rate study modified the

Management's Discussion and Analysis (continued)

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

Moreover, the fiscal year 2009 budget process focused on revenue enhancements and expenditure containment throughout the City. The correction in the housing market is now entering its third year. During this period, both commercial construction and residential construction declines were felt in the City's budget as building permit revenue has decreased and impact fees that affect the water and general funds have leveled off. All these factors will be considered in preparing the City's future budgets.

Requests for Information

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

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Susan A. Gooding-Liburd, Finance Director, Financial Services, City of North Miami Beach, 17011 N.E. 19th Avenue, North Miami Beach, Florida 33162.



BASIC FINANCIAL STATEMENTS

CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2008

	<u>Governmental</u> <u>Activities</u>	<u>Business-</u> <u>type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Pooled cash and investments	\$ 6,815,427	\$ 412,119	\$ 7,227,546
Receivables	11,053,646	9,116,343	20,169,989
Internal balances	2,660,959	(2,660,959)	-
Inventories	305,266	617,071	922,337
Prepaid costs	241,143	64,194	305,337
Deferred charges	-	1,272,435	1,272,435
Other assets	45,100	-	45,100
Net pension asset	2,048,000	-	2,048,000
Restricted assets:			
Pooled cash and investments	-	909,892	909,892
Escrow funds held by agent	549,673	105,138	654,811
Escrow funds held by lessor	522,441	4,750	527,191
Capital assets, not being depreciated	39,110,140	19,040,683	58,150,823
Capital assets, net of accumulated depreciation	<u>28,471,581</u>	<u>139,498,664</u>	<u>167,970,245</u>
Total assets	<u>91,823,376</u>	<u>168,380,330</u>	<u>260,203,706</u>
<u>LIABILITIES</u>			
Vouchers payable and accrued liabilities	3,763,393	9,712,287	13,475,680
Due to other governmental units	-	777,466	777,466
Customer deposits	-	3,730,409	3,730,409
Unearned revenue	824,107	-	824,107
Deposits held in trust	855,660	-	855,660
Noncurrent liabilities:			
Due within one year	4,549,038	1,192,527	5,741,565
Due in more than one year	<u>39,961,273</u>	<u>73,844,556</u>	<u>113,805,829</u>
Total liabilities	<u>49,953,471</u>	<u>89,257,245</u>	<u>139,210,716</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	32,470,816	84,149,037	116,619,853
Restricted for:			
Inplant	-	84,297	84,297
Capital equipment	-	4,750	4,750
Capital projects	488,912	-	488,912
Debt service	250,608	-	250,608
Law enforcement	1,240,370	-	1,240,370
Grant related	159,918	-	159,918
Unrestricted (deficit)	<u>7,259,281</u>	<u>(5,114,999)</u>	<u>2,144,282</u>
Total net assets	<u>\$ 41,869,905</u>	<u>\$79,123,085</u>	<u>\$ 120,992,990</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2008

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government
					Business- type Activities
Primary government:					
Governmental activities:					
General government	\$ 14,951,449	\$ 8,941,259	\$ 140,848	\$ -	\$ (5,869,342)
Public safety	23,283,333	1,630,225	33,570	-	(21,439,655)
Library	967,602	29,867	-	-	(937,735)
Parks and recreation	4,864,929	593,835	175,657	-	(4,095,437)
Public works	11,635,080	8,674,274	1,321,102	-	(1,639,704)
Interest on long-term debt	1,873,364	-	-	-	(1,873,364)
Total governmental activities	57,575,757	19,869,460	1,817,490	33,570	(35,855,237)
Business-type activities:					
Water	18,451,064	23,476,790	320,600	1,317,571	6,663,897
Sewer	4,456,306	5,864,550	1,079,948	121,727	2,609,919
Stormwater	751,936	1,278,940	-	-	527,004
Total business-type activities	23,659,306	30,620,280	1,400,548	1,439,298	9,800,820
Total	81,235,063	50,489,740	3,218,038	1,472,868	(26,054,417)
General revenues:					
Property taxes				19,668,598	19,668,598
Utility taxes				2,451,958	2,451,958
Franchise fees on gross receipts				1,905,613	1,905,613
Communication service tax				2,431,020	2,431,020
Sales taxes				2,585,959	2,585,959
State revenue sharing and other unrestricted intergovernmental				5,786,813	5,786,813
Unrestricted interest earnings				173,093	136,137
Miscellaneous				1,436,618	577,471
Transfers				5,297,062	(5,297,062)
Total general revenues and transfers				41,736,734	(4,583,454)
Change in net assets				5,881,497	11,098,863
Net assets, beginning as previously reported				35,988,408	113,445,819
Prior period adjustment (see Note 14)				-	(3,551,692)
Net assets beginning as restated				35,988,408	109,894,127
Net assets - ending				41,869,905	\$ 120,992,990

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2008

	<u>General</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<u>ASSETS</u>			
Pooled cash and investments	\$ 963,459	\$ 5,851,968	\$ 6,815,427
Accounts receivables	6,485,809	4,567,837	11,053,646
Due from other funds	5,664,235	1,089,246	6,753,481
Inventories	305,266	-	305,266
Prepaid costs	234,739	6,404	241,143
Escrow funds held by agent	-	549,673	549,673
Escrow funds held by lessor	522,441	-	522,441
Other assets	45,100	-	45,100
Total assets	<u>\$14,221,049</u>	<u>\$ 12,065,128</u>	<u>\$ 26,286,177</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Vouchers payable and accrued liabilities	\$ 1,909,754	\$ 526,893	\$ 2,436,647
Deposits held in trust	855,660	-	855,660
Due to other funds	-	4,092,522	4,092,522
Deferred revenue	1,154,159	330,137	1,484,296
Total liabilities	<u>3,919,573</u>	<u>4,949,552</u>	<u>8,869,125</u>
Fund balances:			
Reserved:			
Encumbrances	1,375,657	233,613	1,609,270
Grant related	-	159,918	159,918
Law enforcement	-	1,240,370	1,240,370
Inventories	305,266	-	305,266
Prepaid costs	234,739	6,404	241,143
Impact fees	6,157	-	6,157
Debt service	-	250,608	250,608
Construction	-	488,912	488,912
Unreserved reported in:			
General fund:			
Designated for liability claims	869,875	-	869,875
Designated for workers' compensation claims	892,435	-	892,435
Designated for land acquisition	113,496	-	113,496
Undesignated	6,503,851	-	6,503,851
Special revenue funds	-	4,735,751	4,735,751
Total fund balances	<u>10,301,476</u>	<u>7,115,576</u>	<u>17,417,052</u>
Total liabilities and fund balances	<u>\$14,221,049</u>	<u>\$ 12,065,128</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.	67,581,721
Net pension asset	2,048,000
Accrued interest on long term debt	(666,557)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(44,510,311)</u>
Net assets of governmental activities	<u>\$ 41,869,905</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, 2008

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Property taxes	\$17,620,914	\$ 2,047,684	\$ 19,668,598
Franchise fees	1,905,613	-	1,905,613
Utility taxes	2,451,958	-	2,451,958
Communication service tax	2,431,020	-	2,431,020
Other taxes	806,035	-	806,035
Licenses and permits	2,082,810	-	2,082,810
Intergovernmental	4,381,235	3,103,383	7,484,618
Charges for services	10,912,674	-	10,912,674
Fines and forfeitures	566,918	1,021,919	1,588,837
Grants	-	2,520,921	2,520,921
Other	6,056,745	103,086	6,159,831
Interest	98,247	74,846	173,093
Total revenues	<u>49,314,169</u>	<u>8,871,839</u>	<u>58,186,008</u>
Expenditures:			
Current:			
General government	13,482,367	1,403,491	14,885,858
Police services	20,836,523	2,065,305	22,901,828
Library	967,086	515	967,601
Parks and recreation	3,774,278	176,627	3,950,905
Public services	9,919,081	169,477	10,088,558
Capital outlay	1,698,646	4,230,908	5,929,554
Debt service:			
Principal	944,988	1,505,513	2,450,501
Interest and other fiscal charges	84,968	1,811,759	1,896,727
Total expenditures	<u>51,707,937</u>	<u>11,363,595</u>	<u>63,071,532</u>
Deficiency of revenues over expenditures	<u>(2,393,768)</u>	<u>(2,491,756)</u>	<u>(4,885,524)</u>
Other financing sources (uses):			
Proceeds from credit facilities	-	4,000,000	4,000,000
Transfers in	5,642,107	2,514,961	8,157,068
Transfers out	(1,499,011)	(1,360,995)	(2,860,006)
Total other financing sources (uses)	<u>4,143,096</u>	<u>5,153,966</u>	<u>9,297,062</u>
Net change in fund balances	1,749,328	2,662,210	4,411,538
Fund balances - beginning	<u>8,552,148</u>	<u>4,453,366</u>	<u>13,005,514</u>
Fund balances - ending	<u>\$10,301,476</u>	<u>\$ 7,115,576</u>	<u>\$ 17,417,052</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, 2008

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)	\$4,411,538
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

The details of the difference are as follows:

Capital outlay	\$5,929,554	
Depreciation expense	<u>(3,586,534)</u>	
Net adjustment		2,343,020

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

The details of the difference are as follows:

Debt issued:		
Proceeds from credit facilities	<u>4,000,000</u>	
Principal payments:		
General obligation and capital improvement bonds	1,255,513	
Notes payable	250,000	
Master leases	<u>944,988</u>	
	<u>2,450,501</u>	
Net adjustment		(1,549,499)

Amortization of net pension asset

505,512

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Compensated absences	380,191	
Accrued interest	13,866	
Estimated claims	(103,000)	
Other items	<u>(120,131)</u>	

Change in net assets of governmental activities (Page 21)

\$5,881,497

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF NET ASSETS PROPRIETARY FUNDS

SEPTEMBER 30, 2008

Business-type Activities - Enterprise Funds

	<u>Water Utility System</u>	<u>Sewer Utility System</u>	<u>Stormwater Utility System</u>	<u>Totals</u>
<u>ASSETS</u>				
Current assets:				
Pooled cash and investments	\$ 396,194	\$ 136	\$ 15,789	\$ 412,119
Accounts receivable, net	6,364,991	2,479,168	272,184	9,116,343
Inventories	617,071	-	-	617,071
Due from other funds	8,673	-	-	8,673
Prepaid costs	26,138	19,028	19,028	64,194
Restricted assets:				
Pooled cash and investments - fireflow	775,649	-	-	775,649
Pooled cash and investments - inplant	49,946	84,297	-	134,243
Escrow funds held by agent	102,580	-	2,558	105,138
Escrow funds held by lessor	1,965	2,785	-	4,750
Total current assets	<u>8,343,207</u>	<u>2,585,414</u>	<u>309,559</u>	<u>11,238,180</u>
Non-current assets:				
Deferred charges - unamortized issuance costs	1,272,435	-	-	1,272,435
Capital assets, net of accumulated depreciation	133,109,368	20,644,341	4,785,638	158,539,347
Total non-current assets	<u>134,381,803</u>	<u>20,644,341</u>	<u>4,785,638</u>	<u>159,811,782</u>
Total assets	<u>142,725,010</u>	<u>23,229,755</u>	<u>5,095,197</u>	<u>171,049,962</u>

(Continued)

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 (Continued)

SEPTEMBER 30, 2008

	Business-type Activities - Enterprise Funds			<u>Totals</u>
	<u>Water Utility System</u>	<u>Sewer Utility System</u>	<u>Stormwater Utility System</u>	
<u>LIABILITIES AND NET ASSETS</u>				
Current liabilities:				
Vouchers payable and accrued liabilities	\$ 8,104,343	\$ 723,065	\$ 4,678	\$ 8,832,086
Due to other governmental units	777,466	-	-	777,466
Due to other funds	2,045,287	615,672	8,673	2,669,632
Customer deposits	3,365,931	364,478	-	3,730,409
Current portion of compensated absences	187,215	9,969	1,043	198,227
Current portion of revenue bonds payable	648,858	-	-	648,858
Current portion of notes payable	-	-	104,000	104,000
Current portion of master lease payable	114,720	79,359	47,363	241,442
Current liabilities payable from restricted assets:				
Vouchers payable and accrued liabilities - fireflow	775,649	-	-	775,649
Vouchers payable and accrued liabilities - inplant	1,972	-	-	1,972
Vouchers payable and accrued liabilities - bonds	102,580	-	-	102,580
Total current liabilities	<u>16,124,021</u>	<u>1,792,543</u>	<u>165,757</u>	<u>18,082,321</u>
Non-current liabilities:				
Compensated absences	371,194	50,547	26,805	448,546
Notes payable	-	-	1,990,000	1,990,000
Master lease payable	54,834	41,595	7,281	103,710
Revenue bonds payable	70,878,134	-	-	70,878,134
Unamortized bond premium	424,166	-	-	424,166
Total non-current liabilities	<u>71,728,328</u>	<u>92,142</u>	<u>2,024,086</u>	<u>73,844,556</u>
Total liabilities	<u>87,852,349</u>	<u>1,884,685</u>	<u>2,189,843</u>	<u>91,926,877</u>
Net assets:				
Invested in capital assets, net of related debt	60,988,656	20,523,387	2,636,994	84,149,037
Restricted for inplant	-	84,297	-	84,297
Restricted for capital equipment	1,965	2,785	-	4,750
Unrestricted (deficit)	<u>(6,117,960)</u>	<u>734,601</u>	<u>268,360</u>	<u>(5,114,999)</u>
Total net assets	<u>\$54,872,661</u>	<u>\$21,345,070</u>	<u>\$2,905,354</u>	<u>\$79,123,085</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2008

Business-type Activities -
Enterprise Funds

	<u>Water Utility System</u>	<u>Sewer Utility System</u>	<u>Stormwater Utility System</u>	<u>Totals</u>
Operating revenues:				
Service revenues	\$ 23,476,790	\$ 5,864,550	\$ 1,278,940	\$ 30,620,280
Operating expenses:				
Operating, administrative and maintenance	11,674,916	3,778,975	556,384	16,010,275
Depreciation	3,258,922	666,198	131,100	4,056,220
Total operating expenses	<u>14,933,838</u>	<u>4,445,173</u>	<u>687,484</u>	<u>20,066,495</u>
Operating income	<u>8,542,952</u>	<u>1,419,377</u>	<u>591,456</u>	<u>10,553,785</u>
Non-operating revenue (expense):				
Intergovernmental	320,600	1,079,948	-	1,400,548
Interest income	130,459	5,548	130	136,137
Interest expense	(3,517,226)	(11,133)	(64,452)	(3,592,811)
Other income	558,848	(9,826)	28,449	577,471
Total non-operating revenue (expense)	<u>(2,507,319)</u>	<u>1,064,537</u>	<u>(35,873)</u>	<u>(1,478,655)</u>
Income before contributions and transfers	<u>6,035,633</u>	<u>2,483,914</u>	<u>555,583</u>	<u>9,075,130</u>
Capital contributions	810,968	-	-	810,968
Impact fees	506,603	121,727	-	628,330
Transfers out	<u>(3,629,697)</u>	<u>(1,279,975)</u>	<u>(387,390)</u>	<u>(5,297,062)</u>
	<u>(2,312,126)</u>	<u>(1,158,248)</u>	<u>(387,390)</u>	<u>(3,857,764)</u>
Change in net assets	<u>3,723,507</u>	<u>1,325,666</u>	<u>168,193</u>	<u>5,217,366</u>
Net assets, beginning, as previously reported	54,700,846	20,019,404	2,737,161	77,457,411
Prior period adjustment (see Note 14)	<u>(3,551,692)</u>	-	-	<u>(3,551,692)</u>
Net assets, beginning, as restated	51,149,154	20,019,404	2,737,161	73,905,719
Net assets, ending	<u>\$ 54,872,661</u>	<u>\$ 21,345,070</u>	<u>\$ 2,905,354</u>	<u>\$ 79,123,085</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Water Utility System</u>	<u>Sewer Utility System</u>	<u>Stormwater Utility System</u>	<u>Totals</u>
Cash flows from operating activities:				
Cash received from customers	\$21,888,761	\$4,890,405	\$1,290,088	\$28,069,254
Cash payments to suppliers	(162,725)	(2,765,298)	(339,854)	(3,267,877)
Cash payments to employees	<u>(5,109,361)</u>	<u>(450,625)</u>	<u>(293,887)</u>	<u>(5,853,873)</u>
Net cash provided by operating activities	<u>16,616,675</u>	<u>1,674,482</u>	<u>656,347</u>	<u>18,947,504</u>
Cash flows from noncapital financing activities:				
Transfers to other funds	<u>(3,629,697)</u>	<u>(1,279,975)</u>	<u>(387,390)</u>	<u>(5,297,062)</u>
Cash flows from capital and related financing activities:				
Capital contributions	810,968	-	-	810,968
Impact fees	506,603	121,727	-	628,330
Intergovernmental revenue	910,210	918,397	139	1,828,746
Acquisition and construction of capital assets	(12,397,597)	(2,219,993)	14,400	(14,603,190)
Interest paid	(3,517,226)	(11,133)	(64,452)	(3,592,811)
Deferred charges - issuance costs	48,404	-	-	48,404
Payments on master lease payable	(190,780)	(132,278)	(101,529)	(424,587)
Payments on bonds payable	(509,487)	-	-	(509,487)
Payments on notes payable	<u>-</u>	<u>-</u>	<u>(104,000)</u>	<u>(104,000)</u>
Net cash used in capital and related financing activities	<u>(14,338,905)</u>	<u>(1,323,280)</u>	<u>(255,442)</u>	<u>(15,917,627)</u>
Cash flows from investing activities:				
Interest income	<u>130,459</u>	<u>5,548</u>	<u>130</u>	<u>136,137</u>
Net (decrease) increase in pooled cash and investments	(1,221,468)	(923,225)	13,645	(2,131,048)
Pooled cash and investments, beginning	<u>6,099,494</u>	<u>1,010,443</u>	<u>4,702</u>	<u>7,114,639</u>
Pooled cash and investments, ending	<u>\$ 4,878,026</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Pooled cash and investments per statement of net assets:				
Unrestricted	\$ 43,895,141	\$ 396,194	\$ 136	\$ 15,789
Restricted	930,140	87,082	2,558	1,019,780
	<u>\$ 1,326,334</u>	<u>\$ 87,218</u>	<u>\$ 18,347</u>	<u>\$ 1,431,899</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, 2008

Business-type Activities -
Enterprise Funds

	<u>Water</u> <u>Utility</u> <u>System</u>	<u>Sewer</u> <u>Utility</u> <u>System</u>	<u>Stormwater</u> <u>Utility</u> <u>System</u>	<u>Totals</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 8,542,952	\$ 1,419,377	\$ 591,456	\$ 10,553,785
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	3,258,922	666,198	131,100	4,056,220
Other income	558,848	(9,826)	28,449	577,471
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Accounts receivables	(2,209,027)	(968,307)	(17,301)	(3,194,635)
Due from other funds	59,288	-	-	59,288
Inventories	(76,201)	-	-	(76,201)
Prepaid costs	272	265	-	537
Increase (decrease) in:				
Customer deposits	2,590	3,723	-	6,313
Vouchers payable and accrued liabilities	6,276,482	411,501	(18,069)	6,669,914
Due to other funds	2,045,287	615,672	(59,288)	2,601,671
Due to other governmental units	(1,842,738)	(464,121)	-	(2,306,859)
Total adjustments	<u>8,073,723</u>	<u>255,105</u>	<u>64,891</u>	<u>8,393,719</u>
Net cash provided by operating activities	<u>\$16,616,675</u>	<u>\$1,674,482</u>	<u>\$ 656,347</u>	<u>\$18,947,504</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

SEPTEMBER 30, 2008

<u>ASSETS</u>	Pension Trust <u>Funds</u>	Police Holding Account Agency <u>Fund</u>
Cash	\$ -	\$ 33,010
Cash held with trustee	3,050	-
Investments:		
Cash management funds	2,905,207	-
Mutual funds	47,993,549	-
U.S. Government securities	12,758,172	-
Corporate bonds	5,122,909	-
Common stocks	40,802,014	-
Accrued interest and dividends	319,169	-
Other receivables	213,825	-
Total assets	<u>110,117,895</u>	<u>33,010</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Vouchers payable and accrued liabilities	95,348	-
Deposits held in trust	-	33,010
Total liabilities	<u>95,348</u>	<u>33,010</u>
Net assets held in trust for pension benefits	<u>\$ 110,022,547</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, 2008

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions:	
Employees	\$ 2,461,388
Employer	7,459,521
State/County	<u>759,296</u>
Total contributions	<u>10,680,205</u>
Investment income:	
Net depreciation in fair value of investments	(23,333,981)
Interest and dividends	5,397,253
Investment expenses	<u>(298,413)</u>
Net investment loss	<u>(18,235,141)</u>
Total additions	<u>(7,554,936)</u>
DEDUCTIONS	
Pension benefits	7,778,847
Refunds of contributions	179,121
Administrative expenses	<u>305,563</u>
Total deductions	<u>8,263,531</u>
Net decrease	(15,818,467)
Net assets held in trust for pension benefits:	
Beginning	<u>125,841,014</u>
Ending	<u>\$ 110,022,547</u>

See notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTES TO BASIC FINANCIAL STATEMENTS

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CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

a. Financial Reporting Entity

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

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

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

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

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City reports the following major governmental fund:

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

The City reports the following major proprietary funds:

The *Water Utility System Fund* accounts for the activities of providing water treatment and distribution service to the property owners of the City and a portion of unincorporated Miami-Dade County and some adjacent municipalities.

