

CITY OF NORTH MIAMI BEACH, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2004

Prepared by:

Department of Finance

CITY OF NORTH MIAMI BEACH, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2004

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INTRODUCTORY SECTION



City of North Miami Beach, Florida

CITY MANAGER

May 2, 2005

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

State law requires that all general purpose local governments publish within one year of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Additionally, the City's charter requires an annual audit of the books of account, financial records and transactions of all departments of the City by independent certified public accountants. Pursuant to these requirements, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the City of North Miami Beach for the fiscal year ended September 30, 2004.

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

Rachlin Cohen & Holtz LLP, a licensed certified public accounting firm, has audited the City's financial statements. The goal of the independent audit was to provide reasonable assurance that the City's financial statements for the fiscal year ended September 30, 2004, are 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. The independent auditors concluded based upon their audit, 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, 2004, are fairly presented in conformity with GAAP. The report of the independent certified public accountants is presented as the first component of the financial section of this report.

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

Profile of the Government

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

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

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

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

fund, this comparison is presented on pages 62-64 as part of the basic financial statements.

Factors Affecting Financial Condition

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

Long-term financial planning. The City's plan to take advantage of its portion of the one-half percent increase in the sales tax (surtax) to fund transit and transportation progressed with the opening of the second block of Hanford Boulevard and the engineering of the remaining blocks of the future mainstreet. Construction of these blocks will start in 2005 and be completed in 2006. A request for \$2.75 million of federal funding for reconstruction of the north/south avenues continues to progress through a Federal Highway Administration grant program and the transportation enhancement area of the federal Transportation Department's appropriations bill.

During fiscal year 2004, Miami-Dade County successfully passed a package of bond issues totaling \$2.6 billion. North Miami Beach will specifically receive \$3.4 million for improvements to Parks and Recreation facilities and \$1 million for the ongoing sewer and drainage improvements in Highland Village.

The creation of a Community Redevelopment Area (CRA) was a major focus during 2004, and final approval in 2005 is possible. The CRA is projected to focus \$130 million dollars toward the redevelopment of the City's central area over the next 30 years.

Realizing that the long term financial impacts of future development, particularly of Fulford City Center, as it is known, will be extensive, the City began researching possibilities for Fiscal Impact Modeling utilizing the State of Florida approved model. It is likely that such modeling will be used as an analysis tool starting in 2005. This will be particularly important to long-term financial planning considering the potential for future development. (See section on local economy).

During 2004, the residents of an unincorporated enclave surrounded by the City petitioned Miami-Dade County for the right to vote to be annexed into the City. The City has analyzed the financial and service impacts such an annexation would have to the area. Preliminary indications are that the annexation may initially have a negative financial impact on the City, but eventually would more than pay for the cost to service the area. However, the length of time it would take for the City to recoup the initial capital expense necessary to provide adequate infrastructure and services to the area, if annexed, would be dependent upon what revenues are retained by the County. This revenue issue is subject to negotiations between the City and the County. These matters could then be considered further and possibly finalized by the City Council, the County Commission, and the voters themselves in 2005 and 2006.

Local economy. Fiscal year 2004 truly was the beginning of a new era for the local economy of North Miami Beach as evidenced by not only the continued strength of property values and the

continued implementation of public improvements in the area, but by the much greater than expected development interest expressed as fiscal year 2004 gave way to 2005.

The public improvements mentioned above combined with the now very visible reconstruction of the Mall at 163rd Street, Wal-Mart, and several other retail, office, and residential projects in the City have generated substantial development interest. The approval of two twenty-four story condominium towers at Maule Lake Marina signaled a willingness on the City's behalf to consider heights and densities beyond what the City has previously hosted.

The City's only large, vacant tract of land – the former People's Gas site on the southeast corner on NE 159 Street at Dixie Highway -- is a prime example of the shift the City has seen in development interest. Just three years ago an application was submitted which sought to develop this contaminated site with a series of warehouses. The proposal was given serious consideration due to the complexities of dealing with the site and the City's need for every possible addition to ad valorem revenue. Ultimately concerns about zoning as well as hope that the future may hold better possibilities for the site won out. In 2004, an application was submitted for the development of 544 luxury condominium units at the site. If the condominium development is approved, the ad valorem revenues from it would represent a significant increase above those currently obtained from the vacant site. (Any development would be subject to environmental review and Mayor, Council and citizen input).

Two examples of major future development are described above. Numerous other projects, both of this scale and much larger, are in various stages of discussion as of the writing of this summary, but no formal applications have been made. Some of the development interest may be as a result of the proposed CRA and the potential to take advantage of the anticipated \$130 million the CRA will have to spend over the next 30 years. However, some of the proposed development is outside of the CRA area, so the CRA may be an engine but is not the only incentive.

The shift in the local economy of North Miami Beach will be substantial and beneficial. The challenge for the City will be to maintain its quality of life, its level of service, and its solid neighborhoods during this redevelopment period. Substantial care will also be required to ensure that all of the residents of the City are the benefactors of the coming economic prosperity.

Continuing initiatives. The City's water infrastructure improvements, including the Norwood Water Treatment Plant Expansion Project is underway. The program is, and will be, the main focus of the Water Production Division of the Public Services Department for years to come. The water system improvements are scheduled for substantial completion in September 2006. Additional information on this project can be found in the Management's Discussion and Analysis (MDA) section.

The bond-funded Proud Neighborhoods capital improvement program was expanded once again in 2004 with the addition of eight new projects. Funding for the additional projects was obtained from completed project savings and interest earnings. It is anticipated that all 67 Proud Neighborhoods construction projects will be completed during 2006.

Construction began during fiscal year 2004 on the new stormwater and wastewater infrastructure improvements in the Highland Village area. The project will provide sanitary sewers in an area that had previously been serviced by failing septic drain fields. In addition to sanitary sewers, this multi-phased project will include stormwater and street improvements in the area. City funds as well as state and federal grants and appropriations have been obtained to cover the estimated \$5.6 million Phase I construction cost. Phase I is scheduled for completion in July 2005.

Cash management policies and practices. The City's investment policy is, and always has been, unwaveringly conservative. The traditional concept of return of investment as a higher priority than return on investment is reflected in the City's investment choices. Various investment and cash balances are pooled to maximize investment yields. All the funds of the City, except for the pension funds and agency fund, participate in the pooled investments.

Except for the City's restricted cash and investments and those funds excluded as noted above, the City maintains an average monthly balance of \$14 million in both its interest earning checking account at a state approved local financial institution and its account with the Florida State Board of Administration (SBA) in the Local Government Surplus Trust Funds Investment Pool. The uncertain economy and poor interest rates adversely affected the City's interest income this year. The average interest rate for the interest checking and SBA accounts for the fiscal year was 0.60% and 1.33%, respectively. The total interest earned from all investments was \$158,000 as compared to \$166,000 in fiscal year 2003. The \$8,000 decrease in interest earnings was primarily due to a continued decrease in the overall interest rates paid on investments.

	2004			2003		
	Interest Earned	Average Interest Rate	Average Investment Balance	Interest Earned	Average Interest Rate	Average Investment Balance
Interest checking	\$ 17,555	0.60	\$ 3,200,000	\$ 22,683	0.75	\$ 3,300,000
SBA	140,293	1.33	10,700,000	142,839	1.52	9,700,000
Totals	<u>\$ 157,848</u>		<u>\$ 13,900,000</u>	<u>\$ 165,522</u>		<u>\$ 13,000,000</u>

Risk management. The Risk Management section continues to implement and monitor various risk control techniques to minimize accidents and losses to City personnel and property. The City's workers' compensation program is self-insured and requires extensive management with the assistance of a third party administrator and managed care arrangement. The City also self-funds its general liabilities, which requires a great deal of coordination with the Finance Department and the Office of the City Attorney. Health and dental insurance coverage for the employees of the City are through fully insured plans to help control costs.

An actuarial study was recently completed for self-insured risks to determine the funding requirements necessary to meet projected losses. The reserve requirements include liabilities retained for claims losses and allocated loss adjustment expenses. It includes Incurred But Not Reported (IBNR) reserves, credit for future investment income, and margins for adverse results.

The City has sufficient reserves to cover potential claims. Additional information on the City's risk management activity can be found in Note 7 of the notes to the basic financial statements.

Pension and other post employment benefits. The City's three single employer defined benefit pension plans and one defined contribution pension plan provide benefits for substantially all full-time employees and certain former City firemen. Independent actuaries engaged by the pension plans calculate the amount of the annual contribution that the City must make to the pension plans to ensure that the plans will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, the City fully funds each year's annual required contribution to the pension plans as determined by the actuary.

The City also provides post employment life, health and dental care benefits for certain retirees and their dependents. These are financed on a pay-as-you-go basis. GAAP does not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

Additional information on the City's pension arrangements and post employment benefits can be found in Notes 7, 8 and 9 in the notes to the basic financial statements.

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, 2003. This was the sixteenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

Acknowledgements

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

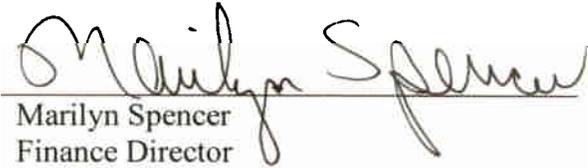
We express our appreciation to all members of other departments who assisted and contributed to the preparation of this report. A special note of thanks and appreciation is also extended to our auditors, Rachlin Cohen & Holtz LLP, for their professional approach and high standards in the conduct of their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

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

Respectfully submitted,



Gary Brown
City Manager



Marilyn Spencer
Finance Director



Patricia Bliss
Assistant Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of North Miami Beach,
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2003

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.



Nancy L. Zjelke

President

Jeffrey R. Emer

Executive Director

CITY OF NORTH MIAMI BEACH, FLORIDA

LIST OF CITY OFFICIALS

SEPTEMBER 30, 2004

COUNCIL - MANAGER FORM OF GOVERNMENT

CITY COUNCIL

Jeffrey A. Mishcon, Mayor

Jay R. Chernoff	Raymond F. Marin
Kenneth A. De Fillipo	Myron Rosner
Philippe Derose	Jacqueline Smith

CITY MANAGER

Gary Brown

CITY ATTORNEY

Howard B. Lenard

FINANCE DIRECTOR

Marilyn Spencer

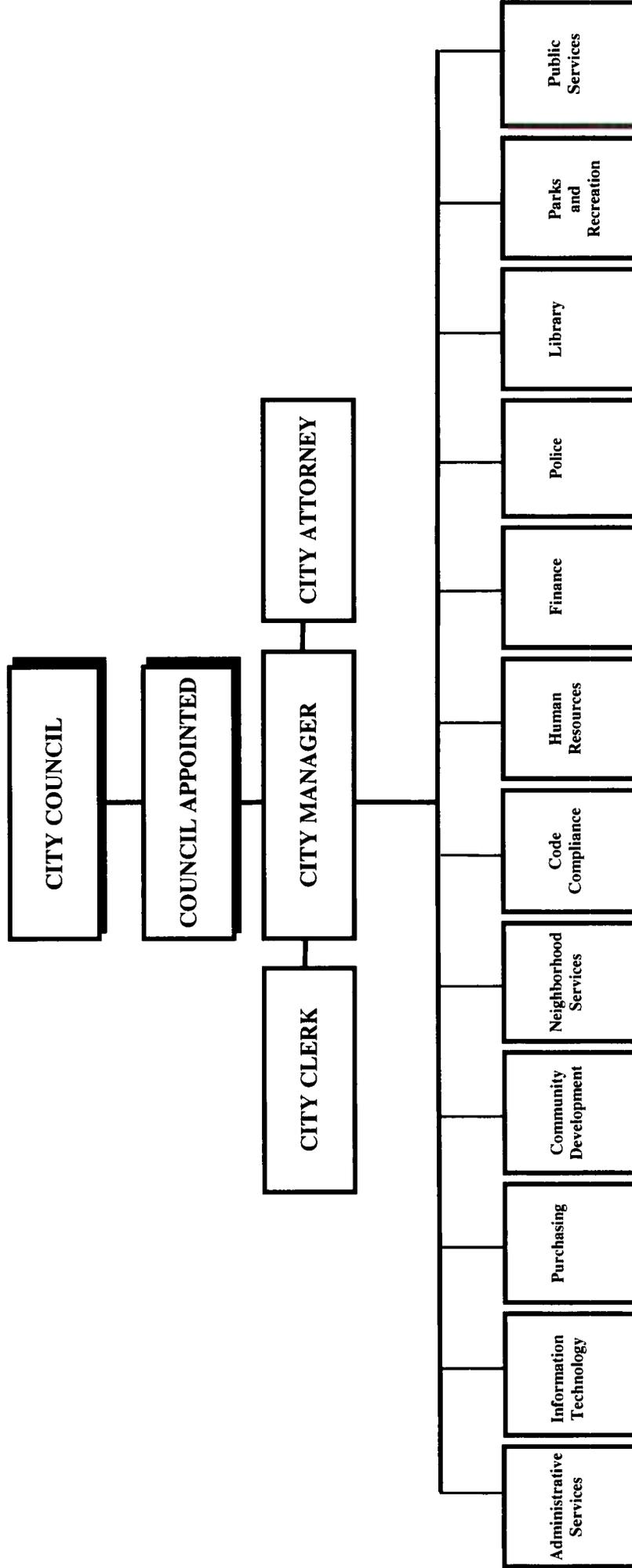
CITY AUDITORS

Rachlin Cohen & Holtz LLP
Accountants ▪ Advisors

CITY OF NORTH MIAMI BEACH, FLORIDA

SEPTEMBER 30, 2004

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 of the City of North Miami Beach, Florida (the City) as of and for the year ended September 30, 2004, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City, as of September 30, 2004, 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 January 21, 2005 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 read in conjunction with this report in considering the results of our audit.

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Rachlin Cohen & Holtz LLP

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

Management's Discussion and Analysis and the Required Supplementary Information on pages 3-19 and pages 62-72, 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 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 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information identified in the table of contents as the Introductory and Statistical Sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion thereon.

Rachlin Cohen & Holtz LLP

Miami, Florida
January 21, 2005

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, 2004. Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal, which can be found on pages i to vii of this report.

Financial Highlights

- The assets of the City of North Miami Beach exceeded its liabilities at the close of the most recent fiscal year by \$90.8 million (*net assets*). Of this amount, \$4.6 million (*unrestricted net assets*) may be used to meet the ongoing obligations to citizens and creditors.
- The City's total net assets overall decreased by \$422,400 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 \$21.2 million, an increase of \$1.8 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 fund balance for the General Fund was \$5.6 million, or 13 percent of total *General Fund* expenditures
- A new major governmental fund was created with the issuance of the 2003B surtax construction bonds. The \$7.6 million will be used for mass-transit and transportation related construction projects.
- At the end of the current fiscal year, unrestricted net assets for the Water Fund was negative \$1.6 million.
- The State of Florida suffered four major hurricanes in less than seven weeks; the City was involved with two of these hurricanes in September 2004.

Overview of the Financial Statements

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

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

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets

may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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

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

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

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

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

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Proud Neighborhood Fund, and 2003B Surtax Bond Construction Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these 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.

The notes to the basic financial statements can be found on pages 32-61 of this report.

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

Required supplementary information can be found on pages 62-72 of this report.

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

Combining and individual fund statements and schedules can be found on pages 73-82 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 \$90.8 million at the close of this fiscal year. This was an insignificant increase compared to last year's net assets of \$90.3 million.

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

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

	2004			2003		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 13.9	\$ 6.0	\$ 19.9	\$ 13.6	\$ 10.5	\$ 24.1
Restricted assets	11.8	59.2	71.0	9.6	61.9	71.5
Capital assets, net	<u>51.8</u>	<u>82.3</u>	<u>134.1</u>	<u>47.5</u>	<u>73.2</u>	<u>120.7</u>
Total assets	<u>77.5</u>	<u>147.5</u>	<u>225.0</u>	<u>70.7</u>	<u>145.6</u>	<u>216.3</u>
Long-term liabilities	45.0	76.6	121.6	37.8	77.1	114.9
Other liabilities	<u>3.7</u>	<u>8.9</u>	<u>12.6</u>	<u>3.4</u>	<u>7.5</u>	<u>10.9</u>
Total liabilities	<u>48.7</u>	<u>85.5</u>	<u>134.2</u>	<u>41.2</u>	<u>84.6</u>	<u>125.8</u>
Net Assets:						
Invested in capital assets, net of related debt	12.1	57.3	69.4	14.9	55.8	70.7
Restricted	11.7	5.0	16.7	9.9	3.9	13.8
Unrestricted	<u>5.0</u>	<u>(0.3)</u>	<u>4.7</u>	<u>4.7</u>	<u>1.3</u>	<u>6.0</u>
Total net assets	<u>\$ 28.8</u>	<u>\$ 62.0</u>	<u>\$ 90.8</u>	<u>\$ 29.5</u>	<u>\$ 61.0</u>	<u>\$ 90.5</u>

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

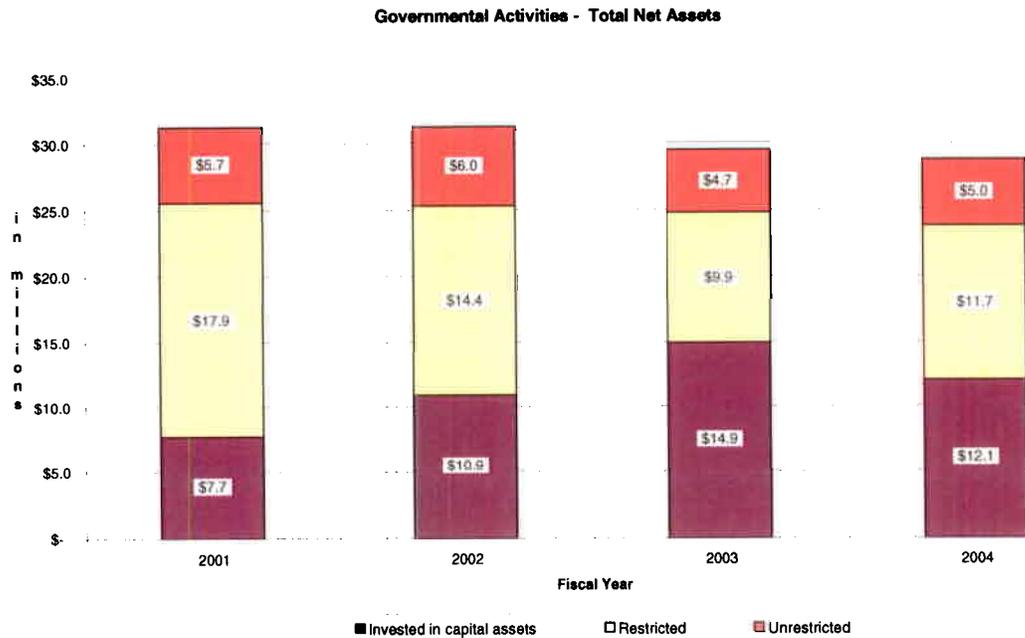
	2004			2003		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program Revenues:						
Charges for Services	\$ 12.1	\$ 23.3	\$ 35.4	\$ 12.2	\$ 21.9	\$ 34.1
Operating grants & contributions	1.2	1.3	2.5	2.1	1.5	3.6
Capital grants & contributions	0.2	2.0	2.2	0.4	5.8	6.2
General Revenues:						
Property taxes	12.6	-	12.6	11.9	-	11.9
Other taxes	5.9	-	5.9	5.7	-	5.7
Intergovernmental	6.1	-	6.1	5.2	0.2	5.4
Other miscellaneous	<u>5.5</u>	<u>1.3</u>	<u>6.8</u>	<u>3.0</u>	<u>0.0</u>	<u>3.0</u>
Total revenues	<u>43.6</u>	<u>27.9</u>	<u>71.5</u>	<u>40.5</u>	<u>29.4</u>	<u>70.0</u>
Expenses:						
General government	13.9	-	13.9	13.7	-	13.7
Public safety	17.6	-	17.6	15.9	-	15.9
Library	1.1	-	1.1	1.0	-	1.0
Parks and recreation	4.5	-	4.5	4.3	-	4.3
Public services	10.2	-	10.2	9.6	-	9.6
Interest on long-term debt	2.0	-	2.0	1.7	-	1.7
Water	-	18.5	18.5	-	18.4	18.4
Sewer	-	3.4	3.4	-	3.7	3.7
Stormwater	-	0.7	0.7	-	0.8	0.8
Total Expenses	<u>49.3</u>	<u>22.6</u>	<u>71.9</u>	<u>46.2</u>	<u>22.9</u>	<u>69.1</u>
Increase (Decrease) in net assets before transfers	(5.7)	5.3	(0.4)	(5.7)	6.5	0.9
Transfers	<u>4.3</u>	<u>(4.3)</u>	<u>-</u>	<u>4.1</u>	<u>(4.1)</u>	<u>-</u>
Change in net assets	(1.4)	1.0	(0.4)	(1.6)	2.4	0.9
Net assets - beginning	<u>30.2</u>	<u>61.0</u>	<u>91.2</u>	<u>31.1</u>	<u>58.6</u>	<u>89.7</u>
Net assets - ending	<u>\$ 28.8</u>	<u>\$ 62.0</u>	<u>\$ 90.8</u>	<u>\$ 29.5</u>	<u>\$ 61.0</u>	<u>\$ 90.6</u>

The largest portion of the City's net assets (77 percent) reflects its investment in capital assets (e.g.; land, buildings, and equipment), less any related debt used to acquire those assets that is 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.