The *Sewer Utility System Fund* accounts for the operation of the sewage pumping stations and collection systems to customers both inside and outside the City's boundaries.

The *Stormwater Utility System Fund* accounts for providing stormwater services to residences and businesses within the City.

Additionally, the City reports the following fund types:

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

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

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

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

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

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

d. Assets, Liabilities and Net Assets or Equity

1. Pooled Cash and Investments

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

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

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

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

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" or "advances to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. Receivables and Payables (Continued)

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

3. Inventories and Prepaid Items

Inventories in the general fund and the enterprise funds are stated at average cost on a specific identification basis. Inventories, which consist of expendable supplies held for consumption, are recorded as an asset when purchased and recorded as an expense when consumed (consumption method).

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

4. Capital Assets

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

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

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

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

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

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

5. Restricted Assets

Restricted assets include resources subject to externally imposed restrictions such as creditors, grantors, laws and regulations. Restricted assets are also set aside to make debt service payments on capital related debt. Generally, when the City enters into loan agreements to finance the cost of capital improvement projects, the loan proceeds are classified as restricted assets on the statement of net assets. In the City's enterprise funds, revenue bond proceeds and certain resources that have been set aside for their repayment are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. Escrow funds held by agent 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 to capital lease agreements that are restricted for use in the acquisition of capital equipment. Governmental and proprietary funds have impact fees as imposed under local ordinances 2005-16, 2005-17 and 2006-20. The intent of these ordinances is to assist in the implementation of the City's state-required comprehensive plan and to regulate the use and development of land so as to assure that new development bears a proportionate share of the cost of capital expenditures necessary to provide improvements to parks and public safety, as well as the City's water and sewer infrastructure for fireflow activities and plant expansion improvements.

6. Compensated Absences

It is the City's policy to permit full-time employees to accumulate limited amounts of earned vacation and sick leave. Upon separation from service, employees receive payment for a portion of unused vacation time and sick leave subject to length of service and contract classification. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The general fund has typically been used to liquidate such amounts.

7. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

7. Long-Term Obligations (Continued)

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

8. Property Taxes

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

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

Under Florida law, the assessment of all properties and the collection of all county, municipal, school district and special district property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The City is permitted by Article 7, Section 8 of the Florida Constitution to levy taxes up to \$10 (10 mills) per \$1,000 of assessed valuation for general governmental services (other than the payment of principal and interest on general obligation long-term debt). In addition, unlimited amounts may be levied for the payment of principal and interest on general obligation long-term debt, subject to a limitation on the amount of debt outstanding. The Florida Legislature passed House Bill 1B on Thursday, June 14, 2007. This legislation includes substantial requirements affecting the 2007-08 millage and budget adoption process over which the Department of Revenue has given oversight responsibilities. The millage rate to finance general governmental services for the year ended September 30, 2008 was 6.6236 mills per \$1,000 of assessed valuation; the millage rate for bonded debt service was 0.8139 mills.

9. Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities,

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. Use of Estimates (Continued)

the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the period reported. These estimates include assessing the collectibility of accounts receivable, the use and recoverability of inventory, the pension and post-retirement obligations, and useful lives and impairment of tangible assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from these estimates.

10. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balances represent management plans that are subject to change.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Fund Deficit

At September 30, 2009, the City had a deficiency in its unrestricted net assets of the Water Utility Fund in the amount of \$6,015,380. This deficiency is anticipated to be eliminated over the ensuing three years of operations.

NOTE 3. DEPOSITS AND INVESTMENTS

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

In accordance with GASB Statement No. 40, the following disclosures are made regarding the City's deposit and investment balances as of September 30, 2008:

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Deposits

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

Investments

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

The State Board of Administration Pool (SBA) is part of the Florida Local Government Surplus Funds Trust Fund and is governed by Ch. 19-7 of the Florida Administrative Code. These rules provide guidance and establish the general operating procedures for the administration of the Florida Local Government Surplus Funds Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the State Board of Administration. The Florida Local Government Surplus Funds Trust Fund is not a registrant with the Securities and Exchange Commission (SEC); however, the board has adopted operating procedures consistent with the requirements for a 2a-7 fund. In accordance with GASB Statement No. 31, the SBA has reported that the Local Government Surplus Funds Trust Fund is a "2a-7 like" pool and, therefore, these investments are valued using the pooled share price.

The Florida Municipal Investment Trust (FMIvT) is an authorized investment under Section 218.415(15), Florida Statutes, for units of local government in Florida. It was created to offer diversified and professionally managed portfolios for the investment of the assets of participating municipalities. The Trustees of the Trust are designated as having official custody of the funds, which are invested by the purchase of shares of beneficial interest in the Trust. The Trust operates as a fiduciary trust fund under governmental accounting rules that require the Trust to prepare a series of financial statements. The FMIvT is a Local Governmental Investment Pool (LGIP), and therefore considered an external investment pool for GASB reporting purposes. The City's investment is the FMIvT portfolio, not the individual securities held within each portfolio.

The fair value of the position in the LGIP is equal to the value of the pool shares. The Fund B is accounted for as a fluctuating NAV pool. As of September 30, 2008, the fair value factor for Fund B was \$.798385 per share. The Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

eligible cash or securities to the LGIP, 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 LGIP. The investments in the LGIP and Fund B are not insured by FDIC or any other governmental agency.

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

Deposits and Investments

Deposits and investments as of September 30, 2008 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and short-term investments	\$ 7,227,546
Restricted cash and short-term investments	909,892
Statement of fiduciary net assets:	
Cash and short-term investments	3,050
Investments	<u>109,581,851</u>
Total cash and investments	<u>\$ 117,722,339</u>

Cash on hand, deposits and investments as of September 30, 2008 consist of the following:

Governmental and business-type investments:	
Cash on hand	\$ 18,469
Deposits with financial institutions	1,357,118
SBA	2,170,408
FMIvT	4,591,444
General employees pension plan:	
Deposits with financial institutions	826
Investments in mutual funds	48,155,933
Police officers and firefighters pension plan:	
Deposits with financial institutions	2,224
Investments in mutual funds	10,931,506
Investments in equity/common stock	22,799,360
Investments	17,881,080
Management employees pension plan:	
Investments in mutual funds	<u>9,813,971</u>
Total cash and investments	<u>\$ 117,722,339</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Deposits and Investment Risk Disclosures

Credit Risk

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

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

It is the City's intention to limit its investment in these investment types to the top rating issued by NRSROs. Excess funds are sent to the Florida State Board of Administration (SBA) for investment. The SBA does not have a rating from a NRSRO. As of September 30, 2008, the City's investment in the state investment pool is not rated by any rating agencies.

FMIvT investment guidelines state that each fund will seek to maintain a bond fund credit rating from a nationally recognized statistical rating organization of AAA. Funds having an AAA bond fund credit rating are composed of a preponderance of assets that carry the highest credit ratings from a NRSRO. Funds having an AA bond fund credit rating are composed of a large percentage of assets that carry the highest credit rating from a NRSRO. The funds may invest in corporate bonds issued by any corporation in the United States with at least an A rating and collateralized mortgage obligations having a rating of AAA. At September 30, 2008, Standard & Poor's rated the portfolio's investment, AAA 1/S1+.

FMIvT investment guidelines require that each fund will seek to maintain a bond funds credit rating from a nationally recognized statistical rating organization of AAA. Investments may be aggregated by rating categories within the disclosure. Ratings are set by nationally recognized rating organizations (Fitch, Moody's, S&P). The City only invested in the FMIvT 1-3 Year High Quality Fixed Income Bond. At September 30, 2008, Fitch rated the portfolio's investment AAA/V2.

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

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Deposits and Investment Risk Disclosures (Continued)

Credit Risk (Continued)

<u>Investment Type</u>	<u>Credit Quality Rating</u>	<u>Fair Value</u>
Governmental and business-type investments:		
SBA	NR (not rated)	\$ 2,170,409
FMIvT	AAA/V2	4,591,445
Total governmental and business-type investments		<u>\$ 6,761,854</u>
General employees pension plan:		
Mutual funds	AA	\$ 48,155,933
Total general employees pension plan		<u>\$ 48,155,933</u>
Police officers and firefighters pension plan:		
Mutual funds	AA	\$ 10,931,506
Equity	AA	22,799,360
U.S. treasuries	AAA	2,309,203
U.S. agencies	AAA	6,277,708
U.S. agencies	NR (not rated)	4,171,262
Corporate bonds	AAA	1,280,495
Corporate bonds	AA+	212,056
Corporate bonds	AA	115,934
Corporate bonds	AA-	716,314
Corporate bonds	A+	908,876
Corporate bonds	A	1,426,356
Corporate bonds	A-	312,115
Corporate bonds	BBB+	20,027
Corporate bonds	BBB+	2,771
Corporate bonds	BB+	9,873
Corporate bonds	BBB	14,212
Corporate bonds	N/A	93,663
Corporate bonds	BB	10,215
Total police officers and firefighters pension plan		<u>\$ 51,611,946</u>
Management employees pension plan:		
FMIvT	AAA 1/S1+	\$ 9,813,971
Total management employees pension plan		<u>\$ 9,813,971</u>
Total all investments		<u>\$ 116,343,704</u>

Custodial Credit Risk

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

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Deposits and Investment Risk Disclosures (Continued)

Custodial Credit Risk (Continued)

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

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

Concentration Credit Risk

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

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

All three Pension Trust Plan's investment policies have limitations on the amount that can be invested in any one issuer as well as maximum portfolio allocation percentages. There were no individual investments that represent 5% or more of any Plan's net assets at September 30, 2008.

Interest Rate Risk

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

The City does not have a formal policy regarding the interest rate risk. It is the City's intention to make investments to provide sufficient liquidity to pay obligations as they become due. For City funds, SBA meets the 2a-7 pool requirements; thus, no interest rate disclosures are necessary. The City's uses the weighted average maturity method (WAM) for its 1-3 Year High quality Fixed Income Bond which results in a Duration of 1.33 and a WAM of 1.43.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Deposits and Investment Risk Disclosures (Continued)

Interest Rate Risk (Continued)

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

As a means of limiting its exposure to interest rate risk, the Police Officers and Firefighters Pension Plan diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer with various durations of maturities. Neither State law nor the Police Officers and Firefighters Pension Plan's investment policy limits maturity term on fixed income holdings. Information about the sensitivity of the fair values of the Plan's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Police Officers and Firefighters Pension Plan's investments by maturity at September 30, 2008.

Police Officers and Firefighters Pension Plan:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>			
		<u>Less Than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More Than 10</u>
U.S. treasuries	\$ 2,309,203	\$ 515,609	\$ 1,295,505	\$ 380,052	\$ 118,037
U.S. agencies	10,448,970	-	1,625,905	4,478,612	4,344,453
Corporate bonds	5,122,907	527,312	971,596	1,914,130	1,709,869
	<u>\$17,881,080</u>	<u>\$1,042,921</u>	<u>\$3,893,006</u>	<u>\$6,772,794</u>	<u>\$6,172,359</u>

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

Risks and Uncertainties

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

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 4. RECEIVABLES

Receivables as of September 30, 2008 for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Water</u>	<u>Sewer</u>	<u>Stormwater</u>	<u>Nonmajor</u>	<u>Total</u>
Receivables:						
Billed	\$ 1,795,660	\$ 4,624,071	\$ 824,185	\$ 153,415	\$ -	\$ 7,397,331
Unbilled	1,195,286	1,483,314	481,509	118,769	-	3,278,878
Franchise and utility	635,488	-	-	-	-	635,488
Intergovernmental	-	292,204	380,821	-	367,662	1,040,687
Grants	-	-	699,127	-	3,842,175	4,541,302
Other	2,050,860	33,368	-	-	358,000	2,442,228
Property taxes	808,515	-	271,677	-	-	1,080,192
Gross receivables	<u>6,485,809</u>	<u>6,432,957</u>	<u>2,657,319</u>	<u>272,184</u>	<u>4,567,837</u>	<u>20,416,106</u>
Less allowance for uncollectibles	-	67,966	178,151	-	-	246,117
Net total receivables	<u>\$ 6,485,809</u>	<u>\$ 6,364,991</u>	<u>\$ 2,479,168</u>	<u>\$ 272,184</u>	<u>\$ 4,567,837</u>	<u>\$ 20,169,989</u>

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

	<u>Unavailable</u>	<u>Unearned</u>
Advance revenues - business tax receipts	\$ -	\$ 824,107
CST revenues not yet earned	197,875	-
Performance bonds - forfeits	132,177	-
Grant revenues not yet earned	330,137	-
	<u>\$ 660,189</u>	<u>\$ 824,107</u>

NOTE 5. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Governmental activities</u>				
Capital assets, not being depreciated:				
Land	\$ 4,295,359	\$ -	\$ -	\$ 4,295,359
Construction in progress	31,104,627	3,710,154	-	34,814,781
Total capital assets, not being depreciated	<u>35,399,986</u>	<u>3,710,154</u>	<u>-</u>	<u>39,110,140</u>
Capital assets, being depreciated:				
Buildings	29,170,583	-	(209,819)	28,960,764
Improvements other than buildings	13,106,764	1,146,131	-	14,252,895
Infrastructure	5,559,430	-	-	5,559,430
Capital lease equipment	4,708,111	576,054	-	5,284,165
Furniture, fixtures, machinery and equipment	26,846,643	460,109	(1,345,922)	25,960,830
Total capital assets being depreciated	<u>79,391,531</u>	<u>2,182,294</u>	<u>(1,555,741)</u>	<u>80,018,084</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 5. CAPITAL ASSETS (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Less accumulated depreciation for:				
Buildings	(17,322,278)	(1,267,513)	158,683	(18,431,108)
Improvements other than buildings	(5,895,554)	(588,561)	-	(6,484,115)
Infrastructure	(1,945,197)	(207,107)	-	(2,152,304)
Capital lease equipment	(1,300,564)	(609,259)	-	(1,909,823)
Furniture, fixtures, machinery and equipment	<u>(22,969,091)</u>	<u>(914,094)</u>	<u>1,314,032</u>	<u>(22,569,153)</u>
Total accumulated depreciation	<u>(49,432,684)</u>	<u>(3,586,534)</u>	<u>1,472,715</u>	<u>(51,546,503)</u>
Total capital assets, being depreciated, net	<u>29,958,847</u>	<u>(1,404,240)</u>	<u>(83,026)</u>	<u>28,471,581</u>
Governmental activities capital assets, net	<u>\$ 65,358,833</u>	<u>\$ 2,305,914</u>	<u>\$ (83,026)</u>	<u>\$ 67,581,721</u>
 <u>Business-type activities</u>				
Capital assets, not being depreciated:				
Land	\$ 5,872,367	\$ -	\$ -	\$ 5,872,367
Construction in progress	<u>74,014,821</u>	<u>13,886,621</u>	<u>(74,733,126)</u>	<u>13,168,316</u>
Total capital assets, not being depreciated	<u>79,887,188</u>	<u>13,886,621</u>	<u>(74,733,126)</u>	<u>19,040,683</u>
Capital assets, being depreciated:				
Buildings and utility plant	109,753,984	75,102,388	(1,200)	184,855,172
Capital lease equipment	1,855,797	105,020	-	1,960,817
Machinery and equipment	<u>11,231,286</u>	<u>255,864</u>	<u>(477,211)</u>	<u>11,009,939</u>
Total capital assets being depreciated	<u>122,841,067</u>	<u>75,463,272</u>	<u>(478,411)</u>	<u>197,825,928</u>
Less accumulated depreciation for:				
Buildings and utility plant	(44,194,518)	(3,460,004)	1,213	(47,653,309)
Capital lease equipment	(599,169)	(284,359)	-	(883,528)
Machinery and equipment	<u>(9,942,190)</u>	<u>(311,857)</u>	<u>463,620</u>	<u>(9,790,427)</u>
Total accumulated depreciation	<u>(54,735,877)</u>	<u>(4,056,220)</u>	<u>464,833</u>	<u>(58,327,264)</u>
Total capital assets, being depreciated, net	<u>68,105,190</u>	<u>71,407,052</u>	<u>(13,578)</u>	<u>139,498,664</u>
Business-type activities capital assets, net	<u>\$ 147,992,378</u>	<u>\$ 85,293,673</u>	<u>\$ (74,746,704)</u>	<u>\$ 158,539,347</u>

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

<u>Governmental activities:</u>	
General government	\$2,246,802
Public safety	605,156
Library	130,576
Parks and recreation	93,773
Public works services	<u>510,227</u>
Total depreciation expense – governmental activities	<u>\$3,586,534</u>
 <u>Business-type activities:</u>	
Water	\$3,258,922
Sewer	666,198
Stormwater	<u>131,100</u>
Total depreciation expense – business-type activities	<u>\$4,056,220</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 5. CAPITAL ASSETS (Continued)

Commitments

In August 2002, the City issued \$66,385,000 of Florida Municipal Loan Council, Series 2002B Bonds for the expansion and modernization of its Norwood Water Treatment Plant and Well Fields. The engineering and design phase of the project was started immediately after the bond issuance, and was completed in February 2004. The Norwood Water Treatment Plant Expansion Phase I is approximately 99 percent complete. The new membrane system has not reached substantial completion and has been in limited operation and testing since August 2007. The project was put into service during fiscal year 2008. After the expansion, the City of North Miami Beach will be the first water supplier in Miami-Dade County to utilize an alternative water supply and membrane filtration technology, with water production capacity of 32 million gallons per day. Outstanding obligations at fiscal year end totaled approximately \$4 million. During the current fiscal year, approximately \$59.3 million was reclassified from construction in progress to capital assets. During the current fiscal year, the City capitalized interest in the amount of \$152,000 relating to the above construction project. The inception to date of capitalized interest totals \$2,318,000. The inception to date capitalized labor total is \$1,149,000.

In December 2003, various City transportation projects were financed through the issuance of \$7,765,000 of Florida Municipal Loan Council, Series 2003B Bonds. The debt service on these bonds will be paid from the City's share of the newly passed Miami-Dade County Transit Surtax. Of the approximate \$475,000 unreserved fund balance, approximately \$37,000 represents outstanding encumbrances, which leaves approximately \$438,000 to be expended.