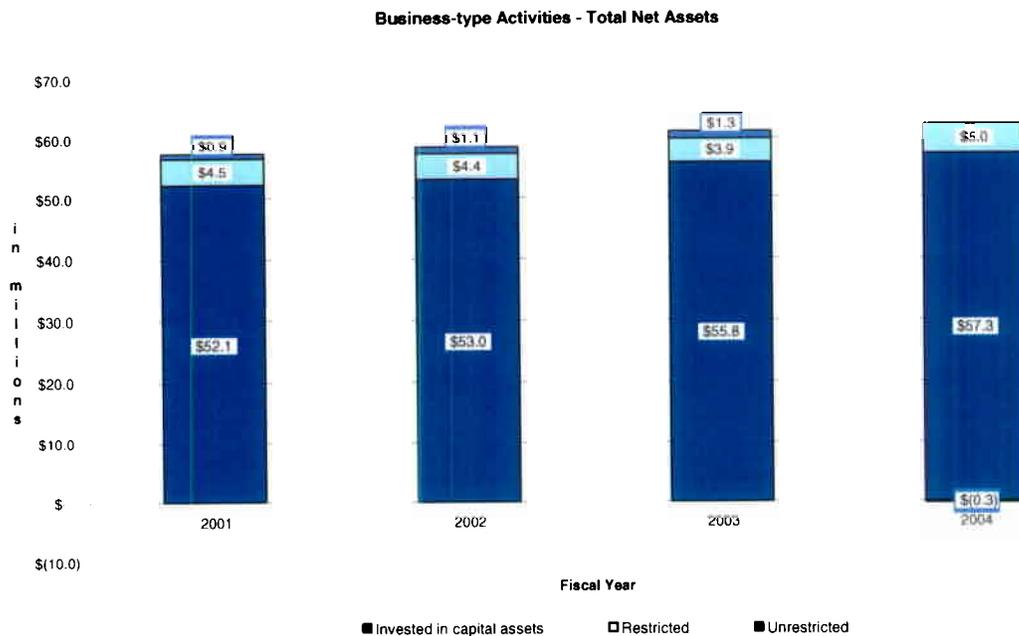
Some of the City's net assets (18 percent) are subject to external restrictions on how they may be used. These assets have been set aside for the completion of capital projects, debt service payments, or law enforcement and grant related expenditures.

The remaining balance of unrestricted net assets (5 percent) may be used to meet the City's ongoing obligations to citizens and creditors. The amount of City's total unrestricted net assets decreased by \$1.3 million or 22 percent compared to last fiscal year with the bulk of the decrease, \$1.6 million, occurring in the water utility system.

Governmental activities. Net assets of the City's governmental activities decreased by five percent (\$1.4 million) from \$30.2 million in last fiscal year compared to \$28.8 million in the current fiscal year. In general, the investment market has been difficult which has created investment losses for pension funds across the United States. The City's funds were no exception. Investment return was the major source of actuarial loss during the prior years, which means that the City's share of pension contribution expenses increased significantly. Additionally, unrestricted net assets decreased due to the settlement of a general liability lawsuit as well as the use of surplus to cover expenses related to this year's extremely unusual hurricane activity.



Business-type activities. The City's net assets of the business-type activities increased by two percent (\$1 million) from \$61 million in last fiscal year compared to \$62 million in the current fiscal year. A significant increase of \$1 million in the restricted net assets for in-plant and fire-flow occurred due to the new private development in the water and sewer service areas. These restricted funds can only be used for increasing the system's capacity or for meeting Miami-Dade County fire-flow requirements. Most of the \$5 million in restricted funds will be used over the next year for the water treatment plant expansion project. Additionally, there was a decrease of \$1.6 million in unrestricted net assets from +\$1.3 million last year resulting in a negative \$327,000 for the current fiscal year.



Financial Analysis of the City's Funds

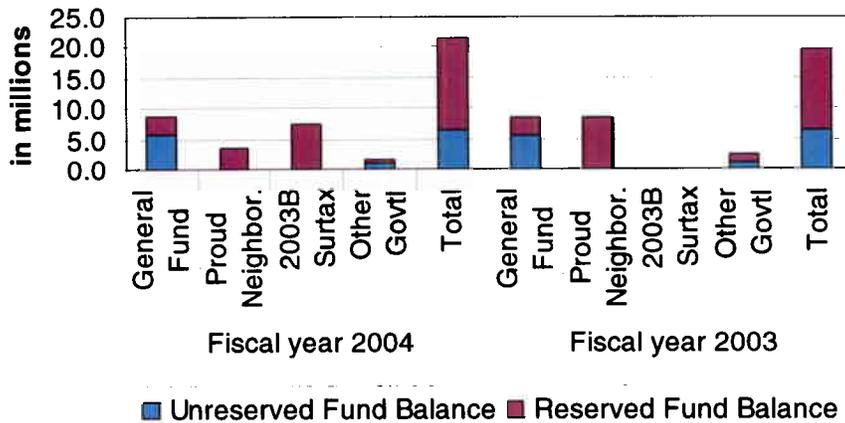
The City of North Miami Beach uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the City's *governmental funds* reported combined ending fund balances (both reserved and unreserved) of \$21.2 million, an increase of \$1.8 million in comparison with the prior year. The increase is due several factors including a decrease of \$5 million in the Proud Neighborhood Fund as construction projects are completed in the five-year Proud Neighborhood program and an increase of \$7.6 million in the 2003B Surtax Fund which will be used for transportation construction projects.

Unreserved fund balance is the portion of what is available for spending at the City's discretion. This year, 30 percent of this total amount (\$6.4 million) constitutes unreserved fund balance. 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.

Governmental Fund Balance Comparison of 2004 to 2003



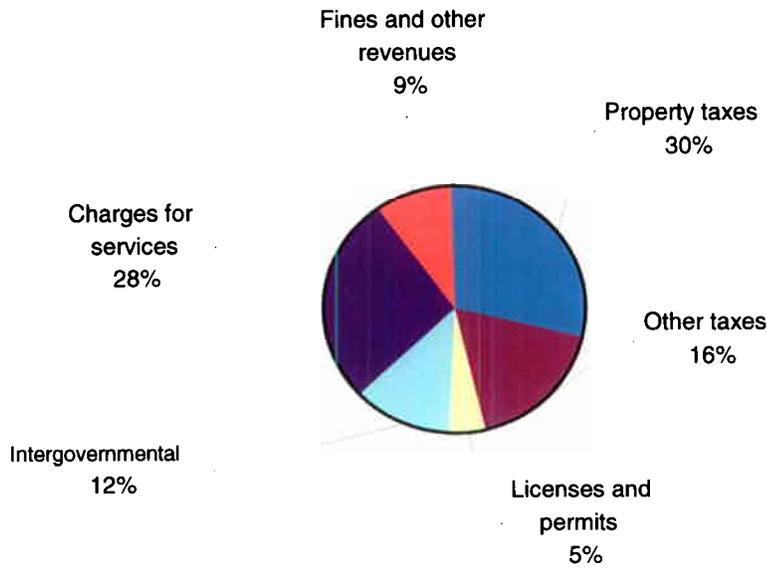
The General Fund is the chief operating fund of the City. General tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. General operating expenses, fixed charges and capital improvement costs not paid through other funds are paid from this fund. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$5.6 million, and reserved fund balance was \$3 million, for a total fund balance of \$8.6 million. Last fiscal year, the General Fund's total fund balance was \$8.6 million.

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

Revenue Sources (in thousands)	2004		2003		Amount Incr (Decr) from Prior Year	Percent Incr (Decr) from Prior Year
	2004 Amount	Percent of Total	2003 Amount	Percent of Total		
Property taxes	\$ 10,659	29	\$ 9,448	38	\$ 1,211	11
Fees and other taxes	5,949	16	5,624	15	325	5
Licenses and permits	1,795	5	1,485	4	310	17
Intergovernmental	4,660	12	3,936	11	724	16
Charges for services	9,046	24	8,970	24	76	1
Fines and forfeitures	309	1	290	1	19	6
Other miscellaneous	4,804	13	2,725	7	2,079	43
Interest	93	0	82	0	11	12
Total	\$ 37,315	100	\$ 32,560	100	\$ 4,755	13

Compared to the prior fiscal year, total General Fund revenues increased by \$4.8 million or fifteen percent in fiscal year 2004. Increases in property valuation increased property tax revenue by \$1.2 million or 13 percent. The housing market in south Florida especially along waterfront properties continues to rise. The estimated FEMA reimbursement due to last year's September

FY 04 General Fund Revenues



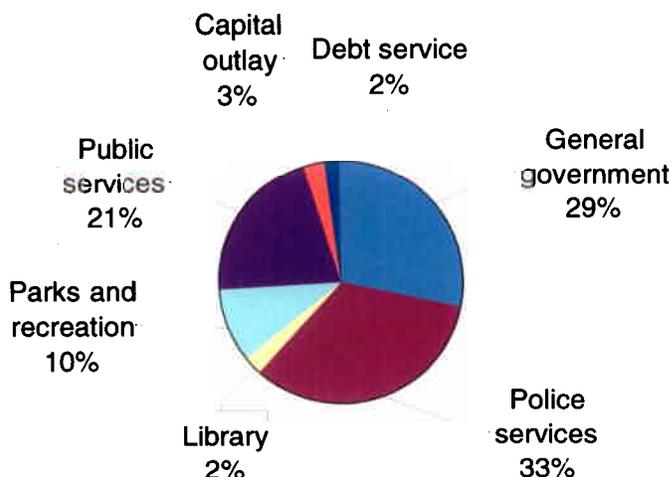
hurricanes accounts for the bulk of the increase in intergovernmental revenues. Additionally, the water and sewer billing surcharge allowed under Florida Statute 180.191 increased revenue by \$1.7 million.

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

<u>Expenditures</u> (in thousands)	<u>2004</u>		<u>2003</u>		<u>Amount Incr</u> <u>(Decr) from</u> <u>Prior Year</u>	<u>Percent Incr</u> <u>(Decr) from</u> <u>Prior Year</u>
	<u>2004</u> <u>Amount</u>	<u>Percent of</u> <u>Total</u>	<u>2003</u> <u>Amount</u>	<u>Percent of</u> <u>Total</u>		
General government	\$ 11,430	26	\$ 11,110	35	\$ 320	3
Police services	14,961	35	12,968	30	1,993	15
Library	894	2	872	2	22	3
Parks and recreation	4,180	10	4,011	9	169	4
Public services	9,437	22	8,292	19	1,145	14
Capital outlay	1,069	3	1,085	3	(16)	(1)
Debt service	725	2	793	2	(68)	(9)
Total	\$ 42,696	100	\$ 39,131	100	\$ 3,565	9

In fiscal year 2004, total General Fund expenditures increased by \$3.6 million or nine percent compared to the prior year. The bulk of the increase was in the Police and Public Services departments. The City was impacted by two hurricanes in September 2004. Considerable employee overtime and contracted vendor costs were incurred for pre-hurricane preparation and post hurricane debris removal. In addition to the hurricane expenses, normal salary and benefit costs continue to rise. Once again, due to the economy and poor overall performance of the pension investments, the City's required contribution to the Police pension increased by 44 percent; the General employees pension contribution increased by fourteen percent. Additional investigation costs were incurred in the Police department due to two major homicides, one police officer fatality and two police related shootings. This is above normal activity as the last homicide in the City was in 2001 and this is the first officer fatality. The rising cost in oil impacted the City in multiple ways with fuel, tire, and utility costs 17 percent higher than last year's amounts.

FY 04 General Fund Expenditures

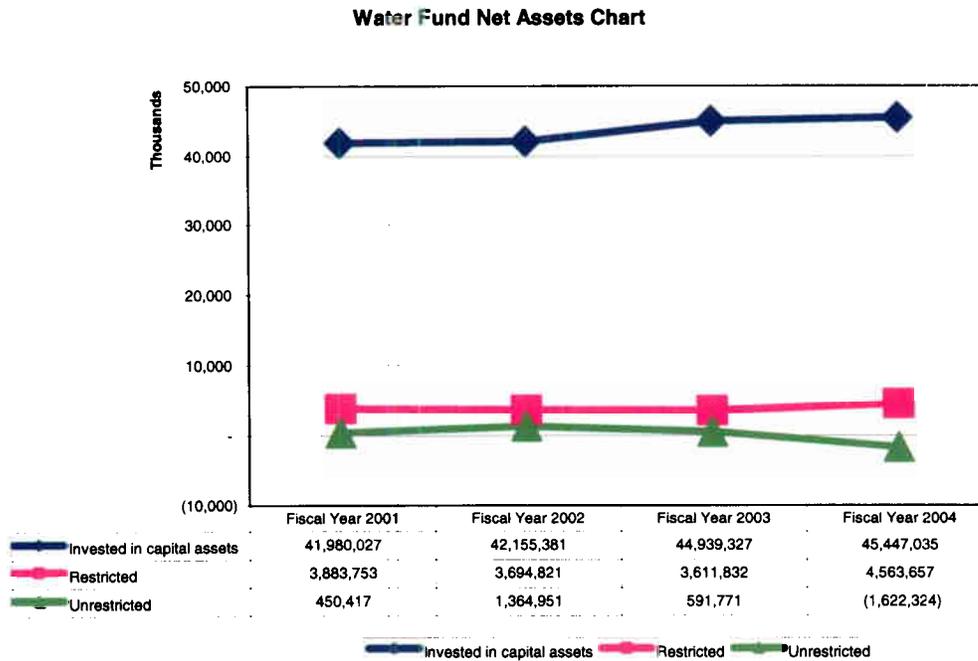


The Proud Neighborhood Fund has a total fund balance of \$3.5 million, all of which is reserved for construction. The fund was established in fiscal year 2001 with the issuance of \$17.3 million in bonds after a voter approved referendum. Design and construction of various improvements began in February 2001 and construction is expected to last for five years. Citywide improvements to roadways, sidewalks, drainage system and landscaping totaling \$5 million were completed in fiscal year 2004.

The 2003B Surtax Bond Construction Fund is a new major fund in fiscal year 2004. This fund was created in December 2003 to account for the bond proceeds of the 2003B bond issue. These bonds mature in 2019 and are secured by a pledge of the City's portion of Transit Surtax proceeds levied by Miami-Dade County and remitted to the City per an inter-local agreement. Effective January 1, 2003, Miami-Dade County created a discretionary sales surtax of one-half of one percent on taxable transactions. This surtax was approved by voter referendum. Since the surtax proceeds can only be used for transit and transportation related items, the bond proceeds will be used for transit and transportation related construction projects within the City. The City issued bonds so that large projects could be completed in a relatively short time frame. One project, the Hanford Boulevard street improvements, is scheduled for completion in 2007 at an estimated cost of \$6 million. The total fund balance as of the fiscal year end is \$7.6 million, all of which is reserved for construction.

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

Unrestricted net assets of all the enterprise funds at the end of the year decreased by \$1.6 million with the Water Fund alone decreasing \$2.2 million. Unrestricted net assets at the end of the year for the Water Fund, Sewer Fund, and Stormwater Fund amounted to (\$1.6 million), \$1 million, and \$285,000, respectively.



The Water Fund's unrestricted net assets decreased by \$2.2 million. The City's unrestricted net assets reflects all liabilities that are not related to capital assets or restricted assets. In general, *accounting statements* show a liability when it is incurred while *financing and budgeting* focuses 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 to the right indicates, the operating income and cash flows from operating activities has been sufficient. However, capital contributions, transfers to other funds, and capital and capital-related financing activities have been reducing unrestricted net assets. This trend will be monitored and adjustments may need to be made in future budget years.

Water Fund capital contributions decreased by \$3.6 million compared to last year. Last year, new high-rise condominium construction contributed in-kind water mains to the City. In contrast, no large contribution was received from large development projects in this fiscal year.

Restricted net assets in the Water Fund increased by \$1 million compare to last year. Most of the increase is in the inplant and fireflow reserves, which will be used for the water treatment plant expansion project in future fiscal years. In fiscal year 2004, only \$200,000 was expended compared to \$1.3 million in fiscal year 2003.

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

	2004				2003			
	Water Utility	Sewer Utility	Stormwater Utility	Total	Water Utility	Sewer Utility	Stormwater Utility	Total
Current and other assets	\$ 4,506	\$ 2,026	\$ 636	\$ 7,168	\$ 8,302	\$ 1,614	\$ 373	\$ 10,289
Restricted assets	58,773	756	3	59,532	61,500	395	3	61,898
Deferred charges	945	-	-	945	979	-	-	979
Capital assets, net	<u>67,842</u>	<u>11,763</u>	<u>2,753</u>	<u>82,358</u>	<u>59,601</u>	<u>11,100</u>	<u>2,538</u>	<u>73,239</u>
Total assets	<u>132,066</u>	<u>14,545</u>	<u>3,392</u>	<u>150,003</u>	<u>130,382</u>	<u>13,109</u>	<u>2,914</u>	<u>146,405</u>
Long-term liabilities	73,853	42	2,415	76,310	74,130	119	2,518	76,767
Other liabilities	<u>9,823</u>	<u>1,395</u>	<u>435</u>	<u>11,653</u>	<u>7,109</u>	<u>1,389</u>	<u>104</u>	<u>8,602</u>
Total liabilities	<u>83,676</u>	<u>1,437</u>	<u>2,850</u>	<u>87,963</u>	<u>81,239</u>	<u>1,508</u>	<u>2,622</u>	<u>85,369</u>
Net Assets:								
Invested in capital assets, net of related debt	45,447	11,672	257	57,376	44,939	10,949	(59)	55,829
Restricted	4,564	425	-	4,989	3,612	320	-	3,932
Unrestricted	<u>(1,622)</u>	<u>1,010</u>	<u>285</u>	<u>(327)</u>	<u>592</u>	<u>332</u>	<u>351</u>	<u>1,275</u>
Total net assets	<u>\$ 48,389</u>	<u>\$ 13,107</u>	<u>\$ 542</u>	<u>\$ 62,038</u>	<u>\$ 49,143</u>	<u>\$ 11,601</u>	<u>\$ 292</u>	<u>\$ 61,036</u>

In the Sewer Fund, net assets increased by \$1.5 million. Both an increase in operating revenues and a decrease in operating expenses occurred in this fiscal year. A \$300,000 reduction in operating expenses was achieved with reduction in the amount of scheduled renewal and replacement projects and the elimination of two full time positions. Operating revenues increased by \$212,000 or 4.5 percent primarily due to a sewer rate index adjustment. Additionally, intergovernmental (non-operating) revenue for grant related work was received in fiscal year 2004, which was not received last fiscal year.

In the Stormwater Fund, net assets increased by \$250,000. This was due to the grant related activity of the Highland Village Stormwater improvement project.

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

	2004				2003			
	Water Utility	Sewer Utility	Stormwater Utility	Total	Water Utility	Sewer Utility	Stormwater Utility	Total
Revenues:								
Operating Revenues	\$ 17,375	\$ 4,918	\$ 1,024	\$ 23,317	\$ 16,216	\$ 4,707	\$ 1,019	\$ 21,942
Expenses:								
Operating Expenses	12,446	2,984	554	15,984	12,336	3,298	609	16,243
Depreciation	<u>2,520</u>	<u>433</u>	<u>88</u>	<u>3,041</u>	<u>2,589</u>	<u>439</u>	<u>92</u>	<u>3,120</u>
Total Expenses	<u>14,966</u>	<u>3,417</u>	<u>642</u>	<u>19,025</u>	<u>14,925</u>	<u>3,737</u>	<u>701</u>	<u>19,363</u>
Operating Income	2,409	1,501	382	4,292	1,291	970	318	2,579
Non-operating revenue (expense)	(1,842)	668	268	(906)	(1,716)	116	153	(1,447)
Capital contributions	1,629	325	-	1,954	5,191	290	-	5,481
Transfers	<u>(2,951)</u>	<u>(988)</u>	<u>(400)</u>	<u>(4,339)</u>	<u>(2,838)</u>	<u>(902)</u>	<u>(403)</u>	<u>(4,143)</u>
Change in net assets	(755)	1,506	250	1,001	1,928	474	68	2,470
Net assets - beginning	<u>49,143</u>	<u>11,601</u>	<u>292</u>	<u>61,036</u>	<u>47,215</u>	<u>11,127</u>	<u>224</u>	<u>58,566</u>
Net assets - ending	<u>\$ 48,388</u>	<u>\$ 13,107</u>	<u>\$ 542</u>	<u>\$ 62,037</u>	<u>\$ 49,143</u>	<u>\$ 11,601</u>	<u>\$ 292</u>	<u>\$ 61,036</u>

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 62-64 of this report.

Differences between the *original budget* and the *final amended budget* amounted to \$850,000 this year and can be briefly summarized as follows:

- Estimated preparation, recovery, and debris removal costs related to Hurricane Frances totaled \$570,000.
- New or expanded police and security related programs created \$60,000 in expenditures during this fiscal year.
- Additional equipment totaling \$40,000 was proposed in the library, parks, and public service departments.
- An increase of \$20,000 for new vehicle purchases from prior year's capital lease proceeds.
- Increases in workers compensation claims totaled \$60,000.
- An \$80,000 increase in required on-behalf pension contributions.
- An increase of \$20,000 for imaging and microfilming of building department permits and plans from reserve fund balance.

Of the total increases, \$105,000 was funded from reserved or from unreserved (surplus) fund balance. The majority of the funding (\$570,000) is from estimated hurricane-related FEMA reimbursements. The remaining \$175,000 was provided when additional unanticipated revenue was received thus allowing for additional expenditures.

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

- The franchise fee and utility tax revenues received from Florida Power & Light Company (FPL) were slightly higher than budgeted. The combined actual revenue was \$257,000 more than expected. This is partly due to higher fuel costs passed on to customers by FPL.
- In fiscal year 2002, the Florida Communications Service Tax replaced the City's franchise fees and utility taxes for cable TV and telecommunications providers. The amount received was \$290,000 more than budgeted this fiscal year. Last fiscal year, the amount received was lower than expected by \$215,000. Since this new revenue source has little past history, it is difficult for the State of Florida to provide the City with accurate revenue estimates.
- Building permits and fees were \$325,000 more than expected. This was due to an overall resurgence of improvements in residential and business properties as property values in coastal areas in south Florida have soared this year. Three permits (with fees totaling \$144,000) were issued for three major developments of business properties with construction values of over \$12 million.
- Local one-half cent sales tax received from the State was \$144,000 more than budgeted.

- Due to the increase in housing sales and refinancing, lien research and open building permit research fees were 92 percent higher than budgeted resulting in an additional \$70,000 in revenue.
- An increase in local fines and donation revenue offset the decrease in charges for services revenue. Several significant donations were received which allowed the City to offer scholarships and reduced fees to residents attending summer camp, after-school, and other youth programs.
- Per Florida Statute 180.191, the city charges utility customers a surcharge based on a percentage of their total bill. The increase in the surcharge amount was adversely affected by a change in the timing of the billing calculation. Actual revenue was reduced by \$50,000 due to this change in billing dates.
- As per City policy, use of unreserved surplus is included in the revenue budget. For statement purposes, it is shown in Other Revenue.
- Overall, departments' current expenditures were in line with budgeted expenditures. The police and public services departments were over budget mostly due to hurricane-related and other overtime expenses.

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, 2004, amounts to \$134 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 11 percent.

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

	2004			2003		
	<u>Govern- mental</u>	<u>Business- type</u>	<u>Total</u>	<u>Govern- mental</u>	<u>Business- type</u>	<u>Total</u>
Land	\$ 4,168	\$ 5,254	\$ 9,422	\$ 4,168	\$ 3,986	\$ 8,154
Buildings and plant	15,624	59,430	75,054	16,890	51,924	68,814
Improvements other than buildings	5,981	-	5,981	6,004	-	6,004
Furniture, fixtures, machinery and equipment	6,290	2,177	8,467	6,939	4,603	11,542
Infrastructure	3,490	-	3,490	3,295	-	3,295
Construction in progress	<u>16,243</u>	<u>15,497</u>	<u>31,740</u>	<u>10,227</u>	<u>12,727</u>	<u>22,954</u>
Total capital assets	<u>\$ 51,796</u>	<u>\$ 82,358</u>	<u>\$ 134,154</u>	<u>\$ 47,523</u>	<u>\$ 73,240</u>	<u>\$ 120,763</u>

Due to the need for improving the roadways and upgrading the neighborhoods throughout the City, an additional \$8 million in capital assets was acquired within the governmental activities and include the following:

- In various locations, citywide construction, such as design and construction of alleys, Washington Park restoration and the installation of Sunray West sidewalks, totaled \$800,000.

- \$1.1 million in equipment purchases that included police cars, construction and service vehicles, and upgrading computers and laptops.
- Transit surtax projects dedicated to improving the transportation systems and roadways that service these systems equaled \$700,000.
- Hanford boulevard phase II renovation totaled \$400,000.
- Continuation of the Proud Neighborhood Bond projects included various types of citywide improvements to roadways, sidewalks, drainage system and landscaping. The construction totaled \$5 million this year.

Business type activities realized an additional \$17.4 million in capital assets not including depreciation. The majority of the increase can be attributed to completion of construction-in-process.

- The implementation of the Highland Village project replacing septic tanks with a city sewer sanitary system \$850,000.
- Improvements of the sewer system, such as the Belle Gardens pump station rehabilitation, amounted to \$300,000.
- Additional land purchases totaled \$1.3 million to further expand the water plant area. The additional space was necessary to construct a buffer zone around the treatment plant and administration building.
- Final construction of four Floridan aquifer wells and five Biscayne aquifer wells were completed at total value of \$2.3 million.
- Construction of the Norwood Water Treatment Plant equaled \$6 million this year.
- \$400,000 of equipment purchases to include vehicles, computers, and playground equipment.
- The 40-year certification to restore and enhance existing facilities at the Norwood Water Plant Treatment had a total restoration cost of \$400,000.
- \$6 million of previous year construction-in-progress were completed and recorded as capital assets.

Additional information on the City's capital assets can be found in note 4 starting on page 41 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$111.4 million. Of this amount, \$36 million in debt was approved by referendum by the City's voters. The guaranteed portion of State Revenue Sharing secures a net outstanding balance of \$2.4 million in debt. The remainder of the City's debt represents bonds secured solely by specified revenue sources such as water utility revenue bonds.

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

	Governmental activities		Business-type activities		Total	
	2003	2002	2003	2002	2003	2002
General obligation bonds	\$ 31,055	\$ 31,580	\$ -	\$ -	\$ 31,055	\$ 31,580
Revenue bonds	-	-	73,240	73,240	73,240	73,240
Total	<u>\$ 31,055</u>	<u>\$ 31,580</u>	<u>\$ 73,240</u>	<u>\$ 73,240</u>	<u>\$ 104,295</u>	<u>\$ 104,820</u>

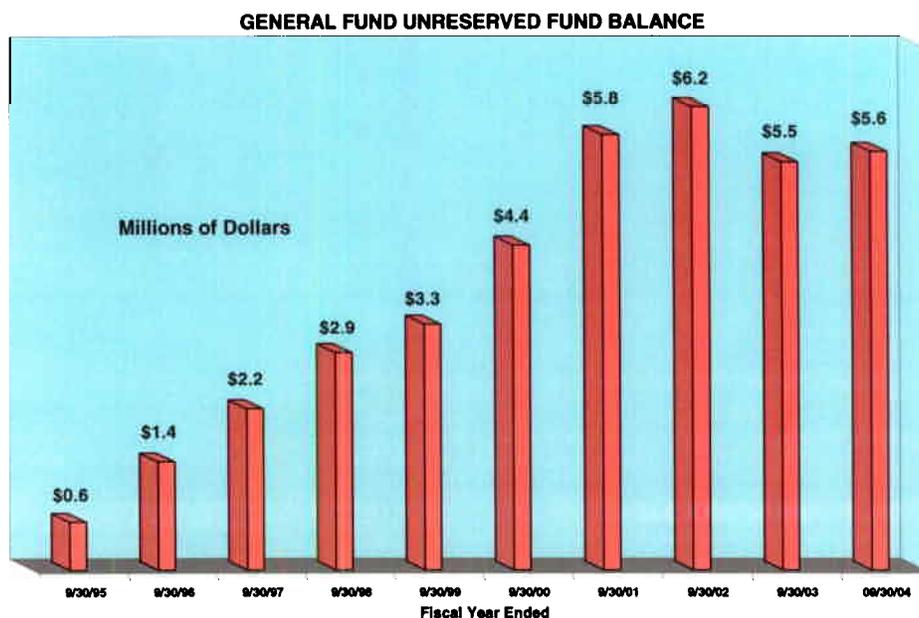
In December 2003, the City issued \$7,765,000 bonds for various transit and transportation related uses. These bonds mature in 2019 and are secured by a pledge of the City's portion of Transit Surtax proceeds. The yearly surtax revenue received will be sufficient to make the annual principal and interest payments.

Additional information on the City's long-term debt can be found in note 6 starting on page 44 of this report.

Economic Factors and Next Year's Budgets and Rates

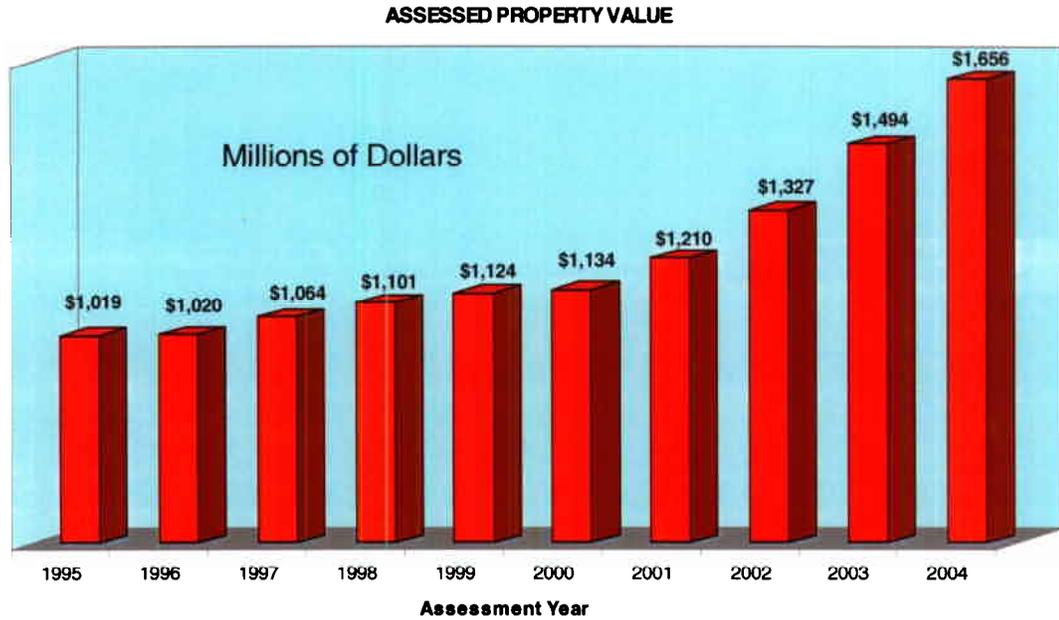
The City's local economy is primarily based upon retail and service activities. The occupancy rates of the City's retail establishments and office structures are 94 percent and 82 percent, respectively. Even though the City itself is not a popular tourist location, many of its residents and businesses have begun to feel the effects of the current economic recovery in Florida's tourism industry as a whole.

During the current fiscal year, unreserved fund balance in the General Fund increased to \$5.6 million. The City appropriated \$1.3 million of the September 30, 2004 unreserved fund balance for expenditure in the 2005 fiscal year budget. The unreserved fund balance of \$5.6 million is approximately equal to 1.5 months of General Fund expenditures. Over the last several years, the City has been able to increase its unreserved fund balance as shown in the following graph. As in prior fiscal years, a portion of unrestricted fund balance will be used to preclude or moderate future tax and user fee increases.

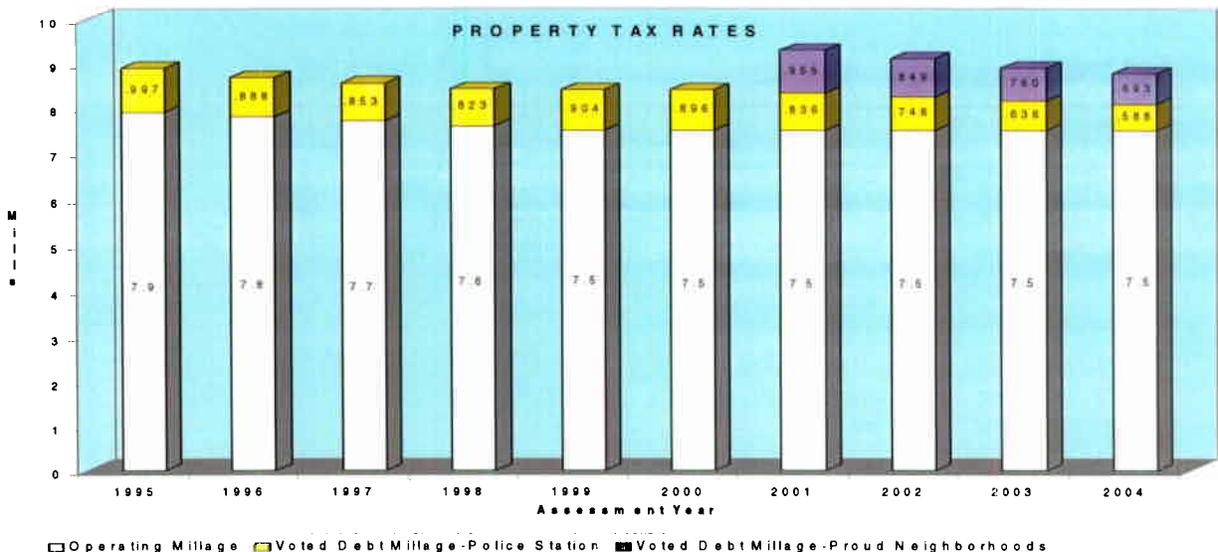


In fiscal year 2004, the City increased the surcharge on outside water & sewer rates to 25%, which is the maximum allowed by Florida statute. This change has resulted in an increase in revenue of approximately \$1.7 million.

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



Additionally, the City Council had previously mandated a property tax rate reduction of one-tenth of one mill per year from 8.5 to 7.5 mills. As the following graph indicates, the City's operating millage (property tax rate) has been reduced or has remained steady over the last ten years. While these mandates have limited the City's available property tax revenue, the City's operational expenditures, such as salaries, health insurance, and pension contributions, continue to increase. The City concluded negotiations and reached an agreement on the police union contract in early 2004. This contract covers the fiscal years 2004 through 2006 (expires September 30, 2006). In addition, the City is re-negotiating the general employees' union contract, which expired September 30, 2004.



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 service requests from taxpayers continue to rise.

An automatic annual rate indexing adjustment is in effect for water and sewer rates in accordance with the Florida Public Service Commission deflator index. For the fiscal year 2005 budget, the adjustment increased the water and sewer consumption rates by 1.60 percent.

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. The water treatment plant expansion will improve treatment levels and water quality as well as provide future water availability. By allowing the City to become independent of Miami-Dade County Water and Sewer Department, the City can control its rates more efficiently and become a major water source in south Florida.

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

The project has experienced significant delays impacting the design, bidding, permitting and construction phases. Substantial completion is now anticipated to occur in September 2006, with final completion anticipated for March 2007. As a result of these delays, the City will continue to purchase water from the County on a wholesale basis to offset the difference between demand and production until the project is substantially complete. Since the bond's principal and interest payments will begin in February 2006, the City's fiscal year 2006 Water Fund operating budget will contain both the purchase of County water expense as well as the bond principal payment expense. As a way to minimize the expenses associated with the purchase of water, the production portion of the plant will be completed first. This will cut the length of time the City is dependent on County water and reduce the associated purchase of water expenses. The fiscal year 2006 budget will be a considerable challenge to the Public Services Department, as both these expenses will put a strain on operations until the water treatment plant expansion project is completed.