NOTE 6. RESTRICTED ASSETS

The balances of the restricted asset accounts in the Enterprise Funds as of September 30, 2008 are as follows:

Water escrow funds held by agent	\$ 102,580
Water escrow funds held by lessor	1,965
Sewer escrow funds held by lessor	2,785
Stormwater escrow funds held by agent	2,558
Water fireflow	795,649
Sewer inplant	84,297
Total enterprise fund restricted assets	<u>\$ 989,834</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2008 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>FY08 Amount</u>	<u>Purpose</u>
General Fund	FEMA Disaster 1345 DR FL	\$ 24,611	Provide temporary funding
General Fund	FRDAP Grants	60,007	Provide temporary funding
General Fund	FRDAP - Victory Pool	200,000	Provide temporary funding
General Fund	Panzou Project - Grant # 2	32,153	Provide temporary funding
General Fund	Panzou Project - Grant # 3	5,065	Provide temporary funding
General Fund	Panzou Grant - Federal	83,404	Provide temporary funding
General Fund	UASI Grant	9,669	Provide temporary funding
General Fund	Highland Village Sewer Improvement	274,672	Provide temporary funding
General Fund	2003B Bonds	50,893	Provide temporary funding
General Fund	Water Fund	2,045,287	Provide temporary funding
General Fund	2000B Bonds Debt Service Fund	353,306	Provide temporary funding
General Fund	MDC Building Better Communities GOB Program	2,184,166	Provide temporary funding
General Fund	Sewer Fund	341,000	Provide temporary funding
Total General Fund		<u>5,664,235</u>	
LETF US Treasury Fund	North Miami Beach Weed & Seed	35,794	Provide temporary funding
LETF US Treasury Fund	WAV Weed & Seed Strategy	7,575	Provide temporary funding
LETF US Treasury Fund	Great Grant	373	Provide temporary funding
LETF US Treasury Fund	Facility Security & Management	22,478	Provide temporary funding
LETF US Treasury Fund	CIS/Foot Patrol	5,178	Provide temporary funding
LETF US Treasury Fund	Gang Grant Foot Patrol	2,537	Provide temporary funding
LETF US Treasury Fund	Gang Reduction Grant -FY2006-07	23,347	Provide temporary funding
Total LETF Fund		<u>97,282</u>	
Fireflow Fund	Stormwater Improvement Funds	8,673	Provide temporary funding
Community Redevelopment Agen	Hanford Blvd. Roadway Imp.- Phase IV	991,964	Provide temporary funding
Total due to/from other funds		<u>\$6,762,154</u>	

Interfund transfers:

	Transfers In			<u>Purpose</u>
	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>	
Transfers out:				
General fund	\$ -	\$ 1,499,011	\$ 1,499,011	Grant match funding
Water utility	3,629,697	-	3,629,697	Contributed and supplemental funding
Sewer utility	1,279,975	-	1,279,975	Contributed and supplemental funding
Stormwater utility	137,390	250,000	387,390	Contributed and supplemental funding
Nonmajor governmental funds	595,045	765,950	1,360,995	Grant match and supplemental funding
Total transfers out	<u>\$5,642,107</u>	<u>\$ 2,514,961</u>	<u>\$8,157,068</u>	

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8. SHORT TERM DEBT INSTRUMENTS AND LIQUIDITY

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

In fiscal year 2008, the City's obtained a short term taxable line of credit balance of \$2.5 million. On December 4, 2007, the City drew down \$150,000 of the available line of credit. This amount of the line of credit remained outstanding at year end.

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

NOTE 9. LONG-TERM DEBT

Bonds Payable

1. Changes in Bonds Payable

The following is a summary of bond transactions for the City for the year ended September 30, 2008:

Balance, September 30, 2007	\$ 106,995,000
Bonds issued	-
Bonds retired	<u>(1,765,000)</u>
Balance, September 30, 2008	<u>\$ 105,230,000</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 9. LONG-TERM DEBT (Continued)

Bonds Payable (Continued)

2. Bonds Authorized and Outstanding

Long-term debt at September 30, 2008 consists of the following individual issues:

Capital Improvements Bonds:

\$1,950,000 Capital Improvement Revenue Bonds, 1997 Series serial bonds; secured by pledge of revenues from municipal revenue sharing program; due in annual installments of \$140,000 to \$395,000 through October 1, 2012; interest at 4.85%.	\$ 845,000
\$1,000,000 Capital Improvement Revenue Bonds, 1998 Series serial bonds; secured by pledge of revenues from municipal revenue sharing program; due in annual installments of \$50,000 to \$425,000 through October 1, 2013; interest at 4.48%.	625,000
\$300,000 Florida Municipal Loan Council, 2000 A Series Capital Appreciation and term bonds; secured by municipal bond insurance; due in annual installments of \$14,465 to \$15,304 through April 1, 2010; interest at 4.3% to 6.0%.	29,769
\$17,305,000 Florida Municipal Loan Council, 2000 B Series Capital Appreciation and term bonds; secured by municipal bond insurance; due in annual installments of \$270,000 to \$1,325,000 from November 1, 2001 to November 1, 2030; interest at 4.25% to 5.375%.	15,960,000
\$11,510,000 Florida Municipal Loan Council, 2002 A Series Capital Appreciation and term bonds; secured by municipal bond insurance; due in annual installments of \$425,000 to \$870,000 from May 1, 2003 to May 1, 2024; interest at 3.25% to 5.50%.	9,845,000
\$7,765,000 Florida Municipal Loan Council, 2003 B Series Capital Appreciation and term bonds; secured by pledge of revenue from Charter County Transit System surtax proceeds; due in annual installments of \$415,000 to \$660,000 from December 1, 2004 to December 1, 2019; interest at 2% to 5.25%.	6,180,000
\$225,577 Florida Municipal Loan Council, 2005 C Series Revenue Refunding Serial bond; secured by municipal bond insurance; due in annual installments of \$1,677 to \$25,996 from April 1, 2006 to April 1, 2020; interest at 3% to 4.125%.	<u>218,239</u>
Total capital improvement bonds	<u>33,703,008</u>

Revenue Bonds:

Water Utility System:

\$6,855,000 Florida Municipal Loan Council, 2000 A Series Capital Appreciation and term bonds/secured by municipal bond insurance; due in annual installments of \$330,535 to \$349,696 from April 1, 2004 to April 1, 2010; interest at 4.3% to 6.0%	680,231
\$66,385,000 Florida Municipal Loan Council, 2002 B Series Water Utilities Appreciation and term bonds; secured by municipal bond insurance; due in annual installments of \$280,000 to \$5,085,000 beginning February 1, 2005 to August 1, 2032; interest at 3.0% to 5.375%.	65,860,000
\$5,154,423 Florida Municipal Loan Council, 2005 C Series Revenue Refunding Serial bond Secured by municipal bond insurance; due in annual installments of \$38,323 to \$594,004 from April 1, 2006 to April 1, 2020; interest at 3.0% to 4.125%	<u>4,986,761</u>
Total revenue bonds	<u>71,526,992</u>
Total bonds payable	<u>\$ 105,230,000</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 9. LONG-TERM DEBT (Continued)

Bonds Payable (Continued)

Pledged Revenues

For all of the water revenue bonds noted above, the pledged revenues consist of the charges for services to the customers of the water utility system. For the fiscal year ended September 30, 2008, debt service of approximately \$4 million is only 16.6% of the \$24,166,000 pledged revenues of the debt which matures in 2032.

For the capital improvement bonds noted above, the City issues debt that is secured by a pledge of specific revenues. The total pledged revenues to repay the principal and interest on the debt as of September 30, 2008 is as follows:

State Revenue Sharing

- 1997 & 1998 Series serial bonds debt service of approximately \$262,770 is only 40.5% of the \$642,052 of pledged revenues.

Ad-Valorem

- 2000B and 2002A Series debt service of approximately \$2,024,293 is only 11.5% of the \$17,620,914 of pledged revenues.

One-half Percentage of Sales Tax

- 2003B Series debt service of approximately \$686,805 is only 52.5% of the \$1,307,355 of pledged revenues.

3. Debt Service Requirements

Debt service requirements to maturity for each series of bonds at September 30, 2008 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Capital Improvement Bonds:			
1997 Series:			
2009	\$ 140,000	\$ 40,983	\$ 180,983
2010	150,000	34,193	184,193
2011	160,000	26,918	186,918
2012	395,000	19,157	414,157
	<u>\$ 845,000</u>	<u>\$ 121,251</u>	<u>\$ 966,251</u>
Capital Improvements Bonds:			
1998 Series:			
2009	\$ 50,000	\$ 28,000	\$ 78,000
2010	50,000	25,760	75,760
2011	50,000	23,520	73,520
2012	50,000	21,280	71,280
2013	425,000	19,040	444,040
	<u>\$ 625,000</u>	<u>\$ 117,600</u>	<u>\$ 742,600</u>
Florida Municipal Loan Council (Water and Capital):			
2000 A Series:			
Capital:			
2009	\$ 14,465	\$ 1,488	\$ 15,953
2010	15,304	766	16,070
Subtotal Capital	<u>\$ 29,769</u>	<u>\$ 2,254</u>	<u>\$ 32,023</u>
Water revenue:			
2009	\$ 330,535	\$ 34,012	\$ 364,547
2010	349,696	17,484	367,180
Subtotal Water Revenue	<u>680,231</u>	<u>51,496</u>	<u>731,727</u>
Total 2000A Series	<u>\$ 710,000</u>	<u>\$ 53,750</u>	<u>\$ 763,750</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 9. LONG-TERM DEBT (Continued)

Bonds Payable (Continued)

3. Debt Service Requirements (Continued)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Florida Municipal Loan Council (Capital):			
2000 B Series:			
2009	\$ 270,000	\$ 846,036	\$ 1,116,036
2010	290,000	832,943	1,122,943
2011	315,000	818,648	1,133,648
2012	345,000	802,800	1,147,800
2013	370,000	785,276	1,155,276
2014-2018	2,375,000	3,562,711	5,937,711
2019-2023	3,440,000	2,783,229	6,108,550
2024-2028	4,820,000	1,685,600	6,505,600
2029-2031	3,735,000	309,734	4,044,734
	<u>\$ 15,960,000</u>	<u>\$ 12,426,977</u>	<u>\$ 28,386,977</u>
Florida Municipal Loan Council (Capital):			
2002 A Series:			
2009	\$ 425,000	\$ 500,144	\$ 925,144
2010	435,000	483,144	918,144
2011	455,000	465,744	920,744
2012	470,000	446,976	916,976
2013	495,000	423,476	918,476
2014-2018	2,920,000	1,676,828	4,596,828
2019-2023	3,775,000	805,650	4,580,650
2024	870,000	43,500	913,500
	<u>\$ 9,845,000</u>	<u>\$ 4,845,462</u>	<u>\$ 14,690,462</u>
Florida Municipal Loan Council (Water):			
2002 B Series:			
2009	\$ 280,000	\$ 3,244,221	\$ 3,524,221
2010	505,000	3,234,701	3,739,701
2011	1,445,000	3,216,521	4,661,521
2012	1,505,000	3,163,056	4,668,056
2013	1,565,000	3,102,856	4,667,856
2014-2018	8,980,000	14,374,756	23,354,756
2019-2023	13,670,000	11,660,938	25,330,938
2024-2028	18,980,000	7,673,250	26,653,250
2029-2032	18,930,000	2,424,250	21,354,250
	<u>\$ 65,860,000</u>	<u>\$ 52,094,549</u>	<u>\$ 117,954,549</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 9. LONG-TERM DEBT (Continued)

Bonds Payable (Continued)

3. Debt Service Requirements (Continued)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Florida Municipal Loan Council (Capital):			
2003 B Series:			
2009	\$ 415,000	\$ 272,163	\$ 687,163
2010	425,000	261,027	686,027
2011	440,000	248,475	688,475
2012	450,000	234,844	684,844
2013	465,000	218,512	683,512
2014-2018	2,695,000	706,783	3,401,783
2019-2020	1,290,000	68,513	1,358,513
	<u>\$ 6,180,000</u>	<u>\$ 2,010,317</u>	<u>\$ 8,190,317</u>
Florida Municipal Loan Council (Water & Capital):			
2005 C Series:			
Capital:			
2009	\$ 1,677	\$ 9,250	\$ 10,927
2010	1,677	9,196	10,873
2011	17,820	9,137	26,957
2012	18,239	8,558	26,797
2013	18,868	7,942	26,810
2014-2018	109,014	26,032	135,046
2019-2020	50,944	3,143	54,087
Subtotal Capital	<u>218,239</u>	<u>73,258</u>	<u>291,497</u>
Water Revenue:			
2009	38,323	211,369	249,692
2010	38,323	210,123	248,446
2011	407,180	208,782	615,962
2012	416,761	195,548	612,309
2013	431,132	181,483	612,615
2014-2018	2,490,986	594,843	3,085,829
2019-2020	1,164,056	71,807	1,235,863
Subtotal Water Revenue	<u>4,986,761</u>	<u>1,673,954</u>	<u>6,660,715</u>
Total 2005C Series	<u>\$ 5,205,000</u>	<u>\$ 1,747,213</u>	<u>\$ 6,952,213</u>

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

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 9. LONG-TERM DEBT (Continued)

Bonds Payable (Continued)

3. Debt Service Requirements (Continued)

Governmental Activities

Defeasance of Long-Term Debt

During the fiscal year 2005, the City issued \$225,577 in Revenue Refunding Serial Bonds – Series 2005C with interest rates ranging from 3% to 4.125%. The proceeds were used to advance refund a portion of the Capital Appreciation and Term Bonds – Series 2000A in the amount of \$207,128. The net proceeds of \$228,269 (including premium and other underwriting and other issuance costs) were used to purchase U.S. Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Capital Appreciation and Term Bonds – Series 2000A. As a result, a portion of the bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Assets. The advance refunding resulted in an accounting loss of \$28,480. The loss was deemed immaterial and was expensed during the year. The transaction also resulted in an economic gain of \$7,579 and a reduction of \$9,780 in future debt service payments.

Business-type

Defeasance of Long-Term Debt

During the fiscal year 2005, the City issued \$5,154,423 in Revenue Refunding Serial Bonds – Series 2005C with interest rates ranging from 3% to 4.125%. The proceeds were used to advance refund a portion of the Capital Appreciation and Term Bonds – Series 2000A in the amount of \$4,732,872. The net proceeds of \$5,444,217 (including premium and other underwriting and other issuance costs) were used to purchase U.S. Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Capital Appreciation and Term Bonds – Series 2000A. As a result, a portion of the bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Assets. The advance refunding resulted in an accounting loss of \$483,075. This accounting loss is being amortized over the remaining life of the old bond issue in accordance with GASB Statement 23. The transaction also resulted in an economic gain of \$173,176 and a reduction of \$223,483 in future debt service payments.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 9. LONG-TERM DEBT (Continued)

Notes Payable

Florida Local Government Finance Commission Pooled Commercial Paper Loan Program:

Draw A-1

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

Draw A-2

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

Draw A-3

In August 1999, the City obtained financing of \$850,000 from the same agency to assist in financing a portion of the costs and expenses to various capital improvements projects. In December 2003, the City refinanced the outstanding loan balance of \$625,000 and extended the maturity period by four years. In November 2007, the balloon payment of \$250,000 became due and was paid off.

The interest rate on the three loans varies (blended market rates) and is payable monthly. The actual interest rate as of September 30, 2008 was 2.44436%. The loans are collateralized by legally available non-ad valorem revenues.

Principal requirements to maturity are as follows:

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
Fiscal year ending September 30:			
2009	\$ -	\$ 104,000	\$ 104,000
2010	-	104,000	104,000
2011	-	214,000	214,000
2012	-	1,672,000	1,672,000
	<u>\$ -</u>	<u>\$ 2,094,000</u>	<u>\$2,094,000</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 9. LONG-TERM DEBT (Continued)

Master Leases

The City has entered into master lease purchase agreements each year from the period August 1989 to September 2007. During 2008, the City did not enter into any new lease purchase agreements.

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

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

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Machinery and equipment	\$ 5,284,165	\$ 1,960,817	\$ 7,244,982
Less accumulated depreciation	<u>(1,909,823)</u>	<u>(883,528)</u>	<u>(2,793,351)</u>
	<u>\$ 3,374,342</u>	<u>\$ 1,077,289</u>	<u>\$ 4,451,631</u>

The information provided is as of October 1, 2002 and prior information is not available.

Future minimum lease payments and the present value of net minimum lease payments at September 30, 2008 are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Fiscal year ending September 30:			
2009	\$ 757,488	\$ 241,442	\$ 998,930
2010	459,680	80,033	539,713
2011	<u>190,729</u>	<u>23,677</u>	<u>214,406</u>
Total minimum lease payments	1,407,897	345,152	1,753,049
Less amount representing interest	<u>(63,035)</u>	<u>(11,399)</u>	<u>(74,434)</u>
Present value of net minimum lease payments	<u>\$ 1,344,862</u>	<u>\$ 333,753</u>	<u>\$ 1,678,615</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 9. LONG-TERM DEBT (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2008 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Due Within One Year
Governmental activities:					
Bonds and notes payable:					
General obligation and term bonds	\$ 34,958,521	\$ -	\$ (1,255,513)	\$ 33,703,008	\$ 1,316,142
Notes payable	250,000	-	(250,000)	-	-
Notes payable CRA - Taxable	-	1,000,000	-	1,000,000	277,776
Notes payable CRA - Nontaxable	-	3,000,000	-	3,000,000	166,668
Total bonds and notes payable	<u>35,208,521</u>	<u>4,000,000</u>	<u>(1,505,513)</u>	<u>37,703,008</u>	<u>1,760,586</u>
Master leases	2,352,885	-	(944,988)	1,407,897	757,488
Estimated claims	2,005,000	644,000	(541,000)	2,108,000	631,000
Compensated absences	<u>3,671,597</u>	<u>3,281,911</u>	<u>(3,662,102)</u>	<u>3,291,406</u>	<u>1,399,964</u>
Governmental activities long-term liabilities	<u>\$43,238,003</u>	<u>\$7,925,911</u>	<u>\$(6,653,603)</u>	<u>\$44,510,311</u>	<u>\$4,549,038</u>
Business-type activities:					
Notes payable	\$ 2,198,000	\$ -	\$ (104,000)	\$ 2,094,000	\$ 104,000
Revenue bonds	72,036,479	-	(509,487)	71,526,992	648,858
Premium on revenue bonds	447,880	-	(23,714)	424,166	-
Investment premium	<u>1,826</u>	<u>-</u>	<u>(1,826)</u>	<u>-</u>	<u>-</u>
Total bonds and notes payable	<u>74,684,185</u>	<u>-</u>	<u>(639,027)</u>	<u>74,045,158</u>	<u>752,858</u>
Master leases	769,739	-	(424,587)	345,152	241,442
Compensated absences	<u>763,466</u>	<u>569,848</u>	<u>(686,541)</u>	<u>646,773</u>	<u>198,227</u>
Business-type activities long-term liabilities	<u>\$76,217,390</u>	<u>\$ 569,848</u>	<u>\$(1,750,155)</u>	<u>\$75,037,083</u>	<u>\$1,192,527</u>

NOTE 10. OTHER INFORMATION

a. Risk Management

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

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 10. OTHER INFORMATION (Continued)

a. Risk Management (Continued)

Liabilities include an estimated amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors. There were no reductions in insurance coverages from coverages in the prior year and there was one settlement that exceeded insurance coverage within the last three fiscal years.

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

	<u>2008</u>	<u>2007</u>
Unpaid claims, beginning of fiscal year	\$2,005,000	\$2,083,000
Incurred claims (including IBNRs)	644,000	347,000
Claim payments	<u>(541,000)</u>	<u>(425,000)</u>
Unpaid claims, end of fiscal year	<u>\$2,108,000</u>	<u>\$2,005,000</u>

Based upon the City Attorney's evaluation of pending cases, the estimated liability to which the City might be exposed ranges from \$750,000 to \$1.2 million. The self insurance funds, which are included in the general fund, have cash available of approximately \$800,000 at September 30, 2008 and all non-self insurance cases would be paid from the City's general fund unreserved fund balance.

b. Litigation

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

c. Post Employment Benefits

The City offers continuation of health and life insurance benefits to employees upon retirement. There are 47 retirees that participate in the City's health insurance program. The cost for health insurance is paid by the retiree at a rate of \$369-\$721 per month for single coverage, \$799-\$1,417 per month for couple and \$1033-\$2,084 per month for family coverage, depending on plan selected. Nine of the 47 retirees received health insurance paid entirely by the City. Ten retirees received health insurance paid partially by the City. The City does not contribute to the remaining 29 retirees' health insurance premiums.

Expenditures for post retirement dental care and life insurance benefits for retirees were approximately \$14,859 for the fiscal year ended September 30, 2008. There are 56 retirees that participate in the City's dental program. Eight of the 56 are paid entirely by the City; nine retirees received dental insurance paid partially by the City. The City does not contribute to the remaining 39 retirees. The cost of life insurance for 197 retirees is paid for by the City at a rate of .36 per \$1,000 of insurance. Retirees receive \$10,000 to \$30,000 of life insurance coverage. This will reflect that the City no longer subsidizes the majority of retiree dental coverage whereas during the previous year, the City subsidized a portion of the coverage.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 10. OTHER INFORMATION (Continued)

d. Contingent Liabilities

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

e. Other

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

NOTE 11. EMPLOYEE RETIREMENT SYSTEMS

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

1. Summary of Significant Accounting Policies

Basis of Accounting

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

New Accounting Standard

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

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

1. Summary of Significant Accounting Policies (Continued)

Method Used to Value Investments

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

Interest and dividends are reported as investment earnings. As of September 30, 2008, no single investment exceeded 5% of total plan net assets.