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

Requests for Information

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

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



BASIC FINANCIAL STATEMENTS

CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2004

	<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	\$ 4,531,592	\$ 3,732,371	\$ 8,263,963
Receivables	5,798,405	6,693,197	12,491,602
Internal balances	2,471,765	(2,471,765)	-
Inventories	145,922	462,004	607,926
Prepaid costs	104,242	1,391	105,633
Deferred charges	-	945,136	945,136
Other assets	35,100	-	35,100
Net pension asset	853,436	-	853,436
Restricted assets:			
Pooled cash and investments	-	4,988,458	4,988,458
Escrow funds held by agent	11,294,712	50,770,861	62,065,573
Escrow funds held by lessor	554,704	51,765	606,469
Capital assets, not being depreciated	20,411,859	20,750,648	41,162,507
Capital assets, net of accumulated depreciation	<u>31,384,523</u>	<u>61,606,917</u>	<u>92,991,440</u>
Total assets	<u>77,586,260</u>	<u>147,530,983</u>	<u>225,117,243</u>
<u>LIABILITIES</u>			
Vouchers payable and accrued liabilities	2,019,880	2,806,774	4,826,654
Due to other governmental units	-	2,705,875	2,705,875
Customer deposits	-	3,371,846	3,371,846
Unearned revenue	943,330	-	943,330
Deposits held in trust	766,355	-	766,355
Noncurrent liabilities:			
Due within one year	2,353,457	418,996	2,772,453
Due in more than one year	<u>42,664,119</u>	<u>76,189,700</u>	<u>118,853,819</u>
Total liabilities	<u>48,747,141</u>	<u>85,493,191</u>	<u>134,240,332</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	12,088,452	57,376,154	69,464,606
Restricted for:			
In-plant and fireflow	-	4,988,458	4,988,458
Capital projects	11,118,050	-	11,118,050
Debt service	237,174	-	237,174
Law enforcement	414,605	-	414,605
Grant related	5,191	-	5,191
Unrestricted (deficit)	<u>4,975,647</u>	<u>(326,820)</u>	<u>4,648,827</u>
Total net assets	<u>\$ 28,839,119</u>	<u>\$ 62,037,792</u>	<u>\$ 90,876,911</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2004

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 13,965,698	\$ 2,626,908	\$ -	\$ (11,338,790)	\$ -	\$ (11,338,790)
Public safety	17,654,564	1,239,189	161,074	(16,007,277)	-	(16,007,277)
Library	1,089,056	23,195	-	(1,065,861)	-	(1,065,861)
Parks and recreation	4,455,925	565,559	2,000	(3,888,366)	-	(3,888,366)
Public works	10,173,653	7,684,109	-	(1,601,633)	-	(1,601,633)
Interest on long-term debt	1,979,807	-	-	(1,979,807)	-	(1,979,807)
Total governmental activities	49,318,703	12,138,960	163,074	(35,881,734)	-	(35,881,734)
Business-type activities:						
Water	18,470,596	17,374,524	1,629,099	-	906,526	906,526
Sewer	3,422,657	4,918,563	324,716	-	2,478,942	2,478,942
Stormwater	690,011	1,024,795	-	-	634,828	634,828
Total business-type activities	22,583,264	23,317,882	1,953,815	-	4,020,296	4,020,296
Total	\$ 71,901,967	\$ 35,456,842	\$ 2,116,889	(35,881,734)	4,020,296	(31,861,438)
General revenues:						
Property taxes				12,639,710	-	12,639,710
Utility taxes				2,349,551	-	2,349,551
Franchise fees on gross receipts				1,591,323	-	1,591,323
Communication service tax				1,989,776	-	1,989,776
Sales taxes				2,541,178	-	2,541,178
Other taxes				18,126	-	18,126
State revenue sharing and other intergovernmental				3,566,177	-	3,566,177
Unrestricted interest earnings				534,596	965,151	1,499,747
Billing surcharge				3,915,393	-	3,915,393
Miscellaneous				972,601	355,448	1,328,049
Transfers				4,339,054	(4,339,054)	-
Total general revenues and transfers				34,457,485	(3,018,455)	31,439,030
Change in net assets				(1,424,249)	1,001,841	(422,408)
Net assets - beginning				30,263,368	61,035,951	91,299,319
Net assets - ending				\$ 28,839,119	\$ 62,037,792	\$ 90,876,911

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

BALANCE SHEET GOVERNMENTAL FUNDS

SEPTEMBER 30, 2004

	<u>General</u>	<u>Proud Neighborhood</u>	<u>2003B Surtax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>					
Pooled cash and investments	\$ 3,307,097	\$ -	\$ -	\$ 1,224,495	\$ 4,531,592
Accounts receivables	4,580,388	-	-	1,218,017	5,798,405
Inventories	145,922	-	-	-	145,922
Prepaid costs	102,188	-	-	2,054	104,242
Due from other funds	3,098,522	-	-	186,803	3,285,325
Escrow funds held by agent	-	3,703,709	7,591,003	-	11,294,712
Escrow funds held by lessor	554,704	-	-	-	554,704
Other assets	35,100	-	-	-	35,100
Total assets	<u>\$11,823,921</u>	<u>\$ 3,703,709</u>	<u>\$7,591,003</u>	<u>\$ 2,631,369</u>	<u>\$ 25,750,002</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Vouchers payable and accrued liabilities	\$ 1,579,486	\$ 167,778	\$ -	\$ 272,616	\$ 2,019,880
Deposits held in trust	766,355	-	-	-	766,355
Due to other funds	76,803	15,836	-	720,921	813,560
Estimated claims	-	-	-	-	-
Deferred revenue	828,272	-	-	115,058	943,330
Total liabilities	<u>3,250,916</u>	<u>183,614</u>	<u>-</u>	<u>1,108,595</u>	<u>4,543,125</u>
Fund balances:					
Reserved:					
Encumbrances	1,529,905	-	-	-	1,529,905
Grant related	-	-	-	5,191	5,191
Law enforcement	-	-	-	414,605	414,605
Inventories	145,922	-	-	-	145,922
Prepaid costs	102,188	-	-	1,008	103,196
Liability claims	400,307	-	-	-	400,307
Workers' compensation claims	560,123	-	-	-	560,123
Land acquisition	279,417	-	-	-	279,417
Debt service	-	-	-	237,174	237,174
Construction	-	3,520,095	7,591,003	6,952	11,118,050
Unreserved reported in:					
General fund	5,555,143	-	-	-	5,555,143
Special revenue funds	-	-	-	857,844	857,844
Total fund balances	<u>8,573,005</u>	<u>3,520,095</u>	<u>7,591,003</u>	<u>1,522,774</u>	<u>21,206,877</u>
Total liabilities and fund balances	<u>\$11,823,921</u>	<u>\$ 3,703,709</u>	<u>\$7,591,003</u>	<u>\$ 2,631,369</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.	51,796,382
Net pension asset	853,436
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(45,017,576)
Net assets of governmental activities	<u>\$ 28,839,119</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, 2004

	<u>General</u>	<u>Proud Neighborhood</u>	<u>2003B Surtax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$10,658,972	\$ -	\$ -	\$ 1,980,738	\$ 12,639,710
Franchise fees	1,591,323	-	-	-	1,591,323
Utility taxes	2,349,551	-	-	-	2,349,551
Communication service tax	1,989,776	-	-	-	1,989,776
Other taxes	18,126	-	-	-	18,126
Licenses and permits	1,795,305	-	-	-	1,795,305
Intergovernmental	4,660,358	-	-	2,731,123	7,391,481
Charges for services	9,045,927	-	-	-	9,045,927
Fines and forfeitures	308,967	-	-	988,760	1,297,727
Grants - Safe Neighborhood Program	-	-	-	2,000	2,000
Other	4,805,075	-	-	94,712	4,899,787
Interest	92,451	355,472	66,155	20,610	534,688
Total revenues	<u>37,315,831</u>	<u>355,472</u>	<u>66,155</u>	<u>5,817,943</u>	<u>43,555,401</u>
Expenditures:					
Current:					
General government	11,424,730	176,034	-	230,347	11,831,111
Police services	14,929,269	-	-	1,922,405	16,851,674
Library	898,655	-	-	5,006	903,661
Parks and recreation	4,208,702	-	-	98,125	4,306,827
Public services	9,190,848	253,514	-	102,251	9,546,613
Capital outlay	876,507	4,796,615	478,589	1,881,793	8,033,504
Debt service:					
Principal	676,982	-	-	832,484	1,509,466
Interest and other fiscal charges	48,302	-	131,495	1,800,668	1,980,465
Total expenditures	<u>42,253,995</u>	<u>5,226,163</u>	<u>610,084</u>	<u>6,873,079</u>	<u>54,963,321</u>
Deficiency of revenues over expenditures	<u>(4,938,164)</u>	<u>(4,870,691)</u>	<u>(543,929)</u>	<u>(1,055,136)</u>	<u>(11,407,920)</u>
Other financing sources (uses):					
Transfers in	5,258,258	-	-	785,324	6,043,582
Transfers out	(1,097,219)	(2,778)	-	(604,532)	(1,704,529)
Lease proceeds	719,000	-	-	-	719,000
Debt issuance	-	-	7,765,000	-	7,765,000
Premium on debt issuance	-	-	369,932	-	369,932
Total other financing sources (uses)	<u>4,880,039</u>	<u>(2,778)</u>	<u>8,134,932</u>	<u>180,792</u>	<u>13,192,985</u>
Net change in fund balances	(58,125)	(4,873,469)	7,591,003	(874,344)	1,785,065
Fund balances - beginning	8,631,130	8,393,564	-	2,397,118	19,421,812
Fund balances - ending	<u>\$ 8,573,005</u>	<u>\$ 3,520,095</u>	<u>\$7,591,003</u>	<u>\$ 1,522,774</u>	<u>\$ 21,206,877</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, 2004

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

Net change in fund balances - total governmental funds (Page 23)	\$ 1,785,065
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

The details of the difference are as follows:

Capital outlay	\$8,033,504	
Depreciation expense	<u>(3,740,367)</u>	
Net adjustment		4,293,137

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:		
General obligation bonds	7,765,000	
Master leases	<u>719,000</u>	
	<u>8,484,000</u>	
Principal payments:		
General obligation and capital improvement bonds	681,530	
Notes payable	97,031	
Master leases	<u>729,751</u>	
	<u>1,508,312</u>	
Net adjustment		(6,975,688)

Amortization of net pension asset	66,096
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Compensated absences	(317,159)
Estimated claims	44,000
Premium on debt issuance	(369,932)
Other items	<u>50,232</u>

Change in net assets of governmental activities (Page 21)	<u>\$ (1,424,249)</u>
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See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF NET ASSETS PROPRIETARY FUNDS

SEPTEMBER 30, 2004

Business-type Activities - Enterprise Funds

<u>ASSETS</u>	<u>Water Utility System</u>	<u>Sewer Utility System</u>	<u>Stormwater Utility System</u>	<u>Totals</u>
Current assets:				
Pooled cash and investments	\$ 3,166,352	\$ 393,369	\$ 172,650	\$ 3,732,371
Accounts receivable, net	3,917,172	1,964,293	463,017	6,344,482
Inventories	462,004	-	-	462,004
Prepaid costs	1,391	-	-	1,391
Restricted assets:				
Pooled cash and investments - inplant and fireflow	4,563,657	424,801	-	4,988,458
Escrow funds held by agent	1,271,759	-	-	1,271,759
Escrow funds held by lessor	51,765	-	-	51,765
Interest receivable on bonds	348,715	-	-	348,715
Total current assets	<u>13,782,815</u>	<u>2,782,463</u>	<u>635,667</u>	<u>17,200,945</u>
Non-current assets:				
Restricted assets:				
Escrow funds held by agent	49,495,650	-	3,452	49,499,102
Deferred charges - unamortized issuance costs	945,136	-	-	945,136
Capital assets, net of accumulated depreciation	<u>67,841,970</u>	<u>11,762,436</u>	<u>2,753,159</u>	<u>82,357,565</u>
Total non-current assets	<u>118,282,756</u>	<u>11,762,436</u>	<u>2,756,611</u>	<u>132,801,803</u>
Total assets	<u>\$ 132,065,571</u>	<u>\$ 14,544,899</u>	<u>\$ 3,392,278</u>	<u>\$ 150,002,748</u>

(Continued)

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF NET ASSETS PROPRIETARY FUNDS (Continued)

SEPTEMBER 30, 2004

Business-type Activities - Enterprise Funds

	<u>Water Utility System</u>	<u>Sewer Utility System</u>	<u>Stormwater Utility System</u>	<u>Totals</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current liabilities:				
Vouchers payable and accrued liabilities	\$ 1,183,547	\$ 291,614	\$ 59,853	\$ 1,535,014
Due to other governmental units	2,259,058	446,817	-	2,705,875
Due to other funds	1,937,735	258,989	275,041	2,471,765
Customer deposits	3,040,601	331,245	-	3,371,846
Current portion of notes payable	-	-	100,000	100,000
Current portion of master lease payable	130,180	66,767	-	196,947
Current liabilities payable from restricted assets:				
Vouchers payable and accrued liabilities	1,144,971	-	-	1,144,971
Interest payable on bonds	126,789	-	-	126,789
Total current liabilities	<u>9,822,881</u>	<u>1,395,432</u>	<u>434,894</u>	<u>11,653,207</u>
Non-current liabilities:				
Compensated absences	412,284	18,995	15,271	446,550
Notes payable	-	-	2,400,000	2,400,000
Master lease payable	107,399	23,161	-	130,560
Revenue bonds payable	72,976,530	-	-	72,976,530
Unamortized bond premium	341,793	-	-	341,793
Unamortized investment premium	16,316	-	-	16,316
Total non-current liabilities	<u>73,854,322</u>	<u>42,156</u>	<u>2,415,271</u>	<u>76,311,749</u>
Total liabilities	<u>83,677,203</u>	<u>1,437,588</u>	<u>2,850,165</u>	<u>87,964,956</u>
Net assets:				
Invested in capital assets, net of related debt	45,447,035	11,672,508	256,611	57,376,154
Restricted for in-plant and fireflow	4,563,657	424,801	-	4,988,458
Unrestricted	(1,622,324)	1,010,002	285,502	(326,820)
Total net assets	<u>\$48,388,368</u>	<u>\$13,107,311</u>	<u>\$ 542,113</u>	<u>\$62,037,792</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, 2004

	Business-type Activities - <u>Enterprise Funds</u>			
	Water Utility System	Sewer Utility System	Stormwater Utility System	<u>Totals</u>
Operating revenues:				
Service revenues	<u>\$ 17,374,524</u>	<u>\$ 4,918,563</u>	<u>\$ 1,024,795</u>	<u>\$ 23,317,882</u>
Operating expenses:				
Operating, administrative and maintenance	12,445,671	2,984,361	553,899	15,983,931
Depreciation	<u>2,520,073</u>	<u>433,134</u>	<u>88,096</u>	<u>3,041,303</u>
Total operating expenses	<u>14,965,744</u>	<u>3,417,495</u>	<u>641,995</u>	<u>19,025,234</u>
Operating income	<u>2,408,780</u>	<u>1,501,068</u>	<u>382,800</u>	<u>4,292,648</u>
Non-operating revenue (expense):				
Intergovernmental	373,499	658,320	300,044	1,331,863
Interest income	949,369	12,667	3,115	965,151
Interest expense	(3,504,852)	(5,162)	(48,016)	(3,558,030)
Other income	<u>340,226</u>	<u>2,452</u>	<u>12,770</u>	<u>355,448</u>
Total non-operating revenue (expense)	<u>(1,841,758)</u>	<u>668,277</u>	<u>267,913</u>	<u>(905,568)</u>
Income before contributions and transfers	<u>567,022</u>	<u>2,169,345</u>	<u>650,713</u>	<u>3,387,080</u>
Capital contributions	1,629,099	324,716	-	1,953,815
Transfers out	<u>(2,950,683)</u>	<u>(987,943)</u>	<u>(400,428)</u>	<u>(4,339,054)</u>
	<u>(1,321,584)</u>	<u>(663,227)</u>	<u>(400,428)</u>	<u>(2,385,239)</u>
Change in net assets	(754,562)	1,506,118	250,285	1,001,841
Net assets, beginning	<u>49,142,930</u>	<u>11,601,193</u>	<u>291,828</u>	<u>61,035,951</u>
Net assets, ending	<u>\$ 48,388,368</u>	<u>\$ 13,107,311</u>	<u>\$ 542,113</u>	<u>\$ 62,037,792</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2004

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Water Utility System</u>	<u>Sewer Utility System</u>	<u>Stormwater Utility System</u>	<u>Totals</u>
Cash flows from operating activities:				
Cash received from customers	\$ 18,059,978	\$ 4,921,162	\$ 1,038,292	\$ 24,019,432
Cash payments to suppliers	(5,824,267)	(2,671,129)	(9,875)	(8,505,271)
Cash payments to employees	<u>(3,996,487)</u>	<u>(325,830)</u>	<u>(215,858)</u>	<u>(4,538,175)</u>
Net cash provided by operating activities	<u>8,239,224</u>	<u>1,924,203</u>	<u>812,559</u>	<u>10,975,986</u>
Cash flows from noncapital financing activities:				
Capital contributions	1,629,099	324,716	-	1,953,815
Transfers to other funds	(2,950,683)	(987,943)	(400,428)	(4,339,054)
Intergovernmental revenue	<u>439,863</u>	<u>156</u>	<u>25,000</u>	<u>465,019</u>
Net cash used in noncapital financing activities	<u>(881,721)</u>	<u>(663,071)</u>	<u>(375,428)</u>	<u>(1,920,220)</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(10,760,727)	(1,022,425)	(303,413)	(12,086,565)
Interest paid	(3,500,815)	(5,162)	(48,016)	(3,553,993)
Deferred charges - issuance costs	33,589	-	-	33,589
Payments on master lease payable	(101,738)	(141,861)	-	(243,599)
Payments on bonds payable	(263,470)	-	-	(263,470)
Payments on notes payable	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>
Net cash used by capital and related financing activities	<u>(14,593,161)</u>	<u>(1,169,448)</u>	<u>(451,429)</u>	<u>(16,214,038)</u>
Cash flows from investing activities:				
Interest income	<u>949,369</u>	<u>12,667</u>	<u>3,115</u>	<u>965,151</u>
Net increase (decrease) in pooled cash and investments	(6,286,289)	104,351	(11,183)	(6,193,121)
Pooled cash and investments, beginning	<u>64,835,472</u>	<u>713,819</u>	<u>187,285</u>	<u>65,736,576</u>
Pooled cash and investments, ending	<u>\$ 58,549,183</u>	<u>\$ 818,170</u>	<u>\$ 176,102</u>	<u>\$ 59,543,455</u>
Pooled cash and investments per statement of net assets:				
Unrestricted	\$ 3,166,352	\$ 393,369	\$ 172,650	\$ 3,732,371
Restricted	<u>55,382,831</u>	<u>424,801</u>	<u>3,452</u>	<u>55,811,084</u>
	<u>\$ 58,549,183</u>	<u>\$ 818,170</u>	<u>\$ 176,102</u>	<u>\$ 59,543,455</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, 2004

Business-type Activities - Enterprise Funds

	<u>Water Utility System</u>	<u>Sewer Utility System</u>	<u>Stormwater Utility System</u>	<u>Totals</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 2,408,780	\$ 1,501,068	\$ 382,800	\$ 4,292,648
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	2,520,073	433,134	88,096	3,041,303
Other income	340,226	2,452	12,770	355,448
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Accounts receivables	(583,246)	(12,797)	727	(595,316)
Due from other funds	780,210	-	-	780,210
Inventories	(83,269)	-	-	(83,269)
Prepaid costs	56,636	1,664	-	58,300
Increase (decrease) in:				
Customer deposits	91,628	11,280	-	102,908
Vouchers payable and accrued liabilities	784,115	139,063	53,125	976,303
Due to other funds	1,613,420	(196,906)	275,041	1,691,555
Due to other governmental units	310,651	45,245	-	355,896
Total adjustments	<u>5,830,444</u>	<u>423,135</u>	<u>429,759</u>	<u>6,683,338</u>
Net cash provided by operating activities	<u>\$ 8,239,224</u>	<u>\$ 1,924,203</u>	<u>\$ 812,559</u>	<u>\$ 10,975,986</u>
Non-cash investing, capital and financing activities:				
Borrowings under master lease	<u>\$ -</u>	<u>\$ 72,710</u>	<u>\$ -</u>	<u>\$ 72,710</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS

SEPTEMBER 30, 2004

	<u>Pension</u> Trust Funds	<u>Police</u> Holding Account Agency Fund
<u>ASSETS</u>		
Cash	\$ -	\$ 154,311
Cash held with trustee	2,347	-
Investments:		
Cash management funds	4,364,404	-
Mutual funds	23,686,241	-
U.S. Government securities	19,195,417	-
Corporate bonds	7,179,119	-
Common stocks	35,159,763	-
Receivables:		
Accrued interest and dividends	352,867	-
Receivable from broker on investments sold	1,002,972	-
Total assets	<u>90,943,130</u>	<u>154,311</u>
<u>LIABILITIES AND NET ASSETS</u>		
Vouchers payable and accrued liabilities	64,622	-
Payable to broker for investments purchased	1,317,867	-
Deposits held in trust	-	154,311
Total liabilities	<u>1,382,489</u>	<u>154,311</u>
Net assets held in trust for pension benefits	<u>\$ 89,560,641</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, 2004

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions:	
Employees	\$ 2,572,277
Employer	5,035,928
State/County	<u>665,550</u>
Total contributions	<u>8,273,755</u>
Investment income:	
Net appreciation in fair value of investments	3,591,571
Interest and dividends	2,346,312
Investment expenses	<u>(276,667)</u>
Net investment income	5,661,216
Other income - settlement	<u>313,637</u>
Total additions	<u>14,248,608</u>
DEDUCTIONS	
Pension benefits	6,012,672
Refunds of contributions	95,267
Administrative expenses	<u>296,060</u>
Total deductions	<u>6,403,999</u>
Net increase	7,844,609
Net assets held in trust for pension benefits:	
Beginning	<u>81,716,032</u>
Ending	<u>\$ 89,560,641</u>

See notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

a. Financial Reporting Entity

The financial statements were prepared in accordance with Governmental Accounting Standards, which establishes standards for defining and reporting on the financial reporting entity. The definition of the financial reporting entity is based upon the concept that elected officials are accountable to their constituents for their actions. One of the objectives of financial reporting is to provide users of financial statements with a basis for assessing the accountability of the elected officials. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The City is financially accountable for a component unit if it appoints a voting majority of the organization's governing board and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. Based upon the application of these criteria, there were no organizations that met the criteria described above.