2. Plan Description

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

The latest actuarial valuations for the Retirement Plan for the General Employees, the Retirement Plan for the Police Officers and Firefighters and for the Retirement Plan and Trust for General Management Employees are as of October 1, 2007.

	<u>General</u>	<u>Police Officers and Firefighters</u>	<u>General Management Employees</u>
Covered payroll (in thousands)	\$ 13,112	\$ 9,609	\$ 2,428
Numbers of members included in Plan:			
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	205	121	5
Current employees:			
Vested	253	45	33
Non-vested	64	49	2
Total	522	215	40

Retirement Plan for General Employees

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

Vesting

Benefits are fully vested after 6 years of credited service.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

2. Plan Description (Continued)

Retirement Plan for General Employees (Continued)

Eligibility for Retirement

Attainment of age 62 or age 55 with 20 years of service.

Annual Retirement Benefit

Normal retirement benefits are based upon 3.0% of "final monthly compensation", as defined by the pension plan, times years of credited service.

Other Benefits

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

Employee Contributions

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

City Contributions

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

Funding Policy

The annual required contributions for the Plan for the current year were determined as part of the October 1, 2007 actuarial valuation using the aggregate actuarial cost method. The aggregate actuarial cost method does not identify and separately amortized unfunded actuarial liabilities. In accordance with GASB Statement No. 25, a schedule of funding progress is not required, however, in accordance with GASB Statement No. 50, a schedule of funding progress is required using the entry age normal cost method.

The General Employees Retirement System does not issue separate stand-alone financial statements; therefore, included below is the Statement of Fiduciary Net Assets and the Statement of Changes in Fiduciary Net Assets as of and for the year ended September 30, 2008.

General Employees Retirement System Trust Fund Statement of Fiduciary Net Assets September 30, 2008

Assets:	
Cash and cash equivalents	\$ 826
Investments	48,155,933
Receivables	107,037
Total assets	<u>48,263,796</u>
Liabilities	<u>33,403</u>
Net assets held in trust for pension benefits	<u>\$48,230,393</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

2. Plan Description (Continued)

Retirement Plan for General Employees (Continued)

**Statement of Changes in Fiduciary Net Assets
Year Ended September 30, 2008**

Additions:	
Contributions	\$ 3,387,875
Investment income (loss), net	<u>(7,677,326)</u>
Total additions	<u>(4,289,451)</u>
Deductions:	
Pension benefits	2,723,937
Refunds	116,040
Other	<u>119,945</u>
Total deductions	<u>2,959,922</u>
Change in net assets	(7,249,373)
Net assets, beginning	<u>55,479,766</u>
Net assets, ending	<u>\$48,230,393</u>

Retirement Plan for Police Officers and Firefighters

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

Vesting

Benefits are fully vested after ten years of credited service.

Eligibility for Retirement

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

Annual Retirement Benefit

Normal retirement benefits are based upon 3.3% for firefighters and 3% for police officers of "final monthly compensation", as defined by the pension plan, times years of credited service.

Other Benefits

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

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

2. Plan Description (Continued)

Retirement Plan for Police Officers and Firefighters (Continued)

Employee Contributions

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

City Contributions

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

Funding Policy

The annual required contributions for the Plan for the current year were determined as part of the October 1, 2007 actuarial valuation using the aggregate actuarial cost method. The aggregate actuarial cost method does not identify and separately amortized unfunded actuarial liabilities. In accordance with GASB Statement No. 25, a schedule of funding progress is not required, however, in accordance with GASB Statement No. 50, a schedule of funding progress is required using the entry age normal cost method.

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

During fiscal year 2008, the amounts were \$273,052 and \$486,244 for police and firefighters, respectively.

The Police Officers and Firefighters Retirement System does not issue separate stand-alone financial statements; therefore, included below is the Statement of Fiduciary Net Assets and the Statement of Changes in Fiduciary Net Assets as of and for the year ended September 30, 2008.

Police Officers and Firefighters Retirement System Trust Fund Statement of Fiduciary Net Assets September 30, 2008

Assets:	
Cash and cash equivalents	\$ 2,224
Investments	51,611,947
Receivables	<u>425,957</u>
Total assets	52,040,128
Liabilities	<u>61,945</u>
Net assets held in trust for pension benefits	<u>\$ 51,978,183</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

2. Plan Description (Continued)

Retirement Plan for Police Officers and Firefighters (Continued)

Statement of Changes in Fiduciary Net Assets Year Ended September 30, 2008

Additions:	
Contributions	\$ 6,276,759
Investment income (loss), net	<u>(9,165,926)</u>
Total additions	<u>(2,889,167)</u>
Deductions:	
Pension benefits	4,625,597
Refunds	30,934
Other	<u>166,781</u>
Total deductions	<u>4,823,312</u>
Change in net assets	(7,712,479)
Net assets, beginning	<u>59,690,662</u>
Net assets, ending	<u>\$ 51,978,183</u>

Retirement Plan and Trust for General Management Employees

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

Vesting

Benefits are fully vested after six years of credited service.

Eligibility for Retirement

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

Annual Retirement Benefit

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

Other Benefits

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

Employee Contributions

Management personnel contribute 8% of their basic annual compensation.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

2. Plan Description (Continued)

Retirement Plan and Trust for General Management Employees (Continued)

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, 2007 actuarial valuation using the aggregate actuarial cost method. The aggregate actuarial cost method does not identify and separately amortized unfunded actuarial liabilities. In accordance with GASB Statement No. 25, a schedule of funding progress is not required, however, in accordance with GASB Statement No. 50, a schedule of funding progress is required using the entry age normal cost method.

The General Management Retirement System does not issue separate stand-alone financial statements; therefore, included below is the Statement of Fiduciary Net Assets and the Statement of Changes in Fiduciary Net Assets as of and for the year ended September 30, 2008.

General Management Retirement System Trust Fund Statement of Fiduciary Net Assets September 30, 2008

Assets:	
Investments	\$9,813,971
Net assets held in trust for pension benefits	<u>\$9,813,971</u>

Statement of Changes in Fiduciary Net Assets Year Ended September 30, 2008

Additions:	
Contributions	\$1,015,571
Investment income (loss), net	<u>(1,391,889)</u>
Total additions	<u>(376,318)</u>
Deductions:	
Pension benefits	429,313
Refunds	32,147
Other	<u>18,837</u>
Total deductions	<u>480,297</u>
Change in net assets	(856,615)
Net assets, beginning	<u>10,670,586</u>
Net assets, ending	<u>\$9,813,971</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

3. Annual Pension Cost and Net Pension Asset

General Employees

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

Annual required contribution	\$2,272
Interest on net pension obligation	(33)
Adjustment to annual required contribution	<u>24</u>
Annual pension cost	2,263
Contributions made	<u>2,333</u>
Increase in net pension asset	70
Net pension asset, beginning of year	<u>392</u>
Net pension asset, end of year	<u>\$ 462</u>

The annual required contribution for the current year was determined as part of the October 1, 2007 actuarial valuation using the entry age normal. The actuarial assumptions included (a) 8.5% investment rate of return (net of administrative expenses) and (b) projected salary increases of 5.5% per year. Both (a) and (b) included an inflation component of 3.5%.

The assumptions include post-retirement benefit increases for cost of living adjustment of 2.25% per year. The actuarial value of assets was determined using smoothed market value. The unfunded actuarial accrued liability is being amortized using the level percent of pay closed basis. The remaining amortization period was 30 years

Three-Year Trend Information

<u>Fiscal Year Ended</u>	<u>In Thousands</u>		
	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
9/30/2006	\$ 1,823	102%	\$ 365
9/30/2007	2,107	101%	391
9/30/2008	2,263	103%	462

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Funded Status and Funding Progress

The funded status of the Plan as of October 1, 2007, 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, 2007*	\$ 53,576	\$ 67,210	\$ 13,634	79.7%	\$ 13,112	104.0%

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

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

Additional information as of the latest actuarial valuation follows:

Valuation date	October 1, 2007
Actuarial cost method	Entry age normal
Amortization method	Level percent of pay closed
Remaining amortization period	30 years
Asset valuation method	Smoothed market value
Actuarial assumptions:	
Investment rate of return*	8.50%
Projected salary increases*	5.50%
Cost of living adjustments	2.25%

*Includes inflation at 3.5%.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Police and Firefighters

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

Annual required contribution	\$ 4,138
Interest on net pension asset	(40)
Adjustment to annual required contribution	<u>28</u>
Annual pension cost	4,126
Contributions made	<u>4,338</u>
Increase in net pension asset	212
Net pension asset, beginning of year	<u>502</u>
Net pension asset, end of year	<u>\$ 714</u>

The annual required contribution for the current year was determined as part of the October 1, 2007 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return (net of administrative expenses) and (b) projected salary increases varies by service. Both (a) and (b) included an inflation component of 4%. The assumptions include post-retirement benefit increases for the cost of living adjustment of 2.5% per year compounded. The actuarial value of assets was determined using the five year smoothed market method. The unfunded actuarial accrued liability is being amortized using the level percent of pay. The remaining amortization period range from 13 to 30 years.

Three-Year Trend Information

	<u>In Thousands</u>		
<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
9/30/2006	\$ 3,305	101%	\$ 456
9/30/2007	3,610	101%	502
9/30/2008	4,126	105%	714

Funded Status and Funding Progress

The funded status of the Plan as of October 1, 2007 is as follows (in thousands):

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a÷b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)÷c)</u>
October 1, 2007*	\$ 57,040	\$ 95,564	\$ 38,524	59.7%	\$ 9,609	400.9%

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Police and Firefighters (Continued)

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

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

Additional information as of the latest actuarial valuation follows:

Valuation date	October 1, 2007
Actuarial cost method	Entry age normal
Amortization method	Level percent of pay
Remaining amortization period	Police: Remaining amortization periods range from 12 to 30 years Fire: Amortization period is based on the average future lifetime of the remaining retirees
Asset valuation method	5 year smoothed market
Actuarial assumptions:	
Investment rate of return*	8.00%
Projected salary increases*	Varies by service
Cost of living adjustments	2.5% per year, compounded

Management Employees

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

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

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

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Management Employees (Continued)

Annual required contribution	\$ 575
Interest on net pension asset	(40)
Adjustment to annual required contribution	<u>29</u>
Annual pension cost	564
Contributions made	<u>788</u>
Increase in net pension asset	224
Net pension asset, beginning of year	<u>648</u>
Net pension asset, end of year	<u>\$ 872</u>

The annual required contribution for the current year was determined as part of the October 1, 2006 actuarial valuation using the frozen entry age normal actuarial cost method. The actuarial assumptions included (a) 8.0% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.0% to 4.5%. Both (a) and (b) included an inflation component of 3.75%.

The assumptions include a post-retirement benefit increase of 2.25% cost of living adjustment. The actuarial value of assets was determined using the market value. The unfunded actuarial accrued liability is being amortized using the level percentage open basis. The remaining amortization period was 40 years.

Three-Year Trend Information

<u>Fiscal Year Ended</u>	<u>In Thousands</u>		
	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
9/30/2006	\$ 411	149%	\$ 292
9/30/2007	419	167%	648
9/30/2008	564	140%	872

Funded Status and Funding Progress

The funded status of the Plan as of October 1, 2007 is as follows (in thousands):

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a÷b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)÷c)</u>
October 1, 2007*	\$ 10,474	\$ 16,483	\$ 6,009	63.5%	\$ 2,428	247.5%

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

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 11. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Management Employees (Continued)

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

Additional information as of the latest actuarial valuation follows:

Valuation date	October 1, 2007
Actuarial cost method	Frozen entry age
Amortization method	Level percent open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	8.00%
Projected salary increases*	4.00% - 4.50%
Cost of living adjustments	2.25%

*Includes inflation at 3.75%.

NOTE 12. DEFINED CONTRIBUTION PLAN

The City is a single employer that contributes to the City of North Miami Beach Money Purchase Plan, which is a defined contribution pension plan created in accordance with Internal Revenue Code 401(a). When it was originally established, the Plan was limited to upper management, department heads and their assistants. Effective February 2003, the plan is limited to the six employees who did not elect to transfer to the defined benefit Management plan (see Note 10). As of September 30, 2008 there are two remaining employees contributing to the plan. Effective January 1, 2003, the City contributes 17% of annual covered payroll and the employees are required to contribute 8%. Prior to January 1, 2003, the City contributed 17% and the employees contributed 7%. Employer contributions for fiscal year ended September 30, 2008 were approximately \$57,400 while the employee contributions were approximately \$27,000. Plan provisions and contribution requirements are established and may be amended by the City Manager.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 13. COMMUNITY REDEVELOPMENT AGENCY

North Miami Beach Community Redevelopment Agency (NMBCRA) Component Unit

The NMBCRA incurred the following expenditures during the fiscal year ended September 30, 2008:

Expenditures and transfers	<u>\$1,955,489</u>
----------------------------	--------------------

In 2008, the following projects were funded:

- Continued bi-monthly meeting of the Redevelopment Advisory Board.
- Continued to update and analyze the NMB Master Plan.
- Funded street reconstruction and utility improvements.
- Completed a retail feasibility study to determine likely retail chain candidates for location within the district.
- Completed appraisals of seven properties within the district.

During fiscal year 2008, the City drew down \$4 million of the \$8 million lines of credit to finance property acquisition and street and utility reconstruction.

Also in fiscal year 2008, the CRA repaid the City the remaining \$60,200 of the original \$86,000 CRA advance.

NOTE 14. PRIOR PERIOD ADJUSTMENT

Net assets of the business-type activities, as of October 1, 2007, were restated to reflect the adjustment to correct the opening balances for retainage liabilities on construction projects as noted below:

Net assets - beginning, as previously stated	\$77,457,411
To properly reflect the recording of retainage liabilities	<u>(3,551,692)</u>
Net assets - beginning, as stated	<u>\$73,905,719</u>

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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
Property taxes	\$17,365,992	\$17,365,992	\$17,620,914	\$ 254,922
Franchise fees:				
Florida Power & Light	1,660,000	1,660,000	1,823,667	163,667
Towing	2,750	2,750	1,950	(800)
Gas and propane	59,500	59,500	72,796	13,296
Bus shelters	9,200	9,200	7,200	(2,000)
Total franchise fees	1,731,450	1,731,450	1,905,613	174,163
Utility taxes:				
Florida Power & Light	1,600,000	1,600,000	1,940,915	340,915
Gas, propane and oil	80,300	80,300	82,276	1,976
N.M.B. Water & Sewer	380,000	380,000	428,767	48,767
Total utility taxes	2,060,300	2,060,300	2,451,958	391,658
Communication service tax	2,450,000	2,450,000	2,431,020	(18,980)
Other taxes	558,349	802,294	806,035	3,741
Licenses and permits:				
Business tax receipts	1,018,100	1,018,100	960,950	(57,150)
Building permits and fees	1,510,420	1,510,420	1,121,860	(388,560)
Total licenses and permits	2,528,520	2,528,520	2,082,810	(445,710)
Intergovernmental:				
Sales tax	2,796,819	2,796,819	2,585,959	(210,860)
Shared revenues	745,507	745,507	689,240	(56,267)
Local option gas tax	851,955	851,955	810,039	(41,916)
Beverage licenses	30,000	30,000	28,227	(1,773)
Other state revenue	40,700	40,700	43,793	3,093
County revenue	71,500	71,500	141,140	69,640
Federal revenue	-	-	82,837	82,837
Total intergovernmental	4,536,481	4,536,481	4,381,235	(155,246)

(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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
Charges for services:				
Sanitation fees	\$ 8,408,000	\$ 8,408,000	\$ 8,407,544	\$ (456)
General services	1,170,700	1,170,700	1,262,325	91,625
Recreation fees	596,000	601,167	593,835	(7,332)
County sewer	115,000	115,000	123,327	8,327
Police services	120,800	120,800	258,913	138,113
Recycling and maintenance charges	162,363	187,363	266,730	79,367
Total charges for services	10,572,863	10,603,030	10,912,674	309,644
Fines and forfeitures:				
Traffic and parking	150,000	150,000	349,393	199,393
Local ordinance violations	111,000	198,843	187,658	(11,185)
Library	28,000	28,000	29,867	1,867
Total fines and forfeitures	289,000	376,843	566,918	190,075
Other:				
Billing surcharge (F.S. 180.191)	4,585,000	4,585,000	5,208,700	623,700
Impact fees	-	-	186,154	186,154
Interest	128,000	128,000	98,247	(29,753)
Miscellaneous	432,100	555,389	661,891	106,502
Use of surplus	6,157	316,799	-	(316,799)
Total other	5,151,257	5,585,188	6,154,992	569,804
Total revenues	47,244,212	48,040,098	49,314,169	1,274,071
Current expenditures:				
General government:				
Administrative	1,531,111	1,619,640	1,592,635	27,005
Legislative	400,129	436,126	429,027	7,099
Executive	7,307,533	6,014,191	5,724,617	289,574
Human resources	3,111,836	3,383,735	2,905,661	478,074
Finance	2,807,698	2,948,374	2,911,338	37,036
Total general government	15,158,307	14,402,066	13,563,278	838,788
Police services	20,108,081	20,627,616	20,691,683	(64,067)
Library	990,559	990,697	966,652	24,045
Parks and recreation	4,103,098	4,189,327	3,821,155	368,172
Public services	9,938,183	10,135,516	10,095,650	39,866
Total current expenditures	50,298,228	50,345,222	49,138,418	1,206,804

(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, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Capital outlay:				
General government:				
Administrative	\$ -	\$ 3,500	\$ 3,467	\$ 33
Executive	5,000	391,729	381,867	9,862
Human resources	6,157	-	-	-
Finance	-	8,600	6,840	1,760
Total general government	<u>11,157</u>	<u>403,829</u>	<u>392,174</u>	<u>11,655</u>
Police services	167,039	88,006	86,233	1,773
Library	60,768	60,768	60,765	3
Parks and recreation	2,000	49,351	48,159	1,192
Public services	-	254,780	276,786	(22,006)
Total capital outlay	<u>240,964</u>	<u>856,734</u>	<u>864,117</u>	<u>(7,383)</u>
Debt service:				
Principal	945,987	946,177	944,989	1,188
Interest	94,693	94,709	84,968	9,741
Total debt service	<u>1,040,680</u>	<u>1,040,886</u>	<u>1,029,957</u>	<u>10,929</u>
Total expenditures	<u>51,579,872</u>	<u>52,242,842</u>	<u>51,032,492</u>	<u>1,210,350</u>
Other financing sources (uses):				
Transfers in	5,705,307	5,705,307	5,642,107	(63,200)
Transfers out	(1,369,647)	(1,502,563)	(1,499,011)	3,552
Total other financing sources	<u>4,335,660</u>	<u>4,202,744</u>	<u>4,143,096</u>	<u>(59,648)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,424,773</u>	<u>\$(2,424,773)</u>

See notes to budgetary comparison schedule.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BUDGETARY COMPARISON SCHEDULE

FISCAL YEAR ENDED SEPTEMBER 30, 2008

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

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

1. Prior to July 1, the City Manager submits to the City Council a budget estimate of the revenues and expenditures for all City departments and divisions for the fiscal year commencing the following October 1.
2. Upon receipt of the annual budget estimates, the City Council holds various budget workshops to review and amend the proposed budget.
3. Public hearings are held to obtain taxpayers' comments.
4. Prior to October 1, the budget is legally enacted through passage of an ordinance.
5. No department may legally expend or contract to expend amounts in excess of amounts appropriated for any department within an individual fund. Budget appropriations lapse at year end.
6. The adopted budget may be amended as follows:
 - a) The City Manager can approve line item adjustments within a department. The legal level of budgetary control is at the departmental level. The City Council approves all other budget amendments.
 - b) The City Council approves supplemental appropriations. However, the City Manager is granted authority to amend, modify or otherwise adjust the annual budget to a maximum limit of \$50,000 per individual occurrence. There was \$213,825 of supplemental appropriations and \$578,960 of modifications in the general fund during the year ended September 30, 2008.
7. Encumbrance accounting is used in governmental funds. Encumbered purchase orders outstanding at year-end are reported as reservations of fund balances to indicate that they are not available for appropriation and are not expendable available financial resources.