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

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 (Continued)

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.

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. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

The *Proud Neighborhood Fund*, a capital projects fund, accounts for various upgrades and improvements to the City's neighborhoods.

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 *2003B Surtax Fund*, a capital projects fund, accounts for the construction bond proceeds to be used for transportation-related projects within the City.

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 Investment Pool.

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". 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)

3. Inventories

Inventories in the general fund and the enterprise funds are stated at 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).

4. Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, bike paths and similar items) are reported in the applicable government or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 and an estimated useful life of one year. The City raised its threshold from \$750 to \$1,000 at the beginning of fiscal year 2004. Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

5. 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.

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)

6. Long-Term Obligations

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

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

7. Property Taxes

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

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

Under Florida law, the assessment of all properties and the collection of all county, municipal, school district and special district property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The City is permitted by Article 7, Section 8 of the Florida Constitution to levy taxes up to \$10 (10 mills) per \$1,000 of assessed valuation for general governmental services (other than the payment of principal and interest on general obligation long-term debt). In addition, unlimited amounts may be levied for the payment of principal and interest on general obligation long-term debt, subject to a limitation on the amount of debt outstanding. The millage rate to finance general governmental services for the year ended September 30, 2004 was 7.5 mills per \$1,000 of assessed valuation; the millage rate for bonded debt service was 1.2812 mills.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

8. Use of Estimates

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

9. Fund Equity

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

NOTE 2. DEPOSITS AND INVESTMENTS

Deposits

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

The carrying amount of the City's deposits on the statement of net assets (including fiduciary funds) is as follows:

Pooled cash	\$ 2,171,423
Escrow funds held by agent	62,065,573
Escrow funds held by lessor	606,469
	<u>\$ 64,843,465</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Investments

The City is authorized to invest in obligations of the U.S. Treasury, its agencies, instrumentalities and the State Board of Administration Investment Pool (SBA). The State Board of Administration is part of the Local Government Surplus Funds Trust Fund and is governed by Ch. 19-7 of the Florida Administrative Code. These rules provide guidance and establish the general operating procedures for the administration of the Local Government Surplus Funds Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the State Board of Administration. The Local Government Surplus Funds Trust Fund is not a registrant with the Securities and Exchange Commission (SEC); however, the board has adopted operating procedures consistent with the requirements for a 2a-7 fund. The pension trust funds are also authorized to invest in common stocks, corporate bonds rated "A" or better by Standard & Poor's Corporation or "A" or better by Moody's bond ratings.

The City's investments are categorized in the following table to give an indication of the level of risk assumed by the City at year end. Category 1 includes insured or registered or securities held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered, with securities held by the counterparty's trust department or agent but not in the City's name.

	<u>Category 1</u>
U.S. Government securities	\$ 19,195,417
Corporate bonds	7,179,119
Common stock	<u>35,159,764</u>
	61,534,300
Investments not subject to categorization:	
Mutual funds	23,686,241
Investment Pool	11,237,655
Cash management funds	<u>4,364,404</u>
Total investments	<u>\$ 100,822,600</u>

The following is a reconciliation of deposits and investments to the statement of net assets:

Deposits	\$ 64,843,465
Investments	<u>100,822,600</u>
	<u>\$ 165,666,065</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Pooled cash and investments, primary government	\$ 8,263,963
Restricted cash and investments, primary government	4,988,458
Escrow funds held by agent, primary government	62,065,573
Escrow funds held by lessor, primary government	<u>606,469</u>
Total primary government	<u>75,924,463</u>
Cash, fiduciary funds	154,311
Cash held with trustee, fiduciary funds	2,347
Investments, fiduciary funds	<u>89,584,944</u>
Total fiduciary funds	<u>89,741,602</u>
Grand total	<u>\$ 165,666,065</u>

NOTE 3. RECEIVABLES

Receivables as of September 30, 2004 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	\$ 1,081,630	\$ 2,283,863	\$ 529,777	\$ 91,097	\$ -	\$ 3,986,367
Unbilled	1,093,666	1,227,214	415,408	96,876	-	2,833,164
Franchise and utility	525,757	-	-	-	-	525,757
Intergovernmental	451,705	391,465	659,048	275,044	586,533	2,363,795
Grants	-	-	-	-	12,739	12,739
Other	1,195,657	14,630	455,563	-	618,745	2,284,595
Property taxes	<u>231,973</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>231,973</u>
Gross receivables	4,580,388	3,917,172	2,059,796	463,017	1,218,017	12,238,390
Less allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>95,503</u>	<u>-</u>	<u>-</u>	<u>95,503</u>
Net total receivables	<u>\$ 4,580,388</u>	<u>\$ 3,917,172</u>	<u>\$ 1,964,293</u>	<u>\$ 463,017</u>	<u>\$ 1,218,017</u>	<u>\$ 12,142,887</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:

Occupational licenses and grants drawdowns prior to meeting all eligibility requirements	<u>\$ 943,330</u>
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CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2004 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated:				
Land	\$ 4,168,437	\$ -	\$ -	\$ 4,168,437
Construction in progress	10,226,813	6,016,609	-	16,243,422
Total capital assets, not being depreciated	<u>14,395,250</u>	<u>6,016,609</u>	<u>-</u>	<u>20,411,859</u>
Capital assets, being depreciated:				
Buildings	29,083,719	33,125	-	29,116,844
Improvements other than buildings	9,890,383	513,084	-	10,403,467
Furniture, fixtures, machinery and equipment	25,313,101	604,425	(178,167)	25,739,359
Infrastructure	4,536,201	303,788	-	4,839,989
Capital lease equipment	764,513	547,099	-	1,311,612
Total capital assets being depreciated	<u>69,587,917</u>	<u>2,001,521</u>	<u>(178,167)</u>	<u>71,411,271</u>
Less accumulated depreciation for:				
Buildings	(12,194,403)	(1,298,818)	-	(13,493,221)
Improvements other than buildings	(3,885,656)	(536,095)	-	(4,421,751)
Furniture, fixtures, machinery and equipment	(19,118,295)	(1,639,497)	173,841	(20,583,951)
Infrastructure	(1,240,980)	(108,978)	-	(1,349,958)
Capital lease equipment	(20,888)	(156,979)	-	(177,867)
Total accumulated depreciation	<u>(36,460,222)</u>	<u>(3,740,367)</u>	<u>173,841</u>	<u>(40,026,748)</u>
Total capital assets, being depreciated, net	<u>33,127,695</u>	<u>(1,738,846)</u>	<u>(4,326)</u>	<u>31,384,523</u>
Governmental activities capital assets, net	<u>\$47,522,945</u>	<u>\$ 4,277,763</u>	<u>\$ (4,326)</u>	<u>\$51,796,382</u>
<u>Business-type activities</u>				
Capital assets, not being depreciated:				
Land	\$ 3,985,753	\$ 1,267,842	\$ -	\$ 5,253,595
Construction in progress	12,727,214	8,048,575	(5,278,736)	15,497,053
Total capital assets, not being depreciated	<u>16,712,967</u>	<u>9,316,417</u>	<u>(5,278,736)</u>	<u>20,750,648</u>
Capital assets, being depreciated:				
Buildings and utility plant	88,700,077	7,351,942	-	96,052,019
Machinery and equipment	10,485,596	655,620	(36,703)	11,104,513
Capital lease equipment	192,774	115,199	-	307,973
Total capital assets being depreciated	<u>99,378,447</u>	<u>8,122,761</u>	<u>(36,703)</u>	<u>107,464,505</u>
Less accumulated depreciation for:				
Buildings and utility plant	(36,776,046)	140,902	12,683	(36,622,461)
Machinery and equipment	(6,063,253)	(3,129,176)	22,854	(9,169,575)
Capital lease equipment	(12,523)	(53,029)	-	(65,552)
Total accumulated depreciation	<u>(42,851,822)</u>	<u>(3,041,303)</u>	<u>35,537</u>	<u>(45,857,588)</u>
Total capital assets, being depreciated, net	<u>56,526,625</u>	<u>5,081,458</u>	<u>(1,166)</u>	<u>61,606,917</u>
Business-type activities capital assets, net	<u>\$73,239,592</u>	<u>\$14,397,875</u>	<u>\$ (5,279,902)</u>	<u>\$82,357,565</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 4. CAPITAL ASSETS (Continued)

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

Governmental activities:

General government	\$2,221,785
Public safety	734,601
Library	185,396
Parks and recreation	108,124
Public works services	<u>490,461</u>
Total depreciation expense – governmental activities	<u>\$3,740,367</u>

Business-type activities:

Water	\$2,520,073
Sewer	433,134
Stormwater	<u>88,096</u>
Total depreciation expense – business-type activities	<u>\$3,041,303</u>

Commitments

In September 2000, the City's voters approved a referendum for up to a \$17.5 million bond issue for capital improvements throughout the various neighborhoods of the City. Pursuant to this referendum in November 2000, the City issued \$17,305,000 of Florida Municipal Loan Council Revenue Bonds, Series 2000B. Construction began in fiscal year 2001 with approximately 85% of the projects completed or well underway at September 30, 2004. The construction schedule calls for this capital program to be completed during the fiscal year ending September 30, 2006. Of the \$3.5 million reserved fund balance, approximately \$443,000 represents outstanding encumbrances, which leaves \$3.1 million to be expended.

In August 2002, the City issued \$66,385,000 of Florida Municipal Loan Council, Series 2002B Bonds for the expansion and modernization of its Norwood Water Treatment Plant and Well Fields. The engineering and design phase of the project was started immediately after the bond issuance, and was completed in February 2004. Construction of four Floridan Aquifer wells and five Biscayne Aquifer wells has been completed. Construction of the Norwood Water Treatment Plant Expansion Project commenced in July 2004, and substantial completion is projected for January 2006. Approximately \$13 million has been spent to date on engineering, design, and construction. Outstanding obligations at fiscal year end totaled \$35 million and there is a balance of \$11 million to be expended. During the current fiscal year, the City capitalized interest in the amount of \$212,000 relating to the above construction project. The inception to date capitalized interest totals \$412,000. The inception to date capitalized labor total is \$859,000.

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 \$7.3 million reserved fund balance, approximately \$281,000 represents outstanding encumbrances, which leaves approximately \$7.1 million to be expended.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2004 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	HIDTA Black Market Peso Exchange	\$ 78,422	Provide temporary funding
General	Victims of Crime Act Grant	8,761	Provide temporary funding
General	Bulletproof Vest Grant	11,039	Provide temporary funding
General	FEMA Disaster 1345 DR FL	46,180	Provide temporary funding
General	MPO Study Grant	4,376	Provide temporary funding
General	COPS Homeland Security O/T Program	31,907	Provide temporary funding
General	School Resource Officer Project	4,983	Provide temporary funding
General	COPS Universal Hiring Grant	18,012	Provide temporary funding
General	COPS More Awards	12,086	Provide temporary funding
General	2000B Bonds Debt Service Fund	382,417	Provide temporary funding
General	Proud Neighborhood Fund	15,836	Provide temporary funding
General	SNP Challenge Grant	12,739	Provide temporary funding
General	Water utility	1,937,735	Provide temporary funding
General	Sewer utility	258,989	Provide temporary funding
General	Stormwater HV Improvement Fund	<u>275,040</u>	Provide temporary funding
Total general fund		3,098,522	
LETf US Treasury Fund	LETf Federal Forfeiture Fund	110,000	Provide temporary funding
Bond Debt Service - 1993/97/98	General	<u>76,803</u>	For operating purposes
Total due to/from other funds		<u>\$ 3,285,325</u>	

Interfund transfers:

	<u>Transfers In</u>				<u>Purpose</u>
	<u>General Fund</u>	<u>2003B Surtax</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>	
Transfers out:					
General fund	\$ -	\$ -	\$ 295,572	\$ 295,572	Grant match funding
Proud Neighborhood	2,778	-	-	2,778	Supplemental funding
Water utility	2,950,683	-	-	2,950,683	Contributed and supplemental funding
Sewer utility	987,943	-	-	987,943	Contributed and supplemental funding
Stormwater utility	120,428	-	280,000	400,428	Contributed and supplemental funding
Nonmajor govern- mental funds	<u>394,779</u>	<u>145,019</u>	<u>64,733</u>	<u>604,531</u>	Supplemental and grant match funding
Total transfers out	<u>\$ 4,456,611</u>	<u>\$ 145,019</u>	<u>\$ 640,305</u>	<u>\$ 5,241,935</u>	

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 6. 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, 2004:

Balance, September 30, 2003	\$ 104,570,000
Bonds issued	7,765,000
Bonds retired	(945,000)
Balance, September 30, 2004	<u>\$ 111,390,000</u>

2. Bonds Authorized and Outstanding

Long-term debt at September 30, 2004 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 \$115,000 to \$395,000 through October 1, 2012; interest at 4.85%.	\$ 1,340,000
\$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%.	825,000
\$300,000 Florida League of Cities, 2000 A Series Capital Appreciation and term bonds; secured by municipal bond insurance; due in annual installments of \$11,530 to \$26,205 through April 1, 2020; interest at 4.3% to 6.0%.	288,470
\$17,305,000 Florida League of Cities, 2000 B Series Capital Appreciation and term bonds; secured by municipal bond insurance; due in annual installments of \$185,000 to \$1,325,000 from November 1, 2001 to November 1, 2030; interest at 4.25% to 3.75%.	16,820,000
\$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 \$355,000 to \$870,000 from May 1, 2003 to May 1, 2024; interest at 3.25% to 5.50%.	11,375,000
\$7,765,000 Florida Municipal Loan Council, 2003 B Series Capital Appreciation and term bonds; secured by pledge of revenue from County Transit System surtax proceeds; due in annual installments of \$395,000 to \$660,000 from December 1, 2004 to December 1, 2019; interest at 2% to 5.25%.	<u>7,765,000</u>
	38,413,470

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 6. LONG-TERM DEBT (Continued)

Bonds Payable (Continued)

2. Bonds Authorized and Outstanding (Continued)

Revenue Bonds:

Water Utility System:

\$6,855,000 Florida League of Cities, 2000 A Series Capital Appreciation and term bonds/secured by municipal bond insurance; due in annual installments of \$263,470 to \$598,795 from April 1, 2004 to April 1, 2020; interest at 4.3% to 6.0%	6,591,530
\$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 \$215,000 to \$5,085,000 beginning February 1, 2005 to August 1, 2032; interest at 3.0% to 5.375%.	<u>66,385,000</u>
Total	<u>\$ 111,390,000</u>

3. Debt Service Requirements

Debt service requirements to maturity for each series of bonds at September 30, 2004 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Capital Improvement Bonds:			
1997 Series:			
2005	\$ 115,000	\$ 64,990	\$ 179,990
2006	120,000	59,413	179,413
2007	125,000	53,593	178,593
2008	135,000	47,530	182,530
2009	140,000	40,983	180,983
20010-2012	<u>705,000</u>	<u>80,268</u>	<u>785,268</u>
	<u>\$ 1,340,000</u>	<u>\$ 346,777</u>	<u>\$ 1,686,777</u>
Capital Improvements Bonds:			
1998 Series:			
2005	\$ 50,000	\$ 36,960	\$ 86,960
2006	50,000	34,720	84,720
2007	50,000	32,480	82,480
2008	50,000	30,240	80,240
2009	50,000	28,000	78,000
2010-2013	<u>575,000</u>	<u>89,600</u>	<u>664,600</u>
	<u>\$ 825,000</u>	<u>\$ 252,000</u>	<u>\$ 1,077,000</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 6. LONG-TERM DEBT (Continued)

Bonds Payable (Continued)

3. Debt Service Requirements (Continued)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Florida League of Cities (Water and Capital):			
2000 A Series:			
2005	\$ 285,000	\$ 373,769	\$ 658,769
2006	300,000	360,088	660,088
2007	315,000	345,539	660,539
2008	330,000	330,183	660,183
2009	345,000	314,013	659,013
2010-2013	1,570,000	1,073,300	2,643,300
2014-2017	1,960,000	787,688	2,747,688
2018-2020	<u>1,775,000</u>	<u>103,500</u>	<u>1,878,500</u>
	<u>\$ 6,880,000</u>	<u>\$ 3,688,080</u>	<u>\$ 10,568,080</u>
Florida League of Cities (Capital):			
2000 B Series:			
2005	\$ 185,000	\$ 887,162	\$ 1,072,162
2006	205,000	878,434	1,083,434
2007	225,000	868,703	1,093,703
2008	245,000	857,949	1,102,949
2009	270,000	846,036	1,116,036
2010-2014	1,720,000	4,004,286	5,724,286
2015-2019	2,570,000	3,424,806	5,994,806
2020-2024	3,685,000	2,593,769	6,278,769
2025-2029	5,145,000	1,417,791	6,562,791
2030-2031	<u>2,570,000</u>	<u>140,288</u>	<u>2,710,288</u>
	<u>\$16,820,000</u>	<u>\$15,919,224</u>	<u>\$ 32,739,224</u>
Florida Municipal Loan Council (Capital):			
2002 A Series:			
2005	\$ 355,000	\$ 568,644	\$ 923,644
2006	375,000	550,894	925,894
2007	395,000	532,144	927,144
2008	405,000	516,344	921,344
2009	425,000	500,144	925,144
2010-2014	2,380,000	2,215,588	4,595,588
2015-2019	3,075,000	1,516,225	4,591,225
2020-2024	<u>3,965,000</u>	<u>613,500</u>	<u>4,578,500</u>
	<u>\$11,375,000</u>	<u>\$ 7,013,483</u>	<u>\$ 18,388,483</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 6. 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 :			
2003 B Series:			
2005	\$ 395,000	\$ 305,910	\$ 700,910
2006	390,000	298,060	688,060
2007	395,000	290,210	685,210
2008	405,000	281,805	686,805
2009	415,000	272,163	687,163
2010-2014	2,265,000	1,159,338	3,424,338
2015-2019	2,840,000	561,488	3,401,488
2020	660,000	17,325	677,325
	<u>\$ 7,765,000</u>	<u>\$ 3,186,299</u>	<u>\$ 10,951,299</u>
Florida Municipal Loan Council (Water):			
2002 B Series:			
2005	\$ -	\$ 3,260,281	\$ 3,260,281
2006	215,000	3,260,281	3,475,281
2007	155,000	3,253,831	3,408,831
2008	155,000	3,249,181	3,404,181
2009	280,000	3,244,221	3,524,221
2010-2014	6,645,000	15,757,391	22,402,391
2015-2019	9,455,000	13,914,425	23,369,425
2020-2024	15,000,000	10,976,513	25,976,513
2025-2029	19,940,000	6,724,250	26,664,250
2030-2031	14,540,000	1,477,750	16,017,750
	<u>\$ 66,385,000</u>	<u>\$ 65,118,124</u>	<u>\$ 131,503,124</u>

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

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

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 6. LONG-TERM DEBT (Continued)

Notes Payable

Florida Local Government Finance Commission Pooled Commercial Paper Loan Program:

Draw A-1

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

Draw A-2

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

Draw A-3

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

The interest rate on the three loans varies (blended market rates) and is payable monthly. The actual interest rate for the month of September 2004 was 1.14155 percent. The loans are collateralized by legally available non-ad valorem revenues.

Principal requirements to maturity are as follows:

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Fiscal year ending September 30:			
2005	\$ 100,000	\$ 100,000	\$ 200,000
2006	100,000	470,000	570,000
2007	100,000	1,930,000	2,030,000
2008	250,000	-	250,000
	<u>\$ 550,000</u>	<u>\$ 2,500,000</u>	<u>\$ 3,050,000</u>

In February 2000, the City obtained financing of \$120,000 through taxable special obligation notes to assist in financing the purchase of real property. The notes bear interest at 8% and is payable in quarterly installments of \$3,782 including interest through February 2004. The notes as of September 30, 2004 have been paid off.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 6. LONG-TERM DEBT (Continued)

Master Leases

The City has entered into master lease purchase agreements each year from the period August 1989 to September 2004. During 2004, new lease purchases totaled approximately \$791,000.

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	\$ 1,311,612	\$ 307,973	\$ 1,619,585
Less accumulated depreciation	<u>(177,867)</u>	<u>(65,553)</u>	<u>(243,420)</u>
	<u>\$ 1,133,745</u>	<u>\$ 242,420</u>	<u>\$ 1,376,165</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, 2004 are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Fiscal year ending September 30:			
2005	\$ 636,799	\$ 204,670	\$ 841,469
2006	420,596	98,302	518,898
2007	243,791	30,499	274,290
2008	<u>47,836</u>	<u>4,836</u>	<u>52,672</u>
Total minimum lease payments	1,349,022	338,307	1,687,329
Less amount representing interest	<u>(54,562)</u>	<u>(10,800)</u>	<u>(65,362)</u>
Present value of net minimum lease payments	<u>\$ 1,294,460</u>	<u>\$ 327,507</u>	<u>\$ 1,621,967</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 6. LONG-TERM DEBT (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds and notes payable:					
General obligation and term bonds	\$ 31,330,000	\$ 7,765,000	\$ (681,530)	\$ 38,413,470	\$ 1,365,000
Notes payable	<u>647,031</u>	<u>-</u>	<u>(97,031)</u>	<u>550,000</u>	<u>100,000</u>
Total bonds and notes payable	31,977,031	7,765,000	(778,561)	38,963,470	1,465,000
Master leases	1,305,211	719,000	(729,751)	1,294,460	445,457
Estimated claims	1,705,000	569,000	(613,000)	1,661,000	140,000
Compensated absences	<u>2,781,487</u>	<u>2,714,352</u>	<u>(2,397,193)</u>	<u>3,098,646</u>	<u>303,000</u>
Governmental activities long-term liabilities	<u>\$ 37,768,729</u>	<u>\$ 11,767,352</u>	<u>\$ (4,518,505)</u>	<u>\$ 45,017,576</u>	<u>\$ 2,353,457</u>
Business-type activities:					
Notes payable	\$ 2,600,000	\$ -	\$ (100,000)	\$ 2,500,000	\$ 100,000
Revenue bonds	73,240,000	-	(263,470)	72,976,530	-
Premium on revenue bonds	354,073	-	(12,280)	341,793	-
Investment premium	<u>-</u>	<u>16,316</u>	<u>-</u>	<u>16,316</u>	<u>-</u>
Total bonds and notes payable	76,194,073	16,316	(375,750)	75,834,639	100,000
Master leases	498,396	72,710	(243,599)	327,507	196,947
Compensated absences	<u>405,245</u>	<u>546,009</u>	<u>(504,704)</u>	<u>446,550</u>	<u>122,049</u>
Business-type activities long-term liabilities	<u>\$ 77,097,714</u>	<u>\$ 635,035</u>	<u>\$ (1,124,053)</u>	<u>\$ 76,608,696</u>	<u>\$ 418,996</u>

NOTE 7. 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 7. 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. The current liability for claims and judgments is reported in the general fund and the remainder of the liability is recorded in the general long-term debt account group because it is not expected to be liquidated with expendable available financial resources. There were no reductions in insurance coverages from coverages in the prior year and there was one settlement that exceeded insurance coverage during fiscal year 2004.

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

	<u>2004</u>	<u>2003</u>
Unpaid claims, beginning of fiscal year	\$ 1,705,000	\$ 1,113,000
Incurred claims (including IBNRs)	569,000	1,470,500
Claim payments	<u>(613,000)</u>	<u>(878,500)</u>
Unpaid claims, end of fiscal year	<u>\$ 1,661,000</u>	<u>\$ 1,705,000</u>

Based upon the City Attorney's evaluation of pending cases, the maximum liability to which the City might be exposed is \$1.2 million. The self insurance funds, which are included in the general fund, have cash available of approximately \$960,000 at September 30, 2004 and any judgments assessed would be paid from this cash balance.

b. Litigation

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

c. Post Employment Benefits

The City offers continuation of health and life insurance benefits to employees upon retirement. Approximately 38 retirees participate in the City's health insurance program. The cost for health insurance is paid by the retiree at a rate of \$295-\$645 per month for single coverage and \$639-\$1269 per month for family coverage. Six of the 38 retirees received health insurance paid entirely by the City. Expenditures for post retirement dental care and life insurance benefits for retirees were approximately \$16,000 for the fiscal year ended September 30, 2004. The cost of life insurance for approximately 154 retirees is paid for by the City at a rate of \$.33 per \$1,000 of insurance. Retirees receive \$10,000 of life insurance coverage. At the end of the fiscal year, the City paid a set dollar subsidy of \$12 to \$15 of the monthly dental premium for 45 retirees. The city paid the entire dental premium for 4 retirees.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 7. OTHER INFORMATION (Continued)

d. Contingent Liabilities

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

NOTE 8. EMPLOYEE RETIREMENT SYSTEMS

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

1. Summary of Significant Accounting Policies

Basis of Accounting

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

Method Used to Value Investments

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

Interest and dividends are reported as investment earnings. As of September 30, 2004, no single investment exceeded 5% of total plan net assets.

2. Plan Description

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

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

2. Plan Description (Continued)

The latest actuarial valuations for the Retirement Plan for the General Employees, the Retirement Plan for the Police Officers and Firefighters and for the Retirement Plan and Trust for General Management Employees as of October 1, 2003 are as follows.

	<u>General</u>	<u>Police Officers and Firefighters</u>	<u>General Management Employees</u>
Covered payroll (in thousands)	<u>\$ 10,842</u>	<u>\$ 7,767</u>	<u>\$ 2,474</u>
Numbers of members included in Plan:			
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	175	101	-
Current employees:			
Vested	212	54	15
Non-vested	<u>102</u>	<u>46</u>	<u>16</u>
Total	<u>489</u>	<u>201</u>	<u>31</u>

Retirement Plan for General Employees

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

Vesting

Benefits are fully vested after 6 years of credited service.

Eligibility for Retirement

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

Annual Retirement Benefit

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

Other Benefits

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

Employee Contributions

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

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

2. Plan Description (Continued)

Retirement Plan for General Employees (Continued)

City Contributions

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

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, 2004.

General Employees Retirement System Trust Fund Statement of Fiduciary Net Assets September 30, 2004

Assets	
Cash and cash equivalents	\$ 377
Investments	40,902,396
Receivables	<u>599,761</u>
Total assets	41,502,534
Liabilities	
	<u>560,518</u>
Net assets held in trust for pension benefits	<u>\$40,942,016</u>

Statement of Changes in Fiduciary Net Assets Year Ended September 30, 2004

Additions	
Contributions	\$ 2,581,551
Investment income, net	<u>2,671,345</u>
Total additions	<u>5,252,896</u>
Deductions	
Pension benefits	2,067,030
Refunds	73,101
Other	<u>100,910</u>
Total deductions	<u>2,241,041</u>
Change in net assets	3,011,855
Net assets, beginning	<u>37,930,161</u>
Net assets, ending	<u>\$40,942,016</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

2. Plan Description (Continued)

Retirement Plan for Police Officers and Firefighters

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

Vesting

Benefits are fully vested after ten years of credited service.

Eligibility for Retirement

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

Annual Retirement Benefit

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

Other Benefits

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

Employee Contributions

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

City Contributions

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

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, 2004.

Police Officers and Firefighters Retirement System Trust Fund Statement of Fiduciary Net Assets September 30, 2004

Assets	
Cash and cash equivalents	\$ 1,970
Investments	42,967,166
Receivables	756,078
Total assets	<u>43,725,214</u>
Liabilities	<u>821,971</u>
Net assets held in trust for pension benefits	<u>\$42,903,243</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8. 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, 2004

Additions	
Contributions	\$ 4,756,421
Investment income, net	<u>2,967,092</u>
Total additions	<u>7,723,513</u>
Deductions	
Pension benefits	3,907,570
Refunds	20,412
Other	<u>189,352</u>
Total deductions	<u>4,117,334</u>
Change in net assets	3,606,179
Net assets, beginning	<u>39,297,064</u>
Net assets, ending	<u>\$42,903,243</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 "final monthly compensation", as defined by the pension plan, times years of credited service.

Other Benefits

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

Employee Contributions

Management personnel contribute 8% of their basic annual compensation.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8. 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.

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, 2004.

General Management Retirement System Trust Fund Statement of Fiduciary Net Assets September 30, 2004

Assets	
Cash and cash equivalents	\$ -
Investments	5,715,382
Receivables	-
Total assets	5,715,382
Liabilities	
	-
Net assets held in trust for pension benefits	\$ 5,715,382

Statement of Changes in Fiduciary Net Assets Year Ended September 30, 2004

Additions	
Contributions	\$ 935,783
Investment income, net	336,416
Total additions	1,272,199
Deductions	
Pension benefits	38,072
Refunds	1,754
Other	5,798
Total deductions	45,624
Change in net assets	1,226,575
Net assets, beginning	4,488,807
Net assets, ending	\$5,715,382

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

3. Annual Pension Cost and Net Pension Asset

General Employees

As of October 1, 2003, there was no net pension obligation. The annual pension cost and net pension asset for the current year was as follows:

Annual required contribution	\$ 652,083
Interest on net pension obligation	(25,155)
Adjustment to annual required contribution	<u>27,205</u>
Annual pension cost	654,133
Contributions made	<u>701,935</u>
Increase in net pension asset	47,802
Net pension asset, beginning of year	<u>279,497</u>
Net pension asset, end of year	<u>\$ 327,299</u>

The annual required contribution for the current year was determined as part of the October 1, 2002 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.

<u>Fiscal Year Ended</u>	<u>Three-Year Trend Information</u>		
	<u>In</u>		<u>In</u>
	<u>Thousands</u>		<u>Thousands</u>
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
9/30/2000	\$ 260	221%	\$ -
9/30/2001	576	110%	279
9/30/2002	654	107%	327

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Police and Firefighters

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

Annual required contribution	\$ 1,891,578
Interest on net pension asset	(42,791)
Adjustment to annual required contribution	<u>30,181</u>
Annual pension cost	1,878,968
Contributions made	<u>1,900,000</u>
Increase in net pension asset	21,032
Net pension asset, beginning of year	<u>503,422</u>
Net pension asset, end of year	<u>\$ 524,454</u>

The annual required contribution for the current year was determined as part of the October 1, 2002 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 5.5% to 8.7% per year. Both (a) and (b) included an inflation component of 4%. The assumptions include post-retirement benefit increases for the cost of living adjustment of 2.5% per year. The actuarial value of assets was determined using the five year smoothed market method.

<u>Fiscal Year Ended</u>	<u>Three-Year Trend Information</u>		
	<u>In</u>		<u>In</u>
	<u>Thousands</u>		<u>Thousands</u>
	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
9/30/2001	\$ 1,121	101%	\$ 363
9/30/2002	1,160	112%	503
9/30/2003	1,879	101%	524

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.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Management Employees (Continued)

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

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

Annual required contribution	\$ 535,800
Interest on net pension asset	(354)
Adjustment to annual required contribution	<u>-</u>
Annual pension cost	535,446
Contributions made	<u>532,708</u>
Decrease in net pension asset	(2,738)
Net pension asset, beginning of year	<u>4,421</u>
Net pension asset, end of year	<u>\$ 1,683</u>

The annual required contribution for the current year was determined as part of the October 1, 2003 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 of 4.0% to 4.5% per year. 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.

<u>Fiscal Year Ended</u>	<u>Three-Year Trend Information</u>		
	<u>In</u>		<u>In</u>
	<u>Thousands</u>		<u>Thousands</u>
	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
9/30/2002	N/A	N/A	N/A
9/30/2003	\$ 345	100%	4,421
9/30/2004	536	100%	1,683

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 9. 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 8). Effective January 1, 2003, the City contributes 17% of annual covered payroll and the employees are required to contribute 8%. Prior to January 1, the City contributed 17% and the employees contributed 7%. Employer contributions for fiscal year ended September 30, 2004 were approximately \$79,000 while the employee contributions were approximately \$37,000. Plan provisions and contribution requirements are established and may be amended by the City Manager.

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, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Property taxes	\$ 10,643,475	\$ 10,643,475	\$ 10,658,972	\$ 15,497
Franchise fees:				
Florida Power & Light	1,325,000	1,325,000	1,515,935	190,935
Towing	10,100	10,100	7,155	(2,945)
Gas and propane	63,150	63,150	60,140	(3,010)
Bus shelters	7,000	7,000	8,093	1,093
Total franchise fees	1,405,250	1,405,250	1,591,323	186,073
Utility taxes:				
Florida Power & Light	1,850,000	1,850,000	1,916,443	66,443
Gas, propane and oil	95,430	95,430	90,605	(4,825)
N.M.B. Water & Sewer	319,000	319,000	342,503	23,503
Total utility taxes	2,264,430	2,264,430	2,349,551	85,121
Communication service tax	1,700,000	1,700,000	1,989,776	289,776
Other taxes	20,000	20,000	18,126	(1,874)
Licenses and permits:				
Occupational licenses	834,600	834,600	854,432	19,832
Building permits and fees	615,715	615,715	940,873	325,158
Total licenses and permits	1,450,315	1,450,315	1,795,305	344,990
Intergovernmental:				
Sales tax	2,397,000	2,397,000	2,541,178	144,178
Shared revenues	468,633	468,633	514,954	46,321
Local option gas tax	841,223	841,223	887,911	46,688
Beverage licenses	25,000	25,000	27,335	2,335
Other state revenue	32,000	32,000	41,131	9,131
County revenue	107,900	107,900	179,276	71,376
Federal revenue	-	591,374	468,573	(122,801)
Total intergovernmental	3,871,756	4,463,130	4,660,358	197,228

(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, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>with Final</u> <u>Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Charges for services:				
Sanitation fees	\$ 7,566,393	\$ 7,566,393	\$ 7,561,903	\$ (4,490)
General services	555,106	555,106	620,033	64,927
Recreation fees	588,700	588,700	565,559	(23,141)
County sewer	99,000	99,000	102,185	3,185
Police services	131,500	131,500	74,041	(57,459)
Recycling and maintenance charges	125,600	125,600	122,206	(3,394)
Total charges for services	9,066,299	9,066,299	9,045,927	(20,372)
Fines and forfeitures:				
Traffic and parking	122,000	122,000	176,388	54,388
Local ordinance violations	40,000	57,710	109,384	51,674
Library	25,000	25,000	23,195	(1,805)
Other	10,000	10,000	-	(10,000)
Total fines and forfeitures	197,000	214,710	308,967	94,257
Other:				
Billing surcharge (F.S. 180.191)	3,964,915	3,964,915	3,915,393	(49,522)
Pension contributions	250,000	330,239	330,239	-
Interest	99,400	99,400	92,451	(6,949)
Miscellaneous	352,600	437,470	559,443	121,973
Use of surplus	1,700,000	1,722,474	-	(1,722,474)
Sale of City property	-	-	-	-
Total other	6,366,915	6,554,498	4,897,526	(1,656,972)
Total revenues	36,985,440	37,782,107	37,315,831	(466,276)
Current expenditures:				
General government:				
Administrative	1,364,588	1,438,187	1,430,763	7,424
Legislative	443,632	505,132	500,533	4,599
Executive	5,640,594	5,085,401	4,905,071	180,330
Human resources	2,312,957	2,372,957	2,148,910	224,047
Finance	2,460,816	2,457,256	2,444,807	12,449
Total general government	12,222,587	11,858,933	11,430,084	428,849
Police services	13,980,135	14,687,116	14,960,798	(273,682)
Library	916,610	918,620	894,305	24,315
Parks and recreation	4,408,635	4,274,554	4,179,631	94,923
Public services	8,868,211	9,405,094	9,437,146	(32,052)
Total current expenditures	40,396,178	41,144,317	40,901,964	242,353

(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, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget - Positive (Negative)</u>
Capital outlay:				
General government:				
Administrative	\$ -	\$ 4,901	\$ 4,901	\$ -
Legislative	-	-	-	-
Executive	38,000	77,523	72,780	4,743
Human resources	-	-	-	-
Finance	<u>26,000</u>	<u>52,660</u>	<u>46,041</u>	<u>6,619</u>
Total general government	<u>64,000</u>	<u>135,084</u>	<u>123,722</u>	<u>11,362</u>
Police services	202,539	206,118	155,575	50,543
Library	109,000	116,960	115,522	1,438
Parks and recreation	110,600	120,819	108,926	11,893
Public services	<u>596,100</u>	<u>582,933</u>	<u>565,264</u>	<u>17,669</u>
Total capital outlay	<u>1,082,239</u>	<u>1,161,914</u>	<u>1,069,009</u>	<u>92,905</u>
Debt service:				
Principal	711,454	678,504	676,982	1,522
Interest	<u>71,699</u>	<u>49,726</u>	<u>48,302</u>	<u>1,424</u>
Total debt service	<u>783,153</u>	<u>728,230</u>	<u>725,284</u>	<u>2,946</u>
Total expenditures	<u>42,261,570</u>	<u>43,034,461</u>	<u>42,696,257</u>	<u>338,204</u>
Other financing sources (uses):				
Transfers in	5,574,677	5,630,677	5,258,258	(372,419)
Transfers out	(1,017,547)	(1,097,323)	(1,097,219)	104
Financing proceeds - master lease	<u>719,000</u>	<u>719,000</u>	<u>719,000</u>	<u>-</u>
Total other financing sources	<u>5,276,130</u>	<u>5,252,354</u>	<u>4,880,039</u>	<u>(372,315)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (500,387)</u>	<u>\$ 500,387</u>

See notes to budgetary comparison schedule.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BUDGETARY COMPARISON SCHEDULE

FISCAL YEAR ENDED SEPTEMBER 30, 2004

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, for the general fund.