NOTE 2. EXCESS EXPENDITURES OVER APPROPRIATION

For the fiscal year ended September 30, 2008, expenditures exceeded appropriations in the police services department by \$64,067, and in capital outlay expenditures the public services department by \$22,006. These excesses were funded by greater than anticipated revenues.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BUDGETARY COMPARISON SCHEDULE (Continued)

NOTE 3. BUDGET/GAAP RECONCILIATION

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

	<u>General Fund</u>
Net change in fund balance - actual amounts - budgetary basis - as reported on the budgetary comparison schedule (Page 74)	\$ 2,424,773
Differences – budget to GAAP:	
Uses/outflows of resources:	
Encumbrances for equipment and supplies ordered but not received are reported in the year the orders are placed for budgetary purposes, but are reported in the year the equipment and supplies are received for GAAP financial reporting purposes	<u>(675,445)</u>
Net change in fund balance - General Fund - GAAP basis - as reported on the statement of revenues, expenditures and changes in fund balances governmental funds (Page 23)	<u>\$ 1,749,328</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS

SEPTEMBER 30, 2008

RETIREMENT PLAN FOR GENERAL EMPLOYEES

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

CITY OF NORTH MIAMI BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS AND OTHER CONTRIBUTING ENTITIES

SEPTEMBER 30, 2008

RETIREMENT PLAN FOR POLICE OFFICERS AND FIREFIGHTERS

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

CITY OF NORTH MIAMI BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

SEPTEMBER 30, 2008

RETIREMENT PLAN FOR GENERAL MANAGEMENT EMPLOYEES

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

CITY OF NORTH MIAMI BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

SEPTEMBER 30, 2008

RETIREMENT PLAN FOR GENERAL EMPLOYEES

Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded Actuarial Liability (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a) / (c)
10/1/2002	\$ 39,872	\$ 46,110	\$ 6,238	86.5%	\$ 10,842	57.5%
10/1/2003	44,423	50,447	6,024	88.1%	12,035	50.1%
10/1/2004	44,968	54,772	9,804	82.1%	12,467	78.6%
10/1/2005	45,628	58,943	13,315	77.4%	12,749	104.4%
10/1/2006	48,554	63,645	15,091	76.3%	12,853	117.4%
10/1/2007	53,576	67,210	13,634	79.7%	13,112	104.0%

Note: Dollar amounts in thousands.

CITY OF NORTH MIAMI BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

SEPTEMBER 30, 2008

RETIREMENT PLAN FOR POLICE OFFICERS AND FIREFIGHTERS

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a) / (c)
10/1/2002	\$ 42,552	\$ 62,481	\$ 19,929	68.1%	\$ 7,656	260.3%
10/1/2003	46,360	70,330	23,970	65.9%	7,767	308.6%
10/1/2004	46,762	77,714	30,952	60.2%	8,137	380.4%
10/1/2005	47,170	84,260	37,090	56.0%	8,115	457.1%
10/1/2006	50,986	90,872	39,886	56.1%	8,571	465.4%
10/1/2007	57,040	95,564	38,524	59.7%	9,609	400.9%

Note: Dollar amounts in thousands.

CITY OF NORTH MIAMI BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

SEPTEMBER 30, 2008

RETIREMENT PLAN FOR GENERAL MANAGEMENT EMPLOYEES

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

Note: Dollar amounts in thousands

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

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**COMBINING, INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

GENERAL FUND

CITY OF NORTH MIAMI BEACH, FLORIDA

GENERAL FUND

COMPARATIVE BALANCE SHEETS

SEPTEMBER 30, 2008

(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2007)

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Pooled cash and investments	\$ 963,459	\$ 3,181,725
Accounts receivable	6,485,809	5,044,534
Due from other funds	5,664,235	2,373,719
Advances to other funds	-	60,200
Inventories	305,266	268,509
Prepaid costs	234,739	70,791
Escrow funds held by lessor	522,441	915,778
Other assets	45,100	45,100
Total assets	<u>\$ 14,221,049</u>	<u>\$ 11,960,356</u>
 <u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Vouchers payable and accrued liabilities	\$ 1,909,754	\$ 1,579,816
Deposits held in trust	855,660	972,930
Deferred revenues	1,154,159	855,462
Total liabilities	<u>3,919,573</u>	<u>3,408,208</u>
 Fund balances:		
Reserved:		
Encumbrances	1,375,657	2,028,996
Inventories	305,266	268,509
Prepaid costs	234,739	70,791
Impact fees	6,157	2,768
Advances	-	60,200
Unreserved:		
Designated for liability claims	869,875	632,292
Designated for workers' compensation claims	892,435	708,074
Designated for land acquisition	113,496	107,496
Undesignated	6,503,851	4,673,022
Total fund balances	<u>10,301,476</u>	<u>8,552,148</u>
Total liabilities and fund balances	<u>\$ 14,221,049</u>	<u>\$ 11,960,356</u>

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

Community Redevelopment Agency – This fund is used to account for the operations of the North Miami Beach Community Redevelopment Agency (CRA) which was created in accordance with Section 163.357 of the Florida Statutes under the Community Redevelopment Act of 1969.

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

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

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

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

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

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

NONMAJOR GOVERNMENTAL FUNDS

Debt Service Funds

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

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

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

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

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

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

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

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

NONMAJOR GOVERNMENTAL FUNDS

Capital Projects Funds

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

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

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

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

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

CITY OF NORTH MIAMI BEACH, FLORIDA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2008

	Special Revenue										Total	
	Grants	Transit Surtax	Community Redevelopment Agency	Handicapped Parking Fines	164th Street Guardhouse	35th Avenue Guardhouse	Federal Forfeitures	State Forfeitures	U.S. Treasury			
ASSETS												
Pooled cash and investments	\$ 452,260	\$ 423,975	\$ 3,315,367	\$ 5,861	\$ 79,981	\$ 48,309	\$ 442,152	\$ 502,985	\$ 226,570	\$ 226,570	\$ 5,497,460	
Accounts receivable:												
Intergovernmental Grants	-	303,046	-	-	20,696	43,920	-	-	-	-	367,662	
Other receivables	1,639,550	-	-	-	-	-	-	-	-	-	1,639,550	
Due from other funds	-	-	991,964	-	-	-	-	-	97,282	-	1,089,246	
Prepays	-	-	-	-	-	-	6,404	-	-	-	6,404	
Restricted pooled cash and equivalents	-	-	-	-	-	-	-	-	-	-	-	
Escrow funds held by agent	-	-	-	-	-	-	-	-	-	-	-	
Total assets	\$2,091,810	\$727,021	\$ 4,307,331	\$ 5,861	\$ 100,677	\$ 92,229	\$ 448,556	\$ 502,985	\$323,852	\$323,852	\$8,600,322	

LIABILITIES AND FUND BALANCES

LIABILITIES:												
Vouchers payable and accrued liabilities	\$ 103,034	\$215,230	\$ 38,010	\$ -	\$ 1,023	\$ 4,056	\$ 11,648	\$ 3,878	\$ 13,093	\$ 13,093	\$ 389,972	
Due to other funds	1,504,157	-	-	-	-	-	-	-	-	-	1,504,157	
Advances from other funds	-	-	-	-	-	-	-	-	-	-	-	
Deferred revenue	324,701	-	-	5,436	-	-	-	-	-	-	330,137	
Total liabilities	1,931,892	215,230	38,010	5,436	1,023	4,056	11,648	3,878	13,093	13,093	2,224,266	
Fund balances:												
Reserved:												
Encumbrances	-	37,029	187,531	-	9,053	-	-	-	-	-	233,613	
Grant related	159,918	-	-	-	-	-	-	-	-	-	159,918	
Law enforcement	-	-	-	-	-	-	430,504	499,107	310,759	310,759	1,240,370	
Prepaid costs	-	-	-	-	-	-	6,404	-	-	-	6,404	
Debt service	-	-	-	-	-	-	-	-	-	-	-	
Construction	-	-	-	-	-	-	-	-	-	-	-	
Unreserved, undesignated	-	474,762	4,081,790	425	90,601	88,173	-	-	-	-	4,735,751	
Total fund balances	159,918	511,791	4,269,321	425	99,654	88,173	436,908	499,107	310,759	310,759	6,376,056	
Total liabilities and fund balances	\$2,091,810	\$727,021	\$ 4,307,331	\$ 5,861	\$ 100,677	\$ 92,229	\$ 448,556	\$ 502,985	\$323,852	\$323,852	\$8,600,322	

(Continued)

CITY OF NORTH MIAMI BEACH, FLORIDA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)

SEPTEMBER 30, 2008

	Debt Service					Total		
	Series 2000B	Series 2002A	Series 1997-98	Series 1999 Note	Series 2000A		Series 2003B	Series 2005C
<u>ASSETS</u>								
Pooled cash and investments	\$ -	\$ 22,508	\$ 222,575	\$ 449	\$ -	\$ 382	\$ -	\$ 245,914
Accounts receivable:								
Intergovernmental	-	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-
Other receivables	358,000	-	-	-	-	-	-	358,000
Due from other funds	-	-	-	-	-	-	-	-
Prepays	-	-	-	-	-	-	-	-
Restricted pooled cash and equivalents	-	-	-	-	-	-	-	-
Escrow funds held by agent	-	-	-	-	-	-	-	-
Total assets	<u>\$ 358,000</u>	<u>\$ 22,508</u>	<u>\$ 222,575</u>	<u>\$ 449</u>	<u>\$ -</u>	<u>\$ 382</u>	<u>\$ -</u>	<u>\$ 603,914</u>

LIABILITIES AND FUND BALANCES

<u>Liabilities:</u>								
Vouchers payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	353,306	-	-	-	-	-	-	353,306
Advances from other funds	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-
Total liabilities	<u>353,306</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>353,306</u>
<u>Fund balances:</u>								
Reserved:								
Encumbrances	-	-	-	-	-	-	-	-
Grant related	-	-	-	-	-	-	-	-
Law enforcement	-	-	-	-	-	-	-	-
Prepaid costs	-	-	-	-	-	-	-	-
Debt service	4,694	22,508	222,575	449	-	382	-	250,608
Construction	-	-	-	-	-	-	-	-
Unreserved, undesignated	-	-	-	-	-	-	-	-
Total fund balances	<u>4,694</u>	<u>22,508</u>	<u>222,575</u>	<u>449</u>	<u>-</u>	<u>382</u>	<u>-</u>	<u>250,608</u>
Total liabilities and fund balances	<u>\$ 358,000</u>	<u>\$ 22,508</u>	<u>\$ 222,575</u>	<u>\$ 449</u>	<u>\$ -</u>	<u>\$ 382</u>	<u>\$ -</u>	<u>\$ 603,914</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)

SEPTEMBER 30, 2008

	Capital Projects				Total Nonmajor Governmental Funds
	Alley Restoration Program	2004 BBC Program	Proud Neighborhood	2003B Surtax	
<u>ASSETS</u>					
Pooled cash and investments	\$ 108,594	\$ -	\$ -	\$ -	\$ 108,594
Accounts receivable:					
Intergovernmental	-	-	-	-	367,662
Grants	-	2,202,625	-	-	3,842,175
Other receivables	-	-	-	-	358,000
Due from other funds	-	-	-	-	1,089,246
Prepays	-	-	-	-	6,404
Restricted pooled cash and investments	-	-	-	-	-
Escrow funds held by agent	-	-	-	549,673	549,673
Total assets	<u>\$ 108,594</u>	<u>\$ 2,202,625</u>	<u>\$ -</u>	<u>\$ 549,673</u>	<u>\$ 2,860,892</u>

LIABILITIES AND FUND BALANCES

Liabilities:					
Vouchers payable and accrued liabilities	\$ 88,069	\$ 18,459	\$ -	\$ 30,393	\$ 136,921
Due to other funds	-	2,184,166	-	50,893	2,235,059
Advances from other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	<u>88,069</u>	<u>2,202,625</u>	<u>-</u>	<u>81,286</u>	<u>2,371,980</u>
Fund balances:					
Reserved:					
Encumbrances	-	-	-	-	233,613
Grant related	-	-	-	-	159,918
Law enforcement	-	-	-	-	1,240,370
Prepaid costs	-	-	-	-	6,404
Debt service	-	-	-	-	250,608
Construction	20,525	-	-	468,387	488,912
Unreserved, undesignated	-	-	-	-	4,735,751
Total fund balances	<u>20,525</u>	<u>-</u>	<u>-</u>	<u>468,387</u>	<u>488,912</u>
Total liabilities and fund balances	<u>\$ 108,594</u>	<u>\$ 2,202,625</u>	<u>\$ -</u>	<u>\$ 549,673</u>	<u>\$ 2,860,892</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Special Revenue										Total	
	Grants	Transit Surtax	Community Redevelopment Agency	Handicapped Parking Fines	164th Street Guardhouse	35th Avenue Guardhouse	Federal Forfeiture	State Forfeiture	U.S. Treasury			
Revenues:												
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	1,307,355	755,920	10,759	123,777	263,520	-	-	-	-	-	2,461,331
Grants	2,009,857	-	-	-	-	-	-	-	-	-	-	2,009,857
Fines and forfeitures	-	-	-	-	-	-	708,856	216,644	96,419	-	-	1,021,919
Other	-	-	-	-	-	224	81,042	1,705	20,033	-	-	103,004
Interest	4,744	3,017	26,348	30	732	556	10,051	10,767	361	-	-	56,606
Total revenues	<u>2,014,601</u>	<u>1,310,372</u>	<u>782,268</u>	<u>10,789</u>	<u>124,509</u>	<u>264,300</u>	<u>799,949</u>	<u>229,116</u>	<u>116,813</u>	<u>-</u>	<u>-</u>	<u>5,652,717</u>
Expenditures:												
Current:												
General government	789,663	17,629	581,947	12,344	-	-	-	-	-	-	-	1,401,583
Police services	40,833	-	-	-	103,732	261,720	1,032,360	624,694	1,966	-	-	2,065,305
Library	515	-	-	-	-	-	-	-	-	-	-	515
Parks	-	176,627	-	-	-	-	-	-	-	-	-	176,627
Public services	-	-	104,158	-	-	-	-	-	-	-	-	104,158
Capital outlay	1,168,620	425,079	1,111,583	-	-	-	48,828	94,600	-	-	-	2,848,710
Debt service:												
Principal	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	27,863	-	-	-	-	-	-	-	-	27,863
Total expenditures	<u>1,999,631</u>	<u>619,335</u>	<u>1,825,551</u>	<u>12,344</u>	<u>103,732</u>	<u>261,720</u>	<u>1,081,188</u>	<u>719,294</u>	<u>1,966</u>	<u>-</u>	<u>-</u>	<u>6,624,761</u>
Excess (deficiency) of revenues over expenditures	<u>14,970</u>	<u>691,037</u>	<u>(1,043,283)</u>	<u>(1,555)</u>	<u>20,777</u>	<u>2,580</u>	<u>(281,239)</u>	<u>(490,178)</u>	<u>114,847</u>	<u>(972,044)</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):												
Proceeds from credit facilities	-	-	4,000,000	-	-	-	-	-	-	-	-	4,000,000
Transfers in	29,000	50,000	1,145,072	-	-	-	-	-	-	-	-	1,224,072
Transfers out	-	(839,505)	(129,938)	-	(5,000)	(5,000)	-	-	-	-	-	(979,443)
Total other financing sources (uses)	<u>29,000</u>	<u>(789,505)</u>	<u>5,015,134</u>	<u>-</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,244,629</u>
Net changes in fund balances	<u>43,970</u>	<u>(98,468)</u>	<u>3,971,851</u>	<u>(1,555)</u>	<u>15,777</u>	<u>(2,420)</u>	<u>(281,239)</u>	<u>(490,178)</u>	<u>114,847</u>	<u>(972,044)</u>	<u>114,847</u>	<u>3,272,585</u>
Fund balances, beginning	<u>115,948</u>	<u>610,259</u>	<u>297,470</u>	<u>1,980</u>	<u>83,877</u>	<u>90,593</u>	<u>718,147</u>	<u>989,285</u>	<u>195,912</u>	<u>-</u>	<u>-</u>	<u>3,103,471</u>
Fund balances, ending	<u>\$ 159,918</u>	<u>\$ 511,791</u>	<u>\$ 4,269,321</u>	<u>\$ 425</u>	<u>\$ 99,654</u>	<u>\$ 88,173</u>	<u>\$ 436,908</u>	<u>\$ 499,107</u>	<u>\$ 310,759</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,376,056</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, 2008

	Debt Service							Total
	Series 2000B	Series 2002A	Series 1997-98	1999 Note	Series 2000A	Series 2003B	Series 2005C	
Revenues:								
Property taxes	\$1,123,124	\$924,560	\$ -	\$ -	\$ -	\$ -	\$ -	\$2,047,684
Intergovernmental	-	-	642,052	-	-	-	-	642,052
Grants	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Interest	997	3,412	4,337	-	1,110	782	526	11,164
Total revenues	<u>1,124,121</u>	<u>927,972</u>	<u>646,389</u>	-	<u>1,110</u>	<u>782</u>	<u>526</u>	<u>2,700,900</u>
Expenditures:								
Current:								
General government	124	580	1,204	-	-	-	-	1,908
Police services	-	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	-	-
Parks	-	-	-	-	-	-	-	-
Public services	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Debt service:								
Principal	245,000	405,000	185,000	250,000	13,836	405,000	1,677	1,505,513
Interest and fiscal charges	877,954	525,072	77,695	3,615	1,923	288,113	9,524	1,783,896
Total expenditures	<u>1,123,078</u>	<u>930,652</u>	<u>263,899</u>	<u>253,615</u>	<u>15,759</u>	<u>693,113</u>	<u>11,201</u>	<u>3,291,317</u>
Excess (deficiency) of revenues over expenditures	<u>1,043</u>	<u>(2,680)</u>	<u>382,490</u>	<u>(253,615)</u>	<u>(14,649)</u>	<u>(692,331)</u>	<u>(10,675)</u>	<u>(590,417)</u>
Other financing sources (uses):								
Proceeds from credit facilities	-	-	-	-	-	-	-	-
Transfers in	-	-	-	253,615	14,649	691,950	10,675	970,889
Transfers out	-	-	(381,552)	-	-	-	-	(381,552)
Total other financing sources (uses)	-	-	<u>(381,552)</u>	<u>253,615</u>	<u>14,649</u>	<u>691,950</u>	<u>10,675</u>	<u>589,337</u>
Net changes in fund balances	1,043	(2,680)	938	-	-	(381)	-	(1,080)
Fund balances, beginning	3,651	25,188	221,637	449	-	763	-	251,688
Fund balances, ending	<u>\$ 4,694</u>	<u>\$ 22,508</u>	<u>\$ 222,575</u>	<u>\$ 449</u>	<u>\$ -</u>	<u>\$ 382</u>	<u>\$ -</u>	<u>\$ 250,608</u>

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, 2008

	Capital Projects					Total Nonmajor Governmental Funds
	Alley Restoration Program	2004 BBC Program	Proud Neighborhood	2003B Surtax	Total	
Revenues:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,047,684
Intergovernmental	-	-	-	-	-	3,103,383
Grants	-	511,064	-	-	511,064	2,520,921
Fines and forfeitures	-	-	-	-	-	1,021,919
Other	-	-	-	82	82	103,086
Interest	3,038	-	3	4,035	7,076	74,846
Total revenues	3,038	511,064	3	4,117	518,222	8,871,839
Expenditures:						
Current:						
General government	-	-	-	-	-	1,403,491
Police services	-	-	-	-	-	2,065,305
Library	-	-	-	-	-	515
Parks	-	-	-	-	-	176,627
Public services	813	25,482	-	39,024	65,319	169,477
Capital outlay	606,968	485,582	3	289,645	1,382,198	4,230,908
Debt service:						
Principal	-	-	-	-	-	1,505,513
Interest and fiscal charges	-	-	-	-	-	1,811,759
Total expenditures	607,781	511,064	3	328,669	1,447,517	11,363,595
Excess (deficiency) of revenues over expenditures	(604,743)	-	-	(324,552)	(929,295)	(2,491,756)
Other financing sources (uses):						
Proceeds from credit facilities	-	-	-	-	-	4,000,000
Transfers in	320,000	-	-	-	320,000	2,514,961
Transfers out	-	-	-	-	-	(1,360,995)
Total other financing sources (uses)	320,000	-	-	-	320,000	5,153,966
Net changes in fund balances	(284,743)	-	-	(324,552)	(609,295)	2,662,210
Fund balances, beginning	305,268	-	-	792,939	1,098,207	4,453,366
Fund balances, ending	\$ 20,525	\$ -	\$ -	\$ 468,387	\$ 488,912	\$ 7,115,576