1. Prior to July 1, the City Manager submits to the City Council a budget estimate of the revenues and expenditures for all City departments and divisions for the fiscal year commencing the following October 1.
2. Upon receipt of the annual budget estimates, the City Council holds various budget workshops to review and amend the proposed budget.
3. Public hearings are held to obtain taxpayers' comments.
4. Prior to October 1, the budget is legally enacted through passage of an ordinance.
5. No department or division may legally expend or contract to expend amounts in excess of amounts appropriated for any department within an individual fund. Budget appropriations lapse at year end.
6. The adopted budget may be amended as follows:
 - a) The City Manager can approve line item adjustments within a department. The legal level of budgetary control is at the departmental level. The City Council approves all other budget amendments.
 - b) The City Council approves supplemental appropriations. However, the City Manager is granted authority to amend, modify or otherwise adjust the annual budget to a maximum limit of \$50,000 per individual occurrence. There was \$852,667 of supplemental appropriations in the general fund during the year ended September 30, 2004.

NOTE 2. For the fiscal year ended September 30, 2004, expenditures exceeded appropriations in police services by \$273,682 and public services by \$32,052. There were significant costs related to hurricane preparation, debris removal, and recovery activities that are not eligible for reimbursement and will be paid from fund balance. Additional police overtime was spent on five major police investigations including a police officer fatality. These over expenditures were funded by greater than anticipated revenues and fund balance.

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 57)	\$ (500,387)
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>442,262</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 21)	<u>\$ (58,125)</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS

SEPTEMBER 30, 2004

RETIREMENT PLAN FOR GENERAL EMPLOYEES

<u>Fiscal</u> <u>Year</u> <u>Ended</u> <u>September 30,</u>	<u>In</u> <u>Thousands</u> <u>Annual</u> <u>Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
1999	\$ 254	210%
2000	260	221%
2001	576	110%
2002	652	107%
2003	1,548	100%

The information presented in the required supplemental schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	10/1/02
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar amount, closed
Remaining amortization period	30 years
Asset valuation method	Smoothed market value
Actuarial assumptions:	
Investment rate of return*	8.5%
Projected salary increases*	5.50%
Cost of living adjustments	2.25%

* Includes inflation at 3.5%

CITY OF NORTH MIAMI BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND OTHER CONTRIBUTING ENTITIES

SEPTEMBER 30, 2004

RETIREMENT PLAN FOR POLICE OFFICERS AND FIREFIGHTERS

<u>Fiscal Year</u>	<u>In Thousands Annual Required Contributions</u>	<u>In Thousands Employer Contributions</u>	<u>Percentage Contributed</u>
1998	\$ 833	\$ 1,162	139%
1999	983	1,009	103%
2000	1,014	1,000	99%
2001	1,129	1,129	100%
2002	1,168	1,300	111%
2003	1,892	1,900	100%

The information presented in the required supplemental schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	10/1/02
Actuarial cost method	Entry Age Normal
Amortization method	Level percent, open
Remaining amortization period	30 years
Asset valuation method	5 year smoothed market
Actuarial assumptions:	
Investment rate of return*	8.0%
Projected salary increases*	5.50%- 8.7%
Cost of living adjustments	2.5%

*Includes inflation at 4%

CITY OF NORTH MIAMI BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS

SEPTEMBER 30, 2004

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	100%*
2004	536	100%*

*The City contributed more than required.

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

The information presented in the required supplemental schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	10/1/04
Actuarial cost method	Frozen Entry Age Normal
Amortization method	Level Percentage, Closed
Remaining amortization period	28 Years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return*	8.0%
Projected salary increases*	4.5% Ages to 50 4.0% Ages Over 50
Cost of living adjustments	2.25%

*Includes inflation at 3.75%

CITY OF NORTH MIAMI BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

SEPTEMBER 30, 2004

RETIREMENT PLAN FOR GENERAL EMPLOYEES

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a) / (c)
10/1/1998	\$ 35,879	\$ 30,501	\$ (5,378)	117.6%	\$ 7,247	-74.2%
10/1/1999	40,229	32,131	(8,098)	125.2%	8,038	-100.7%
10/1/2000	43,651	37,968	(5,683)	115.0%	8,875	-64.0%
10/1/2001	44,382	41,803	(2,579)	106.2%	9,708	-26.6%
10/1/2002	39,872	46,110	6,238	86.5%	10,842	57.5%

Note: Dollar amounts in thousands.

CITY OF NORTH MIAMI BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

SEPTEMBER 30, 2004

RETIREMENT PLAN FOR POLICE OFFICERS AND FIREFIGHTERS

<u>Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) Entry Age (b)</u>	<u>Unfunded Actuarial Liability (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>
10/1/1998	\$ 43,795	\$ 51,178	\$ 7,383	85.6%	\$ 4,358	169.4%
10/1/1999	46,825	53,198	6,373	88.0%	5,607	113.7%
10/1/2000	48,928	56,485	7,557	86.6%	5,782	130.7%
10/1/2001	48,495	59,272	10,777	81.8%	6,909	156.0%
10/1/2002	42,552	62,481	19,929	68.1%	7,656	260.3%
10/1/2003	46,360	70,330	23,970	65.9%	7,767	308.6%

Note: Dollar amounts in thousands.

CITY OF NORTH MIAMI BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

SEPTEMBER 30, 2004

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	\$ 4,543	\$ 10,139	\$ 5,596	44.8%	\$ 2,474	226.2%
10/1/2004	5,741	11,448	5,707	50.1%	2,767	206.3%

Note: Dollar amounts in thousands

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



**COMBINING, INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

GENERAL FUND

CITY OF NORTH MIAMI BEACH, FLORIDA

GENERAL FUND COMPARATIVE BALANCE SHEETS

SEPTEMBER 30, 2004
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2003)

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Pooled cash and investments	\$ 3,307,097	\$ 6,134,930
Accounts receivable	4,580,388	3,788,496
Due from other funds	3,098,522	1,000,813
Inventories	145,922	142,575
Prepaid costs	102,188	79,745
Escrow funds held by lessor	554,704	372,740
Other assets	<u>35,100</u>	<u>35,100</u>
Total assets	<u>\$ 11,823,921</u>	<u>\$ 11,554,399</u>
 <u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Vouchers payable and accrued liabilities	\$ 1,579,486	\$ 892,847
Deferred revenues	828,272	807,685
Deposits held in trust	766,355	829,122
Due to other funds	76,803	93,615
Estimated claims	<u>-</u>	<u>300,000</u>
Total liabilities	<u>3,250,916</u>	<u>2,923,269</u>
Fund balances:		
Reserved:		
Encumbrances	1,529,905	1,260,447
Inventories	145,922	142,575
Prepaid costs	102,188	79,745
Liability claims	400,307	353,027
Workers' compensation claims	560,123	760,144
Case settlement	-	300,000
Land acquisition	279,417	273,417
Unreserved:		
Undesignated	<u>5,555,143</u>	<u>5,461,775</u>
Total fund balances	<u>8,573,005</u>	<u>8,631,130</u>
Total liabilities and fund balances	<u>\$ 11,823,921</u>	<u>\$ 11,554,399</u>



NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

Cultural – This fund is used to account for the revenues and expenses of the Julius Littman Performing Arts Center.

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.

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

SNP Interest Earning Grant – This fund is used to account for a grant received through Miami-Dade County's Safe Neighborhood Program for various Parks and Recreation Department facility improvements.

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 1994 – This fund is used to account for the \$13,000,000 Series 1994 bonds issued by the City to fund the expansion of the police station and various neighborhood improvements. These bonds were refinanced/rendered void by the Series 2002A issue.

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.

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.

2001 Capital Improvements – To account for financial resources to be used for current parks and recreation projects within the City.

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.

Safe Neighborhood Park – To account for funds received from Miami-Dade County's Safe Neighborhood Challenge Grant Program for construction of the Taylor Park Sports Youth Facility – Baseball Field.

CITY OF NORTH MIAMI BEACH, FLORIDA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2004

	Special Revenue										Total
	SNP										
	Grants	Cultural	Transit Surtax	Handicapped Parking Fines	Interest Earning Grant	164th Street Guardhouse	35th Avenue Guardhouse	Federal Forfeitures	State Forfeitures	U.S. Treasury	
ASSETS											
Pooled cash and investments	\$ 134,114	\$ -	\$ 490,134	\$ 439	\$ 31,140	\$ 100,935	\$ 48,052	\$ 6,889	\$ 18,411	\$ 234,641	\$ 1,064,755
Accounts receivable:											
Intergovernmental	265,177	-	296,764	-	-	9,518	15,074	-	-	-	586,533
Grants - Safe Neighborhood Program	-	-	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	148,844	79,901	-	228,745
Prepaid costs	-	-	-	-	-	500	546	1,008	-	-	2,054
Due from other funds	-	-	-	-	-	-	-	-	-	110,000	110,000
Escrow funds held by agent	-	-	-	-	-	-	-	-	-	-	-
Escrow funds held by lessor	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 399,291	\$ -	\$ 786,898	\$ 439	\$ 31,140	\$ 110,953	\$ 63,672	\$ 156,741	\$ 98,312	\$ 344,641	\$ 1,992,087

LIABILITIES AND FUND BALANCES

Liabilities:											
Vouchers payable and accrued liabilities	\$ 63,277	\$ -	\$ 129,484	\$ -	\$ -	\$ 2,015	\$ 3,759	\$ 312	\$ 18,321	\$ 55,448	\$ 272,616
Due to other funds	215,765	-	-	-	-	-	-	110,000	-	-	325,765
Deferred revenue	115,058	-	-	-	-	-	-	-	-	-	115,058
Total liabilities	394,100	-	129,484	-	-	2,015	3,759	110,312	18,321	55,448	713,439
Fund balances:											
Reserved:											
Grant related	5,191	-	-	-	-	-	-	-	-	-	5,191
Law enforcement	-	-	-	-	-	-	-	45,421	79,991	289,193	414,605
Debt service	-	-	-	-	-	-	-	-	-	-	-
Prepaid costs	-	-	-	-	-	-	-	1,008	-	-	1,008
Construction	-	-	-	-	-	-	-	-	-	-	-
Unreserved, undesignated	-	-	657,414	439	31,140	108,938	59,913	-	-	-	857,844
Total fund balances	5,191	-	657,414	439	31,140	108,938	59,913	46,429	79,991	289,193	1,278,648
Total liabilities and fund balances	\$ 399,291	\$ -	\$ 786,898	\$ 439	\$ 31,140	\$ 110,953	\$ 63,672	\$ 156,741	\$ 98,312	\$ 344,641	\$ 1,992,087

CITY OF NORTH MIAMI BEACH, FLORIDA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)

SEPTEMBER 30, 2004

	Debt Service							
	Series 1994	Series 2000B	Series 2002A	Series 1997-98	1999 Note	Series 2000A	Series 2003B	Total
<u>ASSETS</u>								
Pooled cash and investments	\$ -	\$ -	\$ 13,088	\$ 139,697	\$ -	\$ -	\$ 3	\$ 152,788
Accounts receivable:								
Intergovernmental	-	-	-	-	-	-	-	-
Grants - Safe Neighborhood Program	-	-	-	-	-	-	-	-
Other receivables	-	390,000	-	-	-	-	-	390,000
Prepaid costs	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	76,803	-	-	-	76,803
Escrow funds held by agent	-	-	-	-	-	-	-	-
Escrow funds held by lessor	-	-	-	-	-	-	-	-
Total assets	\$ -	\$ 390,000	\$ 13,088	\$ 216,500	\$ -	\$ -	\$ 3	\$ 619,591

LIABILITIES AND FUND BALANCES

Liabilities:								
Vouchers payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	382,417	-	-	-	-	-	382,417
Deferred revenue	-	-	-	-	-	-	-	-
Total liabilities	-	382,417	-	-	-	-	-	382,417
Fund balances:								
Reserved:								
Grant related	-	-	-	-	-	-	-	-
Law enforcement	-	-	-	-	-	-	-	-
Debt service	-	7,583	13,088	216,500	-	-	3	237,174
Prepaid costs	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Unreserved, undesignated	-	-	-	-	-	-	-	-
Total fund balances	-	7,583	13,088	216,500	-	-	3	237,174
Total liabilities and fund balances	\$ -	\$ 390,000	\$ 13,088	\$ 216,500	\$ -	\$ -	\$ 3	\$ 619,591

CITY OF NORTH MIAMI BEACH, FLORIDA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

(Continued)

SEPTEMBER 30, 2004

	2001 Capital Improvements	Alley Restoration Program	Safe Neighborhood Park	Total	Total Nonmajor Governmental Funds
<u>ASSETS</u>					
Pooled cash and investments	\$ -	\$ 6,952	\$ -	\$ 6,952	\$ 1,224,495
Accounts receivable:					
Intergovernmental	-	-	-	-	586,533
Grants - Safe Neighborhood Program	-	-	12,739	12,739	12,739
Other receivables	-	-	-	-	618,745
Prepaid costs	-	-	-	-	2,054
Due from other funds	-	-	-	-	186,803
Escrow funds held by agent	-	-	-	-	-
Escrow funds held by lessor	-	-	-	-	-
Total assets	\$ -	\$ 6,952	\$ 12,739	\$ 19,691	\$ 2,631,369

LIABILITIES AND FUND BALANCES

<u>Liabilities:</u>					
Vouchers payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ 272,616
Due to other funds	-	-	12,739	12,739	720,921
Deferred revenue	-	-	-	-	115,058
Total liabilities	-	-	12,739	12,739	1,108,595
<u>Fund balances:</u>					
Reserved:					
Grant related	-	-	-	-	5,191
Law enforcement	-	-	-	-	414,605
Debt service	-	-	-	-	237,174
Prepaid costs	-	-	-	-	1,008
Construction	-	6,952	-	6,952	6,952
Unreserved, undesignated	-	-	-	-	857,844
Total fund balances	-	6,952	-	6,952	1,522,774
Total liabilities and fund balances	\$ -	\$ 6,952	\$ 12,739	\$ 19,691	\$ 2,631,369

CITY OF NORTH MIAMI BEACH, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2004

	Special Revenue											Total
	SNP											
	Grants	Cultural	Transit Surtax	Handicapped Parking Fines	Interest Earning Grant	164th Street Guardhouse	35th Avenue Guardhouse	Federal Forfeiture	State Forfeiture	Treasury	U.S.	
Revenues:												
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	568,290	-	1,224,740	-	-	111,551	184,490	-	-	-	-	2,089,071
Grants - Safe Neighborhood Program	-	-	-	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	264,127	358,630	366,003	366,003	988,760
Other	-	-	-	-	-	-	350	12,546	33,013	48,803	48,803	94,712
Interest	1,316	-	6,049	17	73	1,137	486	2,194	2,885	2,713	2,713	16,870
Total revenues	569,606	-	1,230,789	17	73	112,688	185,326	278,867	394,528	417,519	417,519	3,189,413
Expenditures:												
Current:												
General government	52,469	-	169,799	8,079	-	-	-	-	-	-	-	230,347
Police services	263,112	-	-	-	-	108,497	178,607	408,080	739,937	224,172	224,172	1,922,405
Parks	2,386	2,780	92,932	-	27	-	-	-	-	-	-	98,125
Public services	102,180	-	-	-	-	-	-	-	-	-	-	102,180
Library	5,006	-	-	-	-	-	-	-	-	-	-	5,006
Capital outlay	262,600	-	924,970	-	-	-	-	81,682	32,079	46,748	46,748	1,348,079
Debt service:												
Principal	-	-	-	-	-	-	-	-	-	75,954	75,954	75,954
Interest	-	-	-	-	-	-	-	-	-	5,392	5,392	5,392
Total expenditures	687,753	2,780	1,187,701	8,079	27	108,497	178,607	489,762	772,016	352,266	352,266	3,787,488
Excess (deficiency) of revenues over expenditures	(118,147)	(2,780)	43,088	(8,062)	46	4,191	6,719	(210,895)	(377,488)	65,253	65,253	(598,075)
Other financing sources (uses):												
Transfers in	93,265	-	50,000	-	31,094	-	-	-	598	-	-	174,957
Transfers out	(598)	-	(147,124)	-	-	-	-	(58,691)	(5,000)	-	-	(211,413)
Total other financing sources (uses)	92,667	-	(97,124)	-	31,094	-	-	(58,691)	(4,402)	-	-	(36,456)
Net changes in fund balance	(25,480)	(2,780)	(54,036)	(8,062)	31,140	4,191	6,719	(269,586)	(381,890)	65,253	65,253	(634,531)
Fund balances, beginning	30,671	2,780	711,450	8,501	-	104,747	53,194	316,015	461,881	223,940	223,940	1,913,179
Fund balances, ending	\$ 5,191	\$ -	\$ 657,414	\$ 439	\$ 31,140	\$ 108,938	\$ 59,913	\$ 46,429	\$ 79,991	\$ 289,193	\$ 289,193	\$ 1,278,648

CITY OF NORTH MIAMI BEACH, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NON MAJOR FUNDS (Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2004

	Debt Service									
	Series 1994	Series 2000B	Series 2002A	Series 1997-98	1999 Note	Series 2000A	Series 2003B	Total		
Revenues:										
Property taxes	\$ 269,738	\$ 1,078,000	\$ 633,000	\$ -	\$ -	\$ -	\$ -	\$ 1,980,738		
Intergovernmental	-	-	-	642,052	-	-	-	642,052		
Grants - Safe Neighborhood Program	-	-	-	-	-	-	-	-		
Fines and forfeitures	-	-	-	-	-	-	-	-		
Other	-	-	-	-	-	-	-	-		
Interest	40	190	1,194	1,666	-	166	3	3,259		
Total revenues	<u>269,778</u>	<u>1,078,190</u>	<u>634,194</u>	<u>643,718</u>	<u>-</u>	<u>166</u>	<u>3</u>	<u>2,626,049</u>		
Expenditures:										
Current:										
General government	-	-	-	-	-	-	-	-		
Police services	-	-	-	-	-	-	-	-		
Parks	-	-	-	-	-	-	-	-		
Public services	-	-	-	-	-	-	-	-		
Library	-	-	-	-	-	-	-	-		
Capital outlay	-	-	-	-	-	-	-	-		
Debt service:										
Principal	275,000	165,000	70,000	160,000	75,000	11,530	-	756,530		
Interest and fiscal charges	8,849	920,445	582,544	109,879	12,242	16,298	145,019	1,795,276		
Total expenditures	<u>283,849</u>	<u>1,085,445</u>	<u>652,544</u>	<u>269,879</u>	<u>87,242</u>	<u>27,828</u>	<u>145,019</u>	<u>2,551,806</u>		
Excess (deficiency) of revenues over expenditures	<u>(14,071)</u>	<u>(7,255)</u>	<u>(18,350)</u>	<u>373,839</u>	<u>(87,242)</u>	<u>(27,662)</u>	<u>(145,016)</u>	<u>(39,676)</u>		
Other financing sources (uses):										
Transfers in	-	-	444	-	87,242	27,662	145,019	260,367		
Transfers out	(444)	-	-	(389,839)	-	-	-	(390,283)		
Total other financing sources (uses)	<u>(444)</u>	<u>-</u>	<u>444</u>	<u>(389,839)</u>	<u>87,242</u>	<u>27,662</u>	<u>145,019</u>	<u>(129,916)</u>		
Net changes in fund balances	<u>(14,515)</u>	<u>(7,255)</u>	<u>(17,906)</u>	<u>(16,000)</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>(55,673)</u>		
Fund balances, beginning	<u>14,515</u>	<u>14,838</u>	<u>30,994</u>	<u>232,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>292,847</u>		
Fund balances, ending	<u>\$ -</u>	<u>\$ 7,583</u>	<u>\$ 13,088</u>	<u>\$ 216,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3</u>	<u>\$ 237,174</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, 2004