CITY OF NORTH MIAMI BEACH, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget - Positive (Negative)</u>
Revenues:				
Intergovernmental	\$ 1,437,034	\$ 1,437,034	\$ 1,307,355	\$ (129,679)
Interest	1,000	1,000	3,017	2,017
Total revenues	1,438,034	1,438,034	1,310,372	(127,662)
Expenditures:				
Current:				
General government	219,111	219,111	16,805	202,306
Parks	-	-	178,174	(178,174)
Capital outlay	427,318	427,318	453,706	(26,388)
Total expenditures	646,429	646,429	648,685	(2,256)
Excess of revenues over expenditures	791,605	791,605	661,687	(129,918)
Other financing sources (uses):				
Transfers in	50,000	50,000	50,000	-
Transfers out	(841,605)	(841,605)	(839,505)	2,100
Total other financing sources (uses)	(791,605)	(791,605)	(789,505)	2,100
Net changes in fund balances	-	-	(127,818)	(127,818)
Fund balances, beginning	-	-	643,091	643,091
Fund balances, ending	\$ -	\$ -	\$ 515,273	\$ 515,273

CITY OF NORTH MIAMI BEACH, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL COMMUNITY REDEVELOPMENT AGENCY FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget - Positive (Negative)
Revenues:				
Intergovernmental	\$ 755,920	\$ 755,920	\$ 755,920	\$ -
Interest	9,700	9,700	26,348	16,648
Other	<u>7,805,286</u>	<u>7,805,286</u>	<u>-</u>	<u>(7,805,286)</u>
Total revenues	<u>8,570,906</u>	<u>8,570,906</u>	<u>782,268</u>	<u>(7,788,638)</u>
Expenditures:				
Current:				
General government	1,985,650	2,094,715	584,352	1,510,363
Public services	-	-	99,008	(99,008)
Capital outlay	9,023,490	8,910,425	1,111,583	7,798,842
Debt service:				
Interest and finance charges	<u>520,700</u>	<u>520,700</u>	<u>27,863</u>	<u>492,837</u>
Total expenditures	<u>11,529,840</u>	<u>11,525,840</u>	<u>1,822,806</u>	<u>9,703,034</u>
Excess (deficiency) of revenues over expenditures	<u>(2,958,934)</u>	<u>(2,954,934)</u>	<u>(1,040,538)</u>	<u>1,914,396</u>
Other financing sources (uses):				
Transfers in	1,665,072	1,665,072	1,145,072	520,000
Transfers out	(706,138)	(710,138)	(129,938)	(580,200)
Proceeds from credit facilities	<u>2,000,000</u>	<u>2,000,000</u>	<u>4,000,000</u>	<u>(2,000,000)</u>
Total other financing sources (uses)	<u>2,958,934</u>	<u>2,954,934</u>	<u>5,015,134</u>	<u>(2,060,200)</u>
Net changes in fund balances	-	-	3,974,596	3,974,596
Fund balances, beginning	-	-	<u>(239,787)</u>	<u>(239,787)</u>
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$3,734,809</u>	<u>\$3,734,809</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget - Positive (Negative)
Revenues:				
Property taxes	\$ 1,123,124	\$ 1,123,124	\$ 1,123,124	\$ -
Interest	226	226	997	771
Total revenues	1,123,350	1,123,350	1,124,121	771
Expenditures:				
Current:				
General government	350	350	124	226
Debt service:				
Principal	245,000	245,000	245,000	-
Interest and finance charges	878,000	878,000	877,954	46
Total expenditures	1,123,350	1,123,350	1,123,078	272
Excess of revenues over expenditures	-	-	1,043	1,043
Net changes in fund balances	-	-	1,043	1,043
Fund balances, beginning	-	-	3,651	3,651
Fund balances, ending	\$ -	\$ -	\$ 4,694	\$ 4,694

CITY OF NORTH MIAMI BEACH, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Property taxes	\$ 924,560	\$ 924,560	\$ 924,560	\$ -
Other	5,000	5,000	-	(5,000)
Interest	3,990	3,990	3,412	(578)
Total revenues	933,550	933,550	927,972	(5,578)
Expenditures:				
Current:				
General government	650	650	580	70
Debt service:				
Principal	405,000	405,000	405,000	-
Interest and finance charges	527,900	527,900	525,072	2,828
Total expenditures	933,550	933,550	930,652	2,898
Deficiency of revenues over expenditures	-	-	(2,680)	(2,680)
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net changes in fund balances	-	-	(2,680)	(2,680)
Fund balances, beginning	-	-	25,188	25,188
Fund balances, ending	\$ -	\$ -	\$ 22,508	\$ 22,508

CITY OF NORTH MIAMI BEACH, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 642,052	\$ 642,052	\$ 642,052	\$ -
Interest	3,000	3,000	4,337	1,337
Total revenues	<u>645,052</u>	<u>645,052</u>	<u>646,389</u>	<u>1,337</u>
Expenditures:				
Current:				
General government	600	600	1,204	(604)
Debt service:				
Principal	185,000	185,000	185,000	-
Interest and finance charges	<u>77,900</u>	<u>77,900</u>	<u>77,695</u>	<u>205</u>
Total expenditures	<u>263,500</u>	<u>263,500</u>	<u>263,899</u>	<u>(399)</u>
Excess of revenues over expenditures	<u>381,552</u>	<u>381,552</u>	<u>382,490</u>	<u>938</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	<u>(381,552)</u>	<u>(381,552)</u>	<u>(381,552)</u>	<u>-</u>
Total other financing sources (uses)	<u>(381,552)</u>	<u>(381,552)</u>	<u>(381,552)</u>	<u>-</u>
Net changes in fund balances	-	-	938	938
Fund balances, beginning	-	-	<u>221,637</u>	<u>221,637</u>
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 222,575</u>	<u>\$ 222,575</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DEBT SERVICE FUNDS - SERIES 1999 NOTE
FISCAL YEAR ENDED SEPTEMBER 30, 2008

	<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>
Expenditures:				
Debt service:				
Principal	\$ 100,000	\$ 100,000	\$ 250,000	\$ (150,000)
Interest and finance charges	<u>22,800</u>	<u>22,800</u>	<u>3,615</u>	<u>19,185</u>
Total expenditures	<u>122,800</u>	<u>122,800</u>	<u>253,615</u>	<u>(130,815)</u>
Deficiency of revenues over expenditures	<u>(122,800)</u>	<u>(122,800)</u>	<u>(253,615)</u>	<u>(130,815)</u>
Other financing sources (uses):				
Transfers in	122,800	122,800	253,615	130,815
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>122,800</u>	<u>122,800</u>	<u>253,615</u>	<u>130,815</u>
Net changes in fund balances	-	-	-	-
Fund balances, beginning	<u>-</u>	<u>-</u>	<u>449</u>	<u>449</u>
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 449</u>	<u>\$ 449</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget - Positive (Negative)</u>
Revenues:				
Interest	\$ -	\$ -	\$ 1,110	\$ 1,110
Total revenues	-	-	1,110	1,110
Expenditures:				
Debt service:				
Principal	14,000	14,000	13,836	164
Interest and finance charges	2,000	2,000	1,923	77
Total expenditures	16,000	16,000	15,759	241
Deficiency of revenues over expenditures	(16,000)	(16,000)	(14,649)	1,351
Other financing sources (uses):				
Transfers in	16,000	16,000	14,649	1,351
Transfers out	-	-	-	-
Total other financing sources (uses)	16,000	16,000	14,649	1,351
Net changes in fund balances	-	-	-	-
Fund balances, beginning	-	-	-	-
Fund balances, ending	\$ -	\$ -	\$ -	\$ -

CITY OF NORTH MIAMI BEACH, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Interest	\$ -	\$ -	\$ 782	\$ 782
Total revenues	-	-	782	782
Expenditures:				
Debt service:				
Principal	405,000	405,000	405,000	-
Interest and finance charges	289,050	289,050	288,113	937
Total expenditures	694,050	694,050	693,113	937
Deficiency of revenues over expenditures	(694,050)	(694,050)	(692,331)	1,719
Other financing sources (uses):				
Transfers in	694,050	694,050	691,950	2,100
Transfers out	-	-	-	-
Total other financing sources (uses)	694,050	694,050	691,950	2,100
Net changes in fund balances	-	-	(381)	(381)
Fund balances, beginning	-	-	763	763
Fund balances, ending	\$ -	\$ -	\$ 382	\$ 382

CITY OF NORTH MIAMI BEACH, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Interest	\$ -	\$ -	\$ 526	\$ 526
Total revenues	-	-	526	526
Expenditures:				
Debt service:				
Principal	1,700	1,700	1,677	23
Interest and finance charges	9,550	9,550	9,524	26
Total expenditures	11,250	11,250	11,201	49
Deficiency of revenues over expenditures	(11,250)	(11,250)	(10,675)	575
Other financing sources (uses):				
Transfers in	11,250	11,250	10,675	(575)
Transfers out	-	-	-	-
Total other financing sources (uses)	11,250	11,250	10,675	(575)
Net changes in fund balances	-	-	-	-
Fund balances, beginning	-	-	-	-
Fund balances, ending	\$ -	\$ -	\$ -	\$ -

CITY OF NORTH MIAMI BEACH, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest	\$ 100	\$ 100	\$ 3,038	\$ 2,938
Total revenues	<u>100</u>	<u>100</u>	<u>3,038</u>	<u>2,938</u>
Expenditures:				
Current:				
Public services	100	111	813	(702)
Capital outlay	<u>320,000</u>	<u>319,989</u>	<u>380,356</u>	<u>(60,367)</u>
Total expenditures	<u>320,100</u>	<u>320,100</u>	<u>381,169</u>	<u>(61,069)</u>
Deficiency of revenues over expenditures	<u>(320,000)</u>	<u>(320,000)</u>	<u>(378,131)</u>	<u>(58,131)</u>
Other financing sources (uses):				
Transfers in	320,000	320,000	320,000	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>320,000</u>	<u>320,000</u>	<u>320,000</u>	<u>-</u>
Net changes in fund balances	-	-	(58,131)	(58,131)
Fund balances, beginning	-	-	<u>15,268</u>	<u>15,268</u>
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (42,863)</u>	<u>\$ (42,863)</u>

FIDUCIARY FUNDS

CITY OF NORTH MIAMI BEACH, FLORIDA
FIDUCIARY FUNDS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
SEPTEMBER 30, 2008

<u>ASSETS</u>	Pension Trust Funds			<u>Totals</u>
	General	Police	General	
	<u>Employees</u>	<u>Officers and Firefighters</u>	<u>Management Employees</u>	
Cash held with trustee	\$ 826	\$ 2,224	\$ -	\$ 3,050
Investments:				
Cash management funds	1,339,873	1,565,334	-	2,905,207
Mutual funds	27,248,424	10,931,154	9,813,971	47,993,549
U.S. Government securities	-	12,758,172	-	12,758,172
Corporate bonds	-	5,122,909	-	5,122,909
Common stocks	19,567,636	21,234,378	-	40,802,014
Accrued interest and dividends	107,037	212,132	-	319,169
Other receivables	-	213,825	-	213,825
Total assets	<u>48,263,796</u>	<u>52,040,128</u>	<u>9,813,971</u>	<u>110,117,895</u>
<u>LIABILITIES AND NET ASSETS</u>				
Vouchers payable and accrued liabilities	<u>33,403</u>	<u>61,945</u>	<u>-</u>	<u>95,348</u>
Total liabilities	<u>33,403</u>	<u>61,945</u>	<u>-</u>	<u>95,348</u>
Net assets held in trust for pension benefits	<u>\$48,230,393</u>	<u>\$51,978,183</u>	<u>\$ 9,813,971</u>	<u>\$ 110,022,547</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

FIDUCIARY FUNDS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Pension Trust Funds			<u>Totals</u>
	<u>General Employees</u>	<u>Police Officers and Firefighters</u>	<u>General Management Employees</u>	
ADDITIONS				
Contributions:				
Employees	\$ 1,054,435	\$ 1,179,175	\$ 227,778	\$ 2,461,388
Employer	2,333,440	4,338,288	787,793	7,459,521
State/County	-	759,296	-	759,296
Total contributions	<u>3,387,875</u>	<u>6,276,759</u>	<u>1,015,571</u>	<u>10,680,205</u>
Investment income:				
Net depreciation in fair value of investments	(10,278,741)	(11,663,351)	(1,391,889)	(23,333,981)
Interest and dividends	2,699,584	2,697,669	-	5,397,253
Investment expenses	(98,169)	(200,244)	-	(298,413)
Net investment loss	<u>(7,677,326)</u>	<u>(9,165,926)</u>	<u>(1,391,889)</u>	<u>(18,235,141)</u>
Total additions	<u>(4,289,451)</u>	<u>(2,889,167)</u>	<u>(376,318)</u>	<u>(7,554,936)</u>
DEDUCTIONS				
Pension benefits	2,723,937	4,625,597	429,313	7,778,847
Refunds of contributions	116,040	30,934	32,147	179,121
Administrative expenses	119,945	166,781	18,837	305,563
Total deductions	<u>2,959,922</u>	<u>4,823,312</u>	<u>480,297</u>	<u>8,263,531</u>
Net decrease	(7,249,373)	(7,712,479)	(856,615)	(15,818,467)
Net assets held in trust for pension benefits:				
Beginning	<u>55,479,766</u>	<u>59,690,662</u>	<u>10,670,586</u>	<u>125,841,014</u>
Ending	<u>\$48,230,393</u>	<u>\$51,978,183</u>	<u>\$ 9,813,971</u>	<u>\$110,022,547</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

AGENCY FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Balance September 30, <u>2007</u>	<u>Additions</u>	<u>Deductions</u>	Balance September 30, <u>2008</u>
<u>ASSETS</u>				
Cash	\$ <u>18,803</u>	<u>\$ 232,177</u>	<u>\$ 217,970</u>	\$ <u>33,010</u>
<u>LIABILITIES</u>				
Deposits held in trust	\$ <u>18,803</u>	<u>\$ 232,177</u>	<u>\$ 217,970</u>	\$ <u>33,010</u>

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STATISTICAL SECTION

STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
Financial Trends <i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	105-108
Revenue Capacity <i>These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.</i>	109-115
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	116-119
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	120-121
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i>	122-124

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

CITY OF NORTH MIAMI BEACH, FLORIDA

NET ASSETS BY COMPONENT
 LAST EIGHT FISCAL YEARS
 (ACCURAL BASIS OF ACCOUNTING)
 (AMOUNTS EXPRESSED IN THOUSANDS)

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

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

CITY OF NORTH MIAMI BEACH, FLORIDA

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

	Fiscal Year							
	2001	2002	2003	2004	2005	2006	2007	2008
Expenses:								
Governmental activities:								
General government	\$ 12,626	\$ 10,823	\$ 13,682	\$ 13,966	\$ 15,063	\$ 15,258	\$ 17,433	\$ 14,951
Public safety	14,639	15,784	15,932	17,655	18,678	20,340	21,629	23,283
Library	968	998	1,040	1,089	1,037	1,070	1,192	968
Parks and recreation	3,648	3,993	4,278	4,456	4,676	4,827	4,805	4,865
Public works	7,487	8,933	9,571	10,174	11,147	13,977	10,659	11,635
Interest on long-term debt	2,023	1,758	1,717	1,980	1,998	2,672	1,971	1,873
Total governmental activities	<u>41,391</u>	<u>42,289</u>	<u>46,220</u>	<u>49,320</u>	<u>52,599</u>	<u>58,144</u>	<u>57,689</u>	<u>57,575</u>
Business-type activities:								
Water	16,820	15,005	18,466	18,471	19,381	20,124	19,624	22,003
Sewer	5,371	4,326	3,746	3,423	3,642	3,801	4,233	4,456
Stormwater	690	795	750	690	663	738	755	752
Total business-type activities	<u>22,881</u>	<u>20,126</u>	<u>22,962</u>	<u>22,584</u>	<u>23,686</u>	<u>24,663</u>	<u>24,612</u>	<u>27,211</u>
Total government expenses	<u>\$ 64,272</u>	<u>\$ 62,415</u>	<u>\$ 69,182</u>	<u>\$ 71,904</u>	<u>\$ 76,285</u>	<u>\$ 82,807</u>	<u>\$ 82,301</u>	<u>\$ 84,786</u>
Program revenues:								
Governmental activities:								
Charges for services:								
General government	\$ 6,660	\$ 3,903	\$ 4,494	\$ 6,542	\$ 7,338	\$ 8,561	\$ 7,883	\$ 8,941
Public safety	345	2,398	1,769	1,239	1,164	1,092	2,376	1,630
Public works	7,060	7,585	7,507	7,684	7,998	8,212	8,504	8,674
Other governmental activities	553	651	651	588	568	559	555	624
Operating grants and contributions	4,084	396	2,086	1,135	1,470	2,196	3,548	1,817
Capital grants and contributions	1,417	1,249	389	163	168	16	27	34
Total governmental activities program revenues	<u>20,119</u>	<u>16,182</u>	<u>16,896</u>	<u>17,351</u>	<u>18,706</u>	<u>20,636</u>	<u>22,893</u>	<u>21,720</u>
Business-type activities:								
Charges for services:								
Water	14,250	15,509	16,215	17,375	17,251	18,154	18,805	23,477
Sewer	4,398	4,669	4,707	4,919	4,854	5,128	5,068	5,865
Stormwater	1,015	1,016	1,019	1,024	1,037	1,140	1,291	1,279
Operating grants and contributions	-	-	1,544	1,332	3,809	4,414	1,281	1,401
Capital grants and contributions	2,079	2,471	5,781	1,954	4,345	7,648	3,547	1,439
Total business-type activities program revenues	<u>21,742</u>	<u>23,665</u>	<u>29,266</u>	<u>26,604</u>	<u>31,296</u>	<u>36,484</u>	<u>29,992</u>	<u>33,461</u>
Total program revenues	<u>\$ 41,861</u>	<u>\$ 39,847</u>	<u>\$ 46,162</u>	<u>\$ 43,955</u>	<u>\$ 50,002</u>	<u>\$ 57,120</u>	<u>\$ 52,885</u>	<u>\$ 55,181</u>
Net (expense) revenue:								
Governmental activities	\$ (21,272)	\$ (26,107)	\$ (29,324)	\$ (31,969)	\$ (33,893)	\$ (37,508)	\$ (34,796)	\$ (35,855)
Business-type activities	(1,139)	3,539	6,304	4,020	7,610	11,821	5,380	6,240
Total net expense	<u>\$ (22,411)</u>	<u>\$ (22,568)</u>	<u>\$ (23,020)</u>	<u>\$ (27,949)</u>	<u>\$ (26,283)</u>	<u>\$ (25,687)</u>	<u>\$ (29,416)</u>	<u>\$ (29,615)</u>
General revenues:								
Governmental activities:								
Taxes:								
Property taxes	\$ 8,033	\$ 10,832	\$ 11,858	\$ 12,640	\$ 13,769	\$ 15,810	\$ 19,155	\$ 19,669
Sales and other taxes	5,283	5,638	8,023	8,490	8,193	9,170	9,436	9,375
State and local shared revenue (1)	4,890	3,823	2,837	3,566	4,164	8,501	5,373	5,786
Unrestricted interest earnings	1,472	1,075	78	535	542	637	674	173
Miscellaneous	1,505	990	743	973	1,040	1,367	1,283	1,437
Transfers	634	3,738	4,143	4,339	4,453	4,771	5,009	5,297
Total governmental activities	<u>21,817</u>	<u>26,096</u>	<u>27,682</u>	<u>30,543</u>	<u>32,161</u>	<u>40,256</u>	<u>40,930</u>	<u>41,737</u>
Business-type activities:								
Unrestricted interest earnings	376	434	42	965	1,297	1,445	884	136
Miscellaneous	325	850	265	355	300	369	546	577
Transfers	(634)	(3,738)	(4,143)	(4,339)	(4,453)	(4,771)	(5,009)	(5,297)
Total business-type activities	<u>67</u>	<u>(2,454)</u>	<u>(3,836)</u>	<u>(3,019)</u>	<u>(2,856)</u>	<u>(2,957)</u>	<u>(3,579)</u>	<u>(4,584)</u>
Total general revenues	<u>\$ 21,884</u>	<u>\$ 23,642</u>	<u>\$ 23,846</u>	<u>\$ 27,524</u>	<u>\$ 29,305</u>	<u>\$ 37,299</u>	<u>\$ 37,351</u>	<u>\$ 37,153</u>
Change in net assets:								
Governmental activities	\$ 545	\$ (11)	\$ (1,642)	\$ (1,426)	\$ (1,732)	\$ 2,748	\$ 6,134	\$ 5,882
Business-type activities	(1,072)	1,085	2,468	1,001	4,754	8,864	1,801	1,666
Total change in net assets	<u>\$ (527)</u>	<u>\$ 1,074</u>	<u>\$ 826</u>	<u>\$ (425)</u>	<u>\$ 3,022</u>	<u>\$ 11,612</u>	<u>\$ 7,935</u>	<u>\$ 7,548</u>