	2001 Capital Improvements	Alley Restoration Program	Safe Neighborhood Parks	Total	Total Nonmajor Governmental Funds
Revenues:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,980,738
Intergovernmental	-	-	-	-	2,731,123
Grants - Safe Neighborhood Program	-	-	2,000	2,000	2,000
Fines and forfeitures	-	-	-	-	988,760
Other	-	-	-	-	94,712
Interest	65	416	-	481	20,610
Total revenues	65	416	2,000	2,481	5,817,943
Expenditures:					
Current:					
General government	-	-	-	-	230,347
Police services	-	-	-	-	1,922,405
Parks	-	-	-	-	98,125
Public services	8	63	-	71	102,251
Library	-	-	-	-	5,006
Capital outlay	18,976	512,738	2,000	533,714	1,881,793
Debt service:					
Principal	-	-	-	-	832,484
Interest and fiscal charges	-	-	-	-	1,800,668
Total expenditures	18,984	512,801	2,000	533,785	6,873,079
Excess (deficiency) of revenues over expenditures	(18,919)	(512,385)	-	(531,304)	(1,055,136)
Other financing sources (uses):					
Transfers in	-	350,000	-	350,000	785,324
Transfers out	(2,836)	-	-	(2,836)	(604,532)
Total other financing sources (uses)	(2,836)	350,000	-	347,164	180,792
Net changes in fund balances	(21,755)	(162,385)	-	(184,140)	(874,344)
Fund balances, beginning	21,755	169,337	-	191,092	2,397,118
Fund balances, ending	\$ -	\$ 6,952	\$ -	\$ 6,952	\$ 1,522,774

FIDUCIARY FUNDS

CITY OF NORTH MIAMI BEACH, FLORIDA
FIDUCIARY FUNDS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
SEPTEMBER 30, 2004

<u>ASSETS</u>	<u>Pension Trust Funds</u>			<u>Totals</u>
	<u>General Employees</u>	<u>Police Officers and Firefighters</u>	<u>General Management Employees</u>	
Cash held with trustee	\$ 377	\$ 1,970	\$ -	\$ 2,347
Investments:				
Cash management funds	1,874,875	2,489,529	-	4,364,404
Mutual funds	9,285,266	8,685,593	5,715,382	23,686,241
U.S. Government securities	9,150,831	10,044,586	-	19,195,417
Corporate bonds	3,725,896	3,453,223	-	7,179,119
Common stocks	16,865,528	18,294,235	-	35,159,763
Receivables:				
Accrued interest and dividends	176,050	176,817	-	352,867
Receivable from broker on investments sold	423,711	579,261	-	1,002,972
Total assets	41,502,534	43,725,214	5,715,382	90,943,130
<u>LIABILITIES AND NET ASSETS</u>				
Vouchers payable and accrued liabilities	29,126	35,496	-	64,622
Payable to broker for investments purchased	531,392	786,475	-	1,317,867
Total liabilities	560,518	821,971	-	1,382,489
Net assets held in trust for pension benefits	\$ 40,942,016	\$ 42,903,243	\$ 5,715,382	\$ 89,560,641

CITY OF NORTH MIAMI BEACH, FLORIDA

FIDUCIARY FUNDS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED SEPTEMBER 30, 2004

	Pension Trust Funds			<u>Totals</u>
		Police	General	
	<u>General</u> <u>Employees</u>	<u>Officers and</u> <u>Firefighters</u>	<u>Management</u> <u>Employees</u>	
ADDITIONS				
Contributions:				
Employees	\$ 851,458	\$ 1,350,871	\$ 369,948	\$ 2,572,277
Employer	1,730,093	2,740,000	565,835	5,035,928
State/County	-	665,550	-	665,550
Total contributions	<u>2,581,551</u>	<u>4,756,421</u>	<u>935,783</u>	<u>8,273,755</u>
Investment income:				
Net appreciation in fair value of investments	1,806,302	1,785,269	-	3,591,571
Interest and dividends	997,472	1,012,424	336,416	2,346,312
Investment expenses	(132,429)	(144,238)	-	(276,667)
Net investment income	<u>2,671,345</u>	<u>2,653,455</u>	<u>336,416</u>	<u>5,661,216</u>
Other income - settlement	-	313,637	-	313,637
Total additions	<u>5,252,896</u>	<u>7,723,513</u>	<u>1,272,199</u>	<u>14,248,608</u>
DEDUCTIONS				
Pension benefits	2,067,030	3,907,570	38,072	6,012,672
Refunds of contributions	73,101	20,412	1,754	95,267
Administrative expenses	100,910	189,352	5,798	296,060
Total deductions	<u>2,241,041</u>	<u>4,117,334</u>	<u>45,624</u>	<u>6,403,999</u>
Change in net assets	3,011,855	3,606,179	1,226,575	7,844,609
Net assets held in trust for pension benefits:				
Beginning	<u>37,930,161</u>	<u>39,297,064</u>	<u>4,488,807</u>	<u>81,716,032</u>
Ending	<u>\$40,942,016</u>	<u>\$42,903,243</u>	<u>\$ 5,715,382</u>	<u>\$89,560,641</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

AGENCY FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2004

	Balance September 30, <u>2003</u>	<u>Additions</u>	<u>Deductions</u>	Balance September 30, <u>2004</u>
<u>ASSETS</u>				
Cash	\$ <u>261,560</u>	\$ <u>196,790</u>	\$ <u>304,039</u>	\$ <u>154,311</u>
<u>LIABILITIES</u>				
Deposits held in trust	\$ <u>261,560</u>	\$ <u>196,790</u>	\$ <u>304,039</u>	\$ <u>154,311</u>



STATISTICAL SECTION

CITY OF NORTH MIAMI BEACH, FLORIDA

GOVERNMENT-WIDE REVENUES BY FUNCTION

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Franchise Fees</u>	<u>State Revenue Sharing and Other Inter-governmental</u>	<u>Unrestricted Investment Earnings</u>	<u>Billing Surcharge</u>	<u>Sale of City Property</u>	<u>Sales and Other Taxes</u>	<u>Communications Services Taxes</u>	<u>Miscellaneous</u>	<u>Total</u>
2001	\$32,330,717	\$ 4,084,051	\$ 3,495,988	\$11,544,458	\$ 1,771,684	\$ 1,848,254	\$1,950,089	\$22,924	\$ 22,924	\$ 1,807,508	\$ 1,807,508	\$65,575,836
2002	33,603,242	395,806	3,719,758	13,128,919	1,417,597	1,508,616	2,128,004	46,473	46,473	1,900,963	1,275,054	63,535,499
2003	34,158,298	1,802,799	6,170,274	14,235,524	1,442,511	1,948,922	2,204,171	568	2,418,290	1,785,296	1,006,599	70,009,865
2004	35,456,842	2,466,798	2,116,889	14,989,261	1,591,323	1,499,747	3,915,393	14	2,559,304	1,989,776	1,328,049	71,479,573

Information for fiscal years ended September 30, 1995 to 2000 are unavailable.

CITY OF NORTH MIAMI BEACH, FLORIDA

GOVERNMENT-WIDE EXPENSES

LAST TEN FISCAL YEARS

Fiscal Year	<u>General Government</u>	<u>Public Safety</u>	<u>Library</u>	<u>Parks and Recreation</u>	<u>Public Works</u>	<u>Interest on Long-Term Debt</u>	<u>Water</u>	<u>Sewer</u>	<u>Storm- water</u>	<u>Total</u>
2001	\$12,626,188	\$14,639,398	\$ 968,193	\$3,648,394	\$7,487,155	\$2,023,196	\$16,820,348	\$5,370,571	\$690,195	\$64,273,638
2002	10,822,725	15,784,498	998,191	3,993,083	8,932,967	1,758,128	15,005,475	4,325,674	794,793	62,415,534
2003	13,681,797	15,932,268	1,040,790	4,277,295	9,570,613	1,716,850	18,666,131	3,745,779	750,425	69,381,948
2004	\$14,031,794	17,654,564	1,089,056	4,455,925	10,173,653	1,979,807	18,470,596	3,422,657	690,011	71,968,063

Information for fiscal years ended September 30, 1994 to 2000 are unavailable.

CITY OF NORTH MIAMI BEACH, FLORIDA

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>General Government</u>	<u>Police Services</u>	<u>Library</u>	<u>Parks and Recreation</u>	<u>Public Services</u>	<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Total</u>
1995	\$6,946,404	\$8,943,544	\$538,062	\$2,048,146	\$6,527,393	\$2,049,997	\$753,433	\$27,806,979
1996	6,589,556	8,459,454	625,032	2,065,637	6,421,997	1,398,477	1,023,546	26,583,699
1997	6,827,805	9,814,136	666,890	2,030,712	6,127,342	1,582,900	866,674	27,916,459
1998	7,991,203	9,281,889	683,495	2,052,039	6,489,551	1,293,443	727,810	28,519,430
1999	8,071,059	9,194,703	728,626	2,741,726	6,977,695	2,079,418	844,972	30,638,199
2000	8,526,158	9,314,053	758,700	3,291,600	7,355,189	1,362,285	866,640	31,474,625
2001	9,094,784	10,246,001	790,595	3,451,091	7,417,088	1,048,617	992,796	33,040,972
2002	9,621,705	11,231,307	825,946	3,566,389	7,886,883	1,109,861	919,046	35,161,137
2003	11,109,724	12,968,213	871,681	4,011,139	8,292,281	1,084,506	793,462	39,131,006
2004	11,430,084	14,960,798	894,305	4,179,631	9,437,146	1,069,009	725,284	42,696,257

Note: General Fund Only (budgetary basis)

CITY OF NORTH MIAMI BEACH, FLORIDA

GENERAL GOVERNMENTAL REVENUES BY SOURCE

LAST TEN FISCAL YEARS

Fiscal Year	Property Taxes	Licenses and Permits	Inter-Governmental	Utility Taxes (1)	Franchise Fees	Fines and Forfeitures	Other	Charges for Services	Interest	Total
1995	\$ 7,273,785	\$ 7,186,118	\$ 3,186,642	\$ 3,109,029	\$ 1,416,161	\$ -	\$ 894,368	\$ 1,848,961	\$ 192,473	\$ 25,107,537
1996	7,556,447	7,328,626	3,144,332	3,146,066	1,487,150	-	1,097,759	2,222,054	223,033	26,205,467
1997	7,413,017	7,418,383	3,572,182	3,173,613	1,544,366	-	2,229,395	2,721,865	235,496	28,308,317
1998	7,630,248	7,598,197	3,794,841	3,318,004	1,453,485	-	1,022,226	2,722,394	303,639	27,843,034
1999	7,862,920	1,144,972 *	3,449,435	3,443,466	1,590,366	172,514	* 2,267,831	9,699,300	* 328,121	29,958,925
2000	7,967,152	1,362,657	3,710,121	3,458,416	1,476,318	249,986	2,673,311	10,034,171	446,625	31,378,757
2001	8,033,116	1,428,960	3,631,965	3,511,342	1,771,684	234,306	2,725,289	8,101,703	402,697	29,841,062
2002	8,773,396	1,457,601	3,825,526	4,197,998	1,417,597	271,134	2,618,783	8,555,664	141,609	31,259,308
2003	9,448,264	1,484,769	3,935,653	4,162,471	1,442,511	289,654	2,744,320	8,969,556	82,014	32,559,212
2004	10,658,972	1,795,305	4,660,358	4,339,327	1,591,323	308,967	4,823,201	9,045,927	92,451	37,315,831

(1) As of 2002, includes communications services tax.

*Reclassification of categories in 1999.

Note: General Fund Only

CITY OF NORTH MIAMI BEACH, FLORIDA

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Total Assessed Valuation</u>	<u>Taxable Assessed Levy</u>	<u>Total Tax Levy</u>	<u>Total Tax Collections</u>	<u>Percentage of Total Tax Collections to Tax Levy</u>
1995	\$ 1,019,107,174	\$ 1,016,720,571	\$ 7,578,289	\$ 7,273,785	96%
1996	1,020,168,188	1,017,994,330	7,838,556	7,556,448	96%
1997	1,064,108,447	1,062,713,107	7,957,312	7,413,017	93%
1998	1,100,915,565	1,082,543,223	8,087,224	7,630,248	94%
1999	1,124,472,717	1,108,549,661	8,256,867	7,862,920	95%
2000	1,133,672,093	1,122,293,059	8,433,545	7,967,152	94%
2001	1,210,331,467	1,190,439,497	8,502,541	8,033,116	94%
2002	1,326,749,346	1,302,043,942	9,077,486	8,773,396	97%
2003	1,493,821,280	1,471,015,863	9,950,620	9,448,264	95%
2004	1,656,205,596	1,641,380,742	11,203,660	10,658,972	95%

Note: For each fiscal year ending September 30, property is valued as of the preceding January 1.

CITY OF NORTH MIAMI BEACH, FLORIDA

ASSESSED AND ESTIMATED ACTUAL VALUE OF ALL TAXABLE PROPERTY

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Centrally Assessed Property</u>	<u>Gross Total</u>	<u>Real Estate Exemption</u>	<u>Net Assessed Property Value</u>
1995	\$ 912,198,851	\$ 106,261,631	\$ 646,692	\$ 1,019,107,174	\$ 2,386,603	\$ 1,016,720,571
1996	904,659,481	114,896,212	612,495	1,020,168,188	2,173,858	1,017,994,330
1997	938,540,444	124,950,495	617,508	1,064,108,447	1,395,340	1,062,713,107
1998	973,907,113	126,168,895	839,557	1,100,915,565	18,372,342	1,082,543,223
1999	990,456,776	133,200,024	815,917	1,124,472,717	15,923,056	1,108,549,661
2000	1,026,103,859	106,739,394	828,840	1,133,672,093	11,379,034	1,122,293,059
2001	1,101,412,707	108,074,203	844,557	1,210,331,467	19,891,970	1,190,439,497
2002	1,210,077,211	115,813,890	858,245	1,326,749,346	24,705,404	1,302,043,942
2003	1,372,853,705	120,112,860	854,715	1,493,821,280	22,805,417	1,471,015,863
2004	1,533,036,874	122,125,888	1,042,834	1,656,205,596	14,824,854	1,641,380,742

Note: Net assessed property value is equal to the sum of real property, personal property and property centrally assessed for operating purposes less any exemptions.

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

<u>Fiscal Year</u>	<u>City</u>	<u>School</u>	<u>Environmental Project</u>	<u>State</u>	<u>County</u>	<u>Total</u>
1995	8.897	10.345	0.100	0.546	10.483	30.371
1996	8.688	10.366	0.100	0.610	9.988	29.752
1997	8.553	10.462	0.100	0.650	9.677	29.442
1998	8.423	10.160	0.100	0.644	9.724	29.051
1999	8.404	9.644	0.100	0.641	9.377	28.166
2000	8.396	9.617	0.100	0.638	9.155	27.906
2001	9.290	9.376	0.100	0.636	9.017	28.419
2002	9.095	9.252	0.100	0.636	8.940	28.023
2003	8.896	9.100	0.100	0.636	9.415	28.147
2004	8.781	8.687	0.100	0.636	9.325	27.529

Note: Property tax rates are based on each \$1,000 of net assessed value.

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

CITY OF NORTH MIAMI BEACH, FLORIDA

PROPERTY VALUES, CONSTRUCTION AND BANK DEPOSITS

LAST TEN FISCAL YEARS

Fiscal Year	Total Permits Issued	<u>Miscellaneous</u>		<u>Residential</u>		<u>Commercial</u>		Total of Construction	Bank Deposits (1) (000s Omitted)
		Permits Issued	Valuation	Number of Units	Valuation	Permits Issued	Valuation		
1995	2,221	115	\$ 124,779	308	\$ 998,479	220	\$ 13,133,971	\$ 14,257,229	\$ 17,810,595
1996	2,255	165	218,497	330	1,980,070	217	12,957,045	15,155,612	14,561,154
1997	2,359	133	162,252	304	5,944,338	176	6,253,364	12,359,954	15,821,531
1998	2,603	103	124,341	317	5,369,695	193	7,113,423	12,607,459	16,781,463
1999	2,283	93	108,994	232	4,132,166	176	9,133,758	13,374,918	14,009,503
2000	2,450	118	259,835	261	4,074,872	96	12,582,670	16,917,377	15,023,417
2001	2,212	97	119,625	198	3,068,900	94	13,881,340	17,069,865	17,319,705
2002	2,181	133	147,940	383	7,646,605	117	4,760,414	12,554,959	18,131,752
2003	2,204	108	127,439	903	7,293,166	521	18,459,683	25,880,288	20,096,701
2004	2,376	111	252,831	188	6,508,527	89	21,938,812	28,700,170	21,661,362

Source: (1) Federal Reserve Bank, Atlanta, Georgia. Information is for Miami-Dade County, of which the City of North Miami Beach is a part. Information is not available for North Miami Beach alone.

CITY OF NORTH MIAMI BEACH, FLORIDA

UTILITY SERVICE TAX REVENUES BY SOURCE

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Electricity</u>	<u>Telephone/ Telegraph</u>	<u>Communication Service Tax</u>	<u>Water</u>	<u>Gas</u>	<u>Fuel Oil</u>	<u>Propane</u>	<u>Total</u>
1995	\$ 1,987,409	\$ 725,356	\$ -	\$ 270,795 (1)	\$ 125,469	\$ 19,406	\$ 2,628	\$ 2,860,585
1996	2,018,015	737,015	-	263,458	127,578	16,777	3,366	3,166,209
1997	1,937,278	829,188	-	278,552	128,595	2,479	28,146	3,204,238
1998	1,985,750	911,420	-	302,115	118,719	1,696	19,921	3,339,621
1999	1,910,550	1,108,495	-	303,215	121,206	-	-	3,443,466
2000	1,794,222	1,236,757	-	308,313	119,124	-	-	3,458,416
2001	1,807,555	1,296,848	-	293,977	112,962	-	-	3,511,342
2002	1,892,022	-	1,901,291 (2)	318,990	85,695	-	-	4,197,998
2003	1,955,123	-	1,785,296	326,801	95,251	-	-	4,162,471
2004	1,916,443	-	1,989,776	342,503	90,605	-	-	4,339,327

(1) Starting with fiscal year 1995, Ordinance 94-33 which governs excise taxes on utilities, was amended to include a 10% tax on non-governmental purchases of water from the City of North Miami Beach.

(2) Starting with fiscal year 2002, the State of Florida Department of Revenue amended the communication service tax which eliminated collection of telephone/telegraph utility service tax and franchise fees