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

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

CITY OF NORTH MIAMI BEACH, FLORIDA

FUND BALANCES OF GOVERNMENTAL FUNDS

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

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

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

CITY OF NORTH MIAMI BEACH, FLORIDA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

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

	Fiscal Year							
	2001	2002	2003	2004	2005	2006	2007	2008
Revenues:								
Ad valorem taxes	\$ 8,033	\$ 10,832	\$ 11,858	\$ 12,640	\$ 13,769	\$ 15,810	\$ 19,155	\$ 19,669
Franchise fees	1,772	1,418	1,443	1,591	1,454	1,809	1,914	1,906
Utility taxes	3,511	2,297	2,377	2,349	2,243	2,377	2,336	2,452
Communication service tax	-	1,901	1,785	1,990	1,863	2,168	2,460	2,431
Other taxes	32	22	19	18	21	38	792	806
Licenses and permits	1,429	1,458	1,485	1,795	2,201	3,103	2,101	2,083
Intergovernmental	7,381	5,412	6,885	7,391	7,306	10,755	7,839	7,484
Charges for services	8,102	8,556	8,970	9,046	9,771	10,039	10,437	10,913
Fines and forfeitures	3,128	2,396	1,763	1,298	1,207	1,075	2,363	1,589
Other	3,491	3,174	3,076	4,902	6,037	8,310	8,743	8,680
Interest	1,472	1,075	774	535	542	637	674	173
Total revenues	<u>38,351</u>	<u>38,541</u>	<u>40,435</u>	<u>43,555</u>	<u>46,414</u>	<u>56,121</u>	<u>58,814</u>	<u>58,186</u>
Expenditures:								
Current:								
General government	10,545	9,779	11,866	11,831	12,814	13,230	15,546	14,886
Police	13,706	14,380	14,926	16,852	17,878	19,805	21,041	22,902
Library	788	823	867	904	881	926	1,062	968
Parks and recreation	3,573	3,709	4,035	4,307	4,453	4,720	4,696	3,950
Public services	7,401	7,719	8,168	9,547	10,315	13,487	10,162	10,089
Capital outlay	4,740	6,020	7,448	8,033	5,738	8,336	10,000	5,930
Debt service:								
Principal	1,773	1,733	1,654	1,509	1,970	2,105	2,247	2,451
Interest and other fiscal charges	2,023	1,758	1,717	1,980	1,998	1,977	2,008	1,896
Total expenditures	<u>44,549</u>	<u>45,921</u>	<u>50,681</u>	<u>54,963</u>	<u>56,047</u>	<u>64,586</u>	<u>66,762</u>	<u>63,072</u>
Deficiency of revenues over expenditures	<u>(6,198)</u>	<u>(7,380)</u>	<u>(10,246)</u>	<u>(11,408)</u>	<u>(9,633)</u>	<u>(8,465)</u>	<u>(7,948)</u>	<u>(4,886)</u>
Other financing sources (uses):								
Transfers in	5,928	5,208	5,976	6,044	6,686	6,742	7,363	8,157
Transfers out	(2,343)	(1,470)	(1,833)	(1,705)	(2,233)	(1,972)	(2,353)	(2,860)
Lease proceeds	-	942	547	719	864	1,317	1,425	-
Debt issuance	17,983	11,510	-	7,765	226	-	-	-
Proceeds from credit facilities	-	-	-	-	-	-	-	4,000
Premium on debt issuance	-	286	-	370	7	-	-	-
Payment to escrow agent	-	(11,938)	-	-	(228)	-	-	-
Total other financing sources (uses)	<u>21,568</u>	<u>4,538</u>	<u>4,690</u>	<u>13,193</u>	<u>5,322</u>	<u>6,087</u>	<u>6,435</u>	<u>9,297</u>
Net change in fund balances	15,370	(2,843)	(5,556)	1,785	(4,311)	(2,378)	(1,513)	4,411
Fund balances - beginning	<u>11,801</u>	<u>27,171</u>	<u> </u>	<u>19,422</u>	<u>21,207</u>	<u>16,896</u>	<u>14,518</u>	<u>13,006</u>
Fund balances - ending	<u>\$27,171</u>	<u>\$24,328</u>	<u>\$ (5,556)</u>	<u>\$21,207</u>	<u>\$16,896</u>	<u>\$14,518</u>	<u>\$13,005</u>	<u>\$17,417</u>
Debt service as a percentage of non-capital expenditures	9.54%	8.75%	7.80%	7.43%	7.89%	7.26%	7.50%	7.61%

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

CITY OF NORTH MIAMI BEACH, FLORIDA

NET ASSESSED VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS
(IN THOUSANDS OF DOLLARS)

Fiscal Year Ended <u>September 30,</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Centrally Assessed</u>	<u>Total Gross Assessed Value</u>	<u>Real Estate Exempt Properties</u>	<u>Total Net Assessed Value</u>	<u>Total Direct Tax Rate</u>
1999	\$ 990,457	\$ 133,200	\$ 816	\$1,124,473	\$ 15,923	\$1,108,550	8.404
2000	1,026,104	106,739	829	1,133,672	11,379	1,122,293	8.396
2001	1,101,413	108,074	845	1,210,332	19,892	1,190,440	9.290
2002	1,210,077	115,814	858	1,326,749	24,705	1,302,044	9.095
2003	1,372,854	120,113	855	1,493,822	22,805	1,471,017	8.896
2004	1,533,037	122,126	1,043	1,656,206	14,825	1,641,381	8.781
2005	1,812,635	122,216	1,109	1,935,960	40,287	1,895,673	8.609
2006	2,243,492	131,519	1,191	2,376,202	40,788	2,335,414	8.409
2007	2,600,993	130,023	1,214	2,732,230	33,706	2,698,524	7.479
2008	2,521,418	124,873	1,392	2,647,684	5,087	2,642,597	7.437

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

Source: Miami Dade County Property Appraiser's Office.

CITY OF NORTH MIAMI BEACH, FLORIDA

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

Fiscal Year	Overlapping Rates (1)														Total Direct and Overlapping Rates			
	City of North Miami Beach				Miami-Dade County				Miami-Dade County School Board				Water Management District			Fire and Rescue	Fire Debt	Everglades C.P.
	Operating Millage	Service Millage	Debt Millage	Total City Millage	Operating Millage	Service Millage	Debt Millage	Total County Millage	Operating Millage	Service Millage	Debt Millage	Total School Board Millage	District	District				
1999	7.5000	0.9040	8.4040	5.8090	0.8160	6.6250	8.6540	0.9900	9.6440	0.5970	0.0440	0.0000	2.6830	0.0690	0.1000	28.1660		
2000	7.5000	0.8960	8.3960	5.7510	0.6520	6.4030	8.7020	0.9150	9.6170	0.5970	0.0410	0.0000	2.6830	0.0690	0.1000	27.9060		
2001	7.5000	1.7910	9.2910	5.7130	0.5520	6.2650	8.5280	0.8480	9.3760	0.5970	0.0385	0.0000	2.6830	0.0690	0.1000	28.4195		
2002	7.5000	1.5950	9.0950	5.8890	0.3900	6.2790	8.4820	0.7700	9.2520	0.5970	0.0385	0.0000	2.5820	0.0790	0.1000	28.0225		
2003	7.5000	1.3957	8.8957	5.9690	0.2850	6.2540	8.4180	0.6820	9.1000	0.5970	0.0385	0.5000	2.5820	0.0790	0.1000	28.1462		
2004	7.5000	1.2812	8.7812	5.9690	0.2850	6.2540	8.0900	0.5970	8.6870	0.5970	0.0385	0.4442	2.5920	0.0690	0.1000	27.5629		
2005	7.5000	1.1084	8.6084	5.8350	0.2850	6.1200	7.9470	0.4910	8.4380	0.5970	0.0385	0.4288	2.6090	0.0520	0.1000	26.9917		
2006	7.5000	0.9085	8.4085	5.7200	0.2850	6.0050	7.6910	0.4140	8.1050	0.5970	0.0385	0.4442	2.6090	0.0420	0.1000	26.3492		
2007	6.6905	0.7889	7.4794	4.5796	0.2850	4.8646	7.5700	0.3780	7.9480	0.5346	0.0345	0.4223	2.2067	0.0420	0.0894	23.6215		
2008	6.6236	0.8139	7.4375	4.8379	0.2850	5.1229	7.5330	0.2640	7.7970	0.5346	0.0345	0.4212	2.1851	0.0420	0.0894	23.6642		

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)

Taxpayer	2008				1999			
	Type of Business	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value	
Florida Power & Light Co.	Utility	\$ 38,229	1	1.44%	\$ 20,788	5	1.85%	
MSW Intracoastal Mall LLC	Retail	29,644	2					
Biscayne Commons LLC	Condo	20,850	3					
Klien Motors Inc.	Retail	16,494	4	0.62%	-	-	0.00%	
Sonic Ward, Inc. (K-Mart)	Retail	15,100	5	0.57%	22,566	4	2.01%	
Costco Wholesaler Corporation	Retail	13,925	6		7,648	10	0.68%	
Dayton Hudson Corp (Target)	Retail	13,500	7	0.51%	9,838	8	0.87%	
Divine Square LLC	Condo	12,228	8	0.53%	-	-	0.00%	
NMB Commerce Center	Office Building	12,000	9	0.45%	-	-	0.00%	
Inland Towers Condo LLC	Condo	11,452	10	0.43%	-	-	0.00%	
RHC Parkway	Hospital	-	-	0.00%	56,311	1	5.01%	
BellSouth Telecommunications	Utility	-	-	0.00%	31,304	2	2.78%	
633 Partners, Ltd	Office Building	-	-	0.00%	28,000	3	2.49%	
Intracoastal Pacific, Ltd	Office Building	-	-	0.00%	14,649	6	1.30%	
State of Florida	Government	-	-	0.00%	12,581	7	1.12%	
Friendly Ford, Inc.	Retail	-	-	0.00%	8,147	9	0.72%	
Total		<u>\$ 183,422</u>		<u>4.56%</u>	<u>\$ 211,832</u>		<u>18.84%</u>	
Total assessed value				<u>\$ 2,647,684</u>			<u>\$ 1,124,473</u>	

Source: Miami Dade County Property Appraisers Office.

CITY OF NORTH MIAMI BEACH, FLORIDA

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS
(AMOUNTS EXPRESSED IN THOUSANDS)

Fiscal Year Ended <u>September 30,</u>	Total Taxes Levied for Operating Purposes for <u>Fiscal Year</u>	Levied Taxes Collected within the Fiscal Year		Delinquent Tax <u>Collections</u>	Total Tax Collections	
		<u>Amount</u>	<u>Percent of Levy</u>		<u>Amount</u>	<u>Percent of Levy</u>
1999	\$ 8,257	N/A	0%	N/A	\$ 7,863	95%
2000	8,434	\$ 7,495	89%	\$ 472	7,967	94%
2001	8,503	7,654	90%	379	8,033	94%
2002	9,077	8,742	96%	31	8,773	97%
2003	9,951	9,365	94%	83	9,448	95%
2004	11,204	10,605	95%	54	10,659	95%
2005	12,422	11,637	94%	116	11,753	95%
2006	14,520	13,726	95%	46	13,772	95%
2007	18,280	16,877	92%	227	17,104	94%
2008	17,065	17,421	102%	200	17,621	103%

Source: City of North Miami Beach

CITY OF NORTH MIAMI BEACH, FLORIDA

WATER PRODUCED AND CONSUMED

LAST TEN FISCAL YEARS
(IN THOUSANDS OF DOLLARS)

Fiscal Year Ended 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)
1999	4,975,850	5,231,523	7,230,892	\$ 20,121	\$ 12.49
2000	4,620,845	5,367,869	7,138,469	15,203	12.49
2001	5,000,000 (5)	5,000,000 (5)	6,727,793	14,250	12.49
2002	5,246,138	4,411,391	7,119,759	15,509	12.77
2003	5,613,394	4,449,940	7,243,090	16,215	12.98
2004	5,627,611	4,477,992	7,274,623	17,375	13.75
2005	5,181,070	4,632,693	7,140,902	17,251	13.96
2006	5,197,500	3,909,050	7,319,322	18,154	14.99
2007 (4)	5,833,530	2,596,557	7,016,467	18,805	15.41
2008	8,182,466	568,949	6,720,508	23,477	17.40

Notes:

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

Sources:

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

CITY OF NORTH MIAMI BEACH, FLORIDA

WATER RATE HISTORY LAST TEN FISCAL YEARS (IN THOUSANDS OF DOLLARS)

	<u>1999 (1)</u>	<u>2000 (1)</u>	<u>2001 (1)</u>	<u>2002 (1)</u>	<u>2003 (1)</u>	<u>2004 (1)</u>	<u>2005 (1)</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Minimum Chg:										
5/8"	6.82	6.82	6.82	6.82	6.82	6.82	6.82	6.97	7.16	8.10
3/4"	6.82	6.82	6.82	6.82	6.82	6.82	6.82	6.97	7.16	8.10
1"	17.05	17.05	17.05	17.05	17.05	17.05	17.05	17.43	17.90	20.25
1 1/2"	34.10	34.10	34.10	34.10	34.10	34.10	34.10	34.85	35.80	40.50
2"	54.56	54.56	54.56	54.56	54.56	54.56	54.56	55.76	57.28	64.80
3"	109.12	109.12	109.12	109.12	109.12	109.12	109.12	111.52	114.56	129.60
4"	170.50	170.50	170.50	170.50	170.50	170.50	170.50	174.25	179.00	202.50
6"	341.00	341.00	341.00	341.00	341.00	341.00	341.00	348.50	358.00	405.00
8"	545.60	545.60	545.60	545.60	545.60	545.60	545.60	557.60	572.80	648.00
10"	784.30	784.30	784.30	784.30	784.30	784.30	784.30	801.55	823.40	931.50

Consumption Charge

Conservation Increments (Blocks):

Single Fam/Non-Resi

0 - 10 mgs	1.46 (2)	1.46	1.46	1.50	1.53	1.64	1.67	1.81	-	-
11 - 20 mgs	1.61	1.61	1.61	1.70	1.74	1.84	1.87	2.02	-	-
over 20 mgs	1.75	1.75	1.75	2.10	2.15	2.28	2.32	2.51	-	-
<u>Multi-family</u>										
0 - 9 mgs/unit	1.31	1.31	1.31	1.35	1.38	1.48	1.50	1.62	-	-
10 - 18 mgs/unit	1.45	1.45	1.45	1.53	1.57	1.66	1.69	1.83	-	-
over 18 mgs/unit	1.58	1.58	1.58	1.89	1.93	2.05	2.08	2.25	-	-

Single Fam/Non-Resi

0 - 7 mgs	-	-	-	-	-	-	-	-	1.86	2.1
8 - 12 mgs	-	-	-	-	-	-	-	-	2.08	2.35
over 12 mgs	-	-	-	-	-	-	-	-	2.58	2.92
<u>Multi-family</u>										
0 - 5 mgs/unit	-	-	-	-	-	-	-	-	1.86	2.1
3 - 5 mgs/unit	-	-	-	-	-	-	-	-	2.08	2.35
over 5 mgs/unit	-	-	-	-	-	-	-	-	2.58	2.92

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

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

CITY OF NORTH MIAMI BEACH, FLORIDA

PRINCIPAL WATER CUSTOMERS

FISCAL YEAR 2008

<u>Customer</u>	<u>Type of Business</u>	<u>Water Units Sold (MG)</u>	<u>Rank</u>	<u>% of Water Consumption</u>
Winston Towers	Condominium	201,950	1	3.0%
Arlen House	Condominium	74,239	2	1.1%
Ocean View Condo. Assoc.	Condominium	60,836	3	0.9%
Intracoastal Yacht Club	Condominium	59,173	4	0.8%
Pro Player Stadium	Stadium	57,015	5	0.8%
Admirals Port	Condominium	50,312	6	0.7%
Trump Intl Sonesta Beach	Condominium	49,634	7	0.7%
Plaza of the Americas Club	Shopping Mall	49,623	8	0.7%
Oceania - Towers I, II, III	Condominium	49,500	9	0.7%
Commodore Plaza Condo Assoc.	Condominium	<u>47,140</u>	10	<u>0.7%</u>
Total customers		<u>699,422</u>		<u>10.10%</u>

Source: City of North Miami Beach Finance Department.

Note: Information is not available for fiscal year 1999 comparison.

CITY OF NORTH MIAMI BEACH, FLORIDA

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

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

Fiscal Year	Governmental Activities				Business-type Activities				Total	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Notes Payable	Capital Leases	Capital Leases	Water Bonds	Notes Payable	Capital Leases	Capital Leases			
1999	\$ 15,695	\$ 1,307	\$ 1,652	\$ 1,845	\$ 6,750	\$ 2,900	\$ 1,845	\$ 30,149	6.30%	\$ 853	
2000	15,495	1,307	1,617	1,774	6,855	2,800	1,774	29,848	1.99%	844	
2001	32,280	880	1,469	985	6,855	2,700	985	45,169	3.01%	1,277	
2002	31,580	749	1,529	776	73,240	2,650	776	110,524	7.37%	3,126	
2003	31,330	647	1,305	498	73,240	2,600	498	109,620	7.30%	3,100	
2004	38,413	550	1,294	328	72,977	2,500	328	116,062	7.73%	3,282	
2005	37,320	450	1,339	868	73,125	2,400	868	115,502	7.70%	3,267	
2006	36,163	350	1,869	1,008	72,527	2,300	1,008	114,217	7.61%	3,230	
2007	34,959	250	2,215	737	72,036	2,198	737	112,395	7.49%	3,179	
2008	33,703	-	1,344	334	71,527	2,094	334	109,002	7.26%	3,083	

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

(1) See the Schedule of Demographic and Economic Statistics on page 118 for personal income and population data.

CITY OF NORTH MIAMI BEACH, FLORIDA

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

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

Fiscal Year	<u>General Bonded Debt Outstanding</u>			Percentage of Net Assessed Property Value (1)	Per Capita (2)
	General Obligation Bonds	Less Amount in Debt Service	Net Amount		
1999	\$ 15,695	\$ 394	\$15,301	1.38%	\$ 433
2000	15,495	326	15,169	1.35%	429
2001	32,280	307	31,973	2.69%	904
2002	31,418	155	31,263	2.40%	884
2003	31,330	293	31,037	2.11%	878
2004	38,413	237	38,176	2.33%	1,080
2005	37,320	210	37,110	1.96%	1,050
2006	36,163	209	35,954	1.54%	1,017
2007	34,959	252	34,707	1.29%	982
2008	33,703	251	33,452	1.27%	946

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

(1) See the Schedule of Net Assessed Value of Taxable Property on Page 107 for net assessed property value data.

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

CITY OF NORTH MIAMI BEACH, FLORIDA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

SEPTEMBER 30, 2008

(AMOUNTS EXPRESSED IN THOUSANDS)

<u>Government Unit</u>	2008		
	Net Debt Outstanding	Percentage Applicable to the City of North Miami Beach (1)	Amount Applicable to the City of North Miami Beach
Debt repaid with property taxes:			
Miami-Dade County	\$ 504,371	1.10%	\$ 5,548
Miami-Dade County School Board	381,880	1.10%	4,201
Other debt:			
Miami-Dade County	1,685,946	1.10%	18,545
Miami-Dade County School Board	97,560	1.10%	<u>1,073</u>
Subtotal, Overlapping Debt			29,367
City of North Miami Beach Direct Debt			<u>35,047</u>
Total Direct and Overlapping Debt			<u>\$ 64,414</u>

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

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

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

CITY OF NORTH MIAMI BEACH, FLORIDA

PLEGGED REVENUE COVERAGE LAST TEN FISCAL YEARS (AMOUNTS EXPRESSED IN THOUSANDS)

Fiscal Year Ended September 30,	Water Utility Bonds - 2000 A, 2002 B and 2005 C Series						Capital Improvement Bonds - 2003 B Serie						Capital Improvement Bonds - 1993, 1997 and 1998 Series							
	Utility		Less		Net		County		Debt Service		Coverage		Municipal		Debt Service		Coverage			
	Charges and Other	Operating Expenses	Operating Expenses	Revenue	Available Revenue	Net Revenue	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
1999	\$ 15,058	\$ 13,376	\$ 1,682	\$ 6,750	\$ 155	\$ 6,750	\$ 155	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 924	\$ 3,495	\$ 1,287	\$ 924	\$ 3,495	\$ 1,287	0.19
2000	15,810	13,864	1,946	6,855	4,964	6,855	4,964	-	-	-	-	-	-	945	3,220	1,118	945	3,220	1,118	0.22
2001	14,837	11,798	3,039	6,855	4,655	6,855	4,655	-	-	-	-	-	-	944	2,935	972	944	2,935	972	0.24
2002	16,245	11,979	4,266	73,240	75,877	73,240	75,877	-	-	-	-	-	-	960	2,455	825	960	2,455	825	0.29
2003	18,041	12,336	5,705	73,240	72,250	73,240	72,250	799	-	-	-	-	-	1,055	2,325	708	1,055	2,325	708	0.35
2004	19,038	12,446	6,592	72,977	68,622	72,977	68,622	1,225	7,765	3,186	0.11	0.11	0.11	1,157	2,165	437	1,157	2,165	437	0.44
2005	19,139	13,979	5,160	73,125	64,336	73,125	64,336	1,254	7,370	2,880	0.12	0.12	0.12	1,428	2,000	497	1,428	2,000	497	0.57
2006	21,352	14,782	6,570	72,527	60,863	72,527	60,863	1,416	6,980	2,880	0.14	0.14	0.14	1,466	1,830	402	1,466	1,830	402	0.66
2007	19,933	14,029	5,904	72,036	57,331	72,036	57,331	1,367	6,585	2,292	0.15	0.15	0.15	1,425	1,655	317	1,425	1,655	317	0.72
2008	24,166	15,227	6,488	71,527	52,215	71,527	52,215	1,307	6,180	2,010	0.16	0.16	0.16	642	1,470	239	642	1,470	239	0.38

Source: City Finance Department

CITY OF NORTH MIAMI BEACH, FLORIDA

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

<u>Year</u>	<u>Population (1)</u>	<u>Personal Income (Amounts Expressed in Thousands) (1)</u>	<u>Per Capita Personal Income (2)</u>	<u>Median Age (2)</u>	<u>Unemployment Rate (3)</u>
1999	35,359	\$ 478,443	\$ 13,531	34.5	5.5%
2000	40,786	1,731,039	42,442	34.5	4.6%
2001	40,786	1,731,039	42,442	34.5	6.1%
2002	40,786	1,731,039	42,442	34.5	6.0%
2003	42,000	1,782,564	42,442	34.5	5.8%
2004	42,000	1,782,564	42,442	34.5	5.1%
2005	42,000	1,782,564	42,442	34.5	4.1%
2006	42,000	1,782,564	42,442	34.5	3.7%
2007	42,000	1,782,564	42,442	34.5	4.2%
2008	42,007	1,782,861	42,442	36.9	6.7%

Sources:

(1) United States Census Bureau (for years 2000 through 2007). Estimated by City of North Miami Beach Economic Development (for years 2003 to 2008).

(2) United States Census Bureau

(3) U.S. Department of Labor

Note: Population information is based on surveys conducted during the last quarter of the calendar year.

CITY OF NORTH MIAMI BEACH, FLORIDA

PRINCIPAL EMPLOYERS AND INDUSTRIES

FISCAL YEAR 2008

<u>Employer</u>	<u>Type of Business</u>	2008	
		<u>Employees</u>	<u>Rank</u>
Publix Super Markets	Warehouse/Distribution	2,100	1
Jackson North Regional Medical Center	Hospital/Medical	1,200	2
Aventura Columbia Medical Center	Hospital/Medical	1,150	3
FMS Management Systems	Licensing	1,070	4
Sysco Food Services	Food Distribution	750	5
Southern Wine & Spirits	Beverage Distribution	600	6
Nabi	Laboratory Apparatus	500	7
Turnberry Associates	Developers/Property Mgmt.	470	8
Perko	Marine Hardware	450	9
AT&T Cable Services	Telephone	430	10
Total		<u>8,720</u>	

Special Note: The above list includes private employers in the Greater North Miami Beach area. Last available data is from 2007.

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

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

Note: Information is not available for fiscal year 1999 comparison.

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

CITY OF NORTH MIAMI BEACH, FLORIDA

FULL-TIME CITY GOVERNMENT EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

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

Source: City of North Miami Beach annual budgets

CITY OF NORTH MIAMI BEACH, FLORIDA

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

<u>Function/Program</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Public safety:										
Police:										
Police calls for service	n/a	n/a	n/a	n/a	85,611	80,486	81,137	86,685	85,283	91,894
Parking citations	n/a	n/a	n/a	n/a	2,250	3,030	2,532	2,011	1,959	1,788
Traffic citations	n/a	n/a	n/a	n/a	10,360	11,855	12,192	12,043	12,791	14,853
Arrests	n/a	n/a	n/a	n/a	2,185	2,124	2,099	2,266	2,429	2,339
SRT call outs	n/a	45	21	15	17	10	27	26	46	TBD
Community development:										
Building permits issued	2,283	2,450	2,212	2,181	2,204	2,376	3,199	3,684	2,552	2,941
Library:										
Number of registered borrowers	14,306	16,243	18,226	20,413	13,170	18,233	22,677	27,096	20,641	24,485
Total annual circulation	143,927	139,084	127,471	135,912	154,987	176,341	159,353	141,858	148,496	136,179
Total reference transactions	46,795	79,936	41,828	111,857	135,836	125,021	137,249	137,683	154,081	120,711
Annual number of users of public internet computers	n/a	n/a	n/a	n/a	n/a	61,531	75,448	73,171	75,088	70,737
Parks and recreation:										
After school program enrollment	215	254	318	312	283	328	303	312	314	301
Summer camp program enrollment	n/a	381	374	362	383	406	416	413	431	441
Camp No-Mi-Be enrollment (1)	n/a	447	454	439	422	370	234	463	160	149
Theater camp enrollment	n/a	n/a	n/a	n/a	n/a	46	37	26	39	30
Playschool enrollment	42	44	38	42	44	35	26	-	-	-
Sanitation:										
Refuse collected (tons / year)	n/a	n/a	n/a	n/a	40,445	41,612	42,504	53,701	45,210	29,948
Water:										
Number of customers	31,324	31,543	31,730	31,906	32,065	32,164	34,412	32,355	32,587	32,292
Average daily water consumption (millions of gallons)	24.9	25.6	24.5	24.5	24.5	24.5	24.5	24.5	24.5	20.12
Annual water produced (millions of gallons)	n/a	n/a	n/a	5,498	5,500	5,289	4,982	5,391	5,834	7,343
Sewer:										
Number of customers	6,698	6,752	6,877	6,923	6,980	7,010	7,065	7,047	7,260	7,256

Sources: Various city departments

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

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

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

<u>Function/Program</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General government:										
General government buildings	1	1	1	1	1	1	1	1	1	1
Public safety:										
Police:										
Police stations	1	1	1	1	1	1	1	1	1	1
Fire:										
Fire stations (operated by Miami-Dade County)	2	2	2	2	2	2	2	2	2	2
Library:										
Libraries	1	1	1	1	1	1	1	1	1	1
Print materials in catalog	53,663	55,433	56,168	53,631	50,724	53,212	51,651	58,523	60,736	62,161
Number of licensed databases	n/a	n/a	n/a	n/a	20	15	15	37	61	62
Audio materials volumes	1,861	2,063	2,018	2,420	2,502	2,972	3,618	3,727	4,362	4,473
Video materials volumes	2,587	2,828	3,230	3,538	3,444	4,106	4,005	4,298	4,715	5,322
Parks and recreation:										
Parks	9	9	9	9	9	9	9	10	10	10
Senior centers	1	1	1	1	1	1	1	1	1	1
Municipal swim centers	3	3	3	3	3	3	3	3	3	3
Tennis centers	1	1	1	1	1	1	1	1	1	1
Recreational centers	4	4	5	5	5	5	5	5	5	5
Performing arts centers	1	1	1	1	1	1	1	1	1	1
Amphitheaters	1	1	1	1	1	1	1	1	1	1
Parks acreage	n/a	n/a	n/a	n/a	49.0	49.0	49.0	49.0	49.0	49.0
Streets:										
Miles of streets and alleys	109.0	109.0	109.0	109.0	109.0	109.0	109.0	109.0	130.1	130.1
Water:										
Water mains (miles)	515	515	515	515	515	515	515	515	515	545
Fire hydrants	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,610
Valves	8,160	8,160	8,160	8,160	8,160	8,160	8,160	8,160	8,160	9,590
Sewer:										
Lift stations	29	29	29	29	29	29	29	29	29	35
Sewer mains (miles)	90	90	90	90	90	90	90	90	90	109

Sources: Various city departments

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

COMPLIANCE SECTION



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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund (including the community redevelopment agency special revenue fund), and the aggregate remaining fund information of the City of North Miami Beach, Florida (the City) as of and for the fiscal year ended September 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 7, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies in the accompanying schedule of findings and questioned costs as items 08-01, 08-02 and 08-03 to be significant deficiencies in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness, as defined above. We also noted other matters that we have reported to management in the accompanying schedule of findings and questioned costs.

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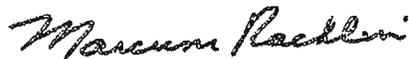
Honorable Mayor, City Council and City Manager
City of North Miami Beach, Florida
Page Two

Compliance and Other Matters

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

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

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



a division of Marcum LLP
Miami, Florida
June 7, 2009

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, 2008, and have issued our report thereon dated June 7, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General. We have issued our Report of Independent Certified Public Accountants on Internal Control over Financial Reporting and Compliance and Other Matters, Report of Certified Public Accountants on Compliance and Internal Control over Compliance Applicable to each Major Federal Awards Program and State Financial Assistance Project, and the Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated June 7, 2009, should be considered in conjunction with this management letter.

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

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

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

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

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

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Section 10.554(1)(i)5., Rules of the Auditor General, requires, based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including, but not limited to: (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. Matters to be disclosed by the Rules of Auditor General Section 10.554(1)(i)5 are reported in the accompanying schedule of findings and questioned costs.

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City of North Miami Beach was incorporated pursuant to Chapter 15824, Laws of Florida, Acts of 1931. The North Miami Beach Community Redevelopment Agency, the City's component unit, was created by the Mayor and City Council on December 21, 2004 by adopting a resolution in accordance with section 163.357 of the Florida Statutes under the Community Redevelopment Act of 1969, enacted by the Florida Legislature.

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

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2008, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2008. In connection with our audit, we determined that these two reports were in agreement.

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

Pursuant to Chapter 119, Florida Statutes, this management letter is public record and its distribution is not limited. Auditing standards generally accepted in the United States require us to indicate that this letter is intended solely for the information and use of 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.



a division of Marcum LLP
Miami, Florida
June 7, 2009



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

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

Compliance

We have audited the compliance of the City of North Miami Beach, Florida (the City), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, and the requirements described in the Executive Office of the Governor's State Projects Compliance Supplement, that are applicable to each of its major federal awards programs and its state financial assistance projects for the fiscal year ended September 30, 2008. The City's major federal awards programs and state financial assistance projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal awards programs and its state financial assistance projects is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material aspects, with the requirements referred to above that are applicable to each of its major federal awards programs and its state financial assistance projects for the year ended September 30, 2008.

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Internal Control over Compliance

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

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

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

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

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

Marcum Rachlin

a division of Marcum LLP
Miami, Florida
June 7, 2009

CITY OF NORTH MIAMI BEACH, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE PROJECTS

FISCAL YEAR ENDED SEPTEMBER 30, 2008

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Grant or Identifying Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through Miami-Dade County:			
City of NMB Highland Village Wastewater Improvements	14.218	CDBG FY2004	\$ 31,761
City of NMB Highland Village Wastewater Improvements	14.218	CDBG FY2005	118,678
City of NMB Highland Village Wastewater Improvements	14.218	CDBG FY2006	230,382
City of NMB Highland Village Wastewater Improvements	14.218	CDBG FY2007	188,716
City of NMB Highland Village Wastewater Improvements	14.218	CDBG FY2008	<u>10,411</u>
Total U.S. Department of Housing and Urban Development			<u>579,948</u>
U.S. DEPARTMENT OF JUSTICE			
Forfeiture Fund - Federal Equitable Sharing (non-treasury)	N/A	N/A	1,081,188
Forfeiture Fund - U.S. Treasury Equitable Sharing	N/A	N/A	1,966
Domestic Violence Grant	16.579	2008-JAGC-DADE-15-Q9-141	5,311
FY 2007 Weed & Seed Program	16.595	2007-WS-Q7-0034	118,727
FY 2006 Weed & Seed Program	16.595	2006-WS-Q5-0149	14,525
Gang Resistance & Training Grant (GREAT Grant)	16.737	2007-JV-FX-0284	<u>11,020</u>
Subtotal - direct awards			<u>1,232,737</u>
Passed through the State of Florida Department of Juvenile Justice:			
PanZou Project - Federal (Gang Grant in City of NMB)	16.540	2003-MU-FX-K006	<u>447,737</u>
Subtotal passed through awards			<u>447,737</u>
Total U.S. Department of Justice			<u>1,680,474</u>
FEDERAL EMERGENCY MANAGEMENT AGENCY			
Passed through Florida Department of Community Affairs:			
Hurricane Wilma Repair Project	97.036	FEMA 1609 DR FL	<u>19,409</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through Florida Department of Community Affairs:			
UASI Grant (Urban Areas Security Initiative)	97.067	07DS-55-11-23-02-379	<u>9,669</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through Florida Department of Transportation:			
Hanford Boulevard Roadway Improvement - Phase IV	20.205	Fin Proj No.420908-1/Contract No. AP233	<u>1,094,272</u>
Total of Expenditures of Federal Awards			<u>\$ 3,383,772</u>

(Continued)

CITY OF NORTH MIAMI BEACH, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE PROJECTS
(Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2008

<u>State Agency/Pass-Through Grantor/Program Title</u>	<u>State CFSA Number</u>	<u>State Grant Number</u>	<u>Expenditures</u>
FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION			
NMB Norwood Water Treatment Plant Stormwater Retention Ponds &			
Abandonment of Existing Exfiltration Systems	37.039	LP6764	\$ 295,200
Highland Village Stormwater & Sanitary Sewer Improvements	37.039	LP6829	500,000
Arthur Synder Tennis Center Renovation	37.017	F8086	22,220
Eastern Shores Improvements	37.017	F8085	<u>37,787</u>
Total Florida Department of Environmental Protection			<u>855,207</u>
FLORIDA DEPARTMENT OF STATE - DIVISION OF LIBRARY AND INFORMATION			
State Aid to Libraries Grant Program	45.030	05-ST-36	2,954
State Aid to Libraries Grant Program	45.030	06-ST-36	<u>12,959</u>
Total Florida Department of State			<u>15,913</u>
FLORIDA DEPARTMENT OF JUVENILE JUSTICE			
Gang Reduction Program (GRP)	80.019	Contract # X1504	
Total Florida Department of Juvenile Justice			<u>106,140</u>
Total Expenditures of State Financial Assistance Projects			<u>\$ 977,260</u>

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

CITY OF NORTH MIAMI BEACH, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2008

NOTE 1. BASIS OF PRESENTATION

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

CITY OF NORTH MIAMI BEACH, FLORIDA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FISCAL YEAR ENDED SEPTEMBER 30, 2008

PRIOR YEAR COMMENTS AND STATUS

Financial Statement Findings

There were no financial statement findings reported in the fiscal year ended September 30, 2007 schedule of findings and questioned costs.

Federal Award and State Financial Assistance Findings and Questioned Costs

There were no federal award or state financial assistance findings and questioned costs reported in the fiscal year ended September 30, 2007 schedule of findings and questioned costs.

CITY OF NORTH MIAMI BEACH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FISCAL YEAR ENDED SEPTEMBER 30, 2008

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Unqualified Opinion

Type of auditor’s report issued:

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified not considered to be material weakness(es)? X Yes _____

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards Programs and State Financial Assistance Projects

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

Material weakness(es) identified? _____ Yes X No

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

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

Unqualified Opinion

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

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

<u>Federal Awards Programs</u>	<u>Federal CFDA No.</u>
Community Development Block Grant	14.218
Panzou Project	16.540
Hanford Boulevard Roadway Improvement	20.205

<u>State Assistance Project</u>	<u>State CSFA No.</u>
Highland Village Stormwater & Sanitary Sewer Improvements	37.039

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

Federal \$300,000
State \$293,178

Auditee qualified as low-risk auditee? _____

X Yes _____ no

CITY OF NORTH MIAMI BEACH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

SECTION II – FINANCIAL STATEMENT FINDINGS

Significant Deficiencies

08-01 Financial Condition Assessment

Criteria

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

Condition

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

Cause

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

Effect

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

Recommendation

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

- Timely monitoring of revenues and expenditures against budgeted amounts throughout the fiscal year.
- Timely recording of assets and liabilities to ensure that complete internal financial statements can be properly prepared and used for analysis.

CITY OF NORTH MIAMI BEACH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

View of Responsible Officials and Planned Corrective Actions

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

08-02 Material Journal Entries

Criteria

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

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

Condition

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

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

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

- In the Community Redevelopment Agency Fund, \$4 million was recorded in a liability account that needed to be reclassified into other financing sources as proceeds from credit facilities.
- In the Water Utility System Fund, entries were made for approximately \$65 million to close out the Water Plant project and record as a capital asset and the applicable depreciation expense.
- In the Sewer Utility System Fund, entries were made for approximately \$6.3 million to close out the sewer projects and record as a capital asset and the applicable depreciation expense.
- In the Sewer Utility System Fund, entries were made for approximately \$341,000 to eliminate negative cash amounts.
- In the Stormwater Utility System Fund, entries were made for approximately \$2.1 million to close out one of the stormwater project funds.

CITY OF NORTH MIAMI BEACH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

Cause

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

Effect

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

Recommendation

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

View of Responsible Officials and Planned Corrective Actions

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

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 (Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

Cause

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

Effect

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

Recommendation

Accounting closing procedures including monthly reconciliations play an important role in providing accurate information to be included in the financial statements. This practice greatly enforces the checks and balances necessary for strong internal controls. We recommend that a designated member of management, review the reconciliations for any unusual items, investigate and fully resolve any such items, and document his or her approval by signing/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.

Other Matters

08-04 Construction Projects

Criteria

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

Condition

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

CITY OF NORTH MIAMI BEACH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

Cause

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

Effect

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

Recommendation

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

View of Responsible Officials and Planned Corrective Actions

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

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

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

Recommendation

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

CITY OF NORTH MIAMI BEACH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

View of Responsible Officials and Planned Corrective Actions

The City has obtained an actuarial valuation of its post-employment benefits in accordance with our understanding of the requirements of GASB 45. The valuation was obtained October 2008 currently the valuation report is being update to reflect changes in Annual Required Contribution. The City is also in the process of developing a Trust Plan to fund its OPEB obligations. The City continues to make every effort to be in compliance with the GASB .requirement.

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

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

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

Recommendation

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

View of Responsible Officials and Planned Corrective Actions

The City continues to keep abreast of changes in the governmental arena that affect us. The GASB 53 requirement will be fully adhered to on its effective date and the City will continue to plan for implementation in a prudent manner.

08-07 Governmental Accounting Standards Board Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions

The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

CITY OF NORTH MIAMI BEACH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

This hierarchy is as follows:

Restricted committed assigned and unassigned.

The Statement is effective for fiscal years beginning after June 15, 2010.

Recommendation

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

View of Responsible Officials and Planned Corrective Actions

The City continues to keep abreast of changes in the governmental arena that affect us. The GASB 54 requirement will be fully adhered to on its effective date and the City will continue to plan for implementation in a prudent manner.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

SECTION IV – STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

None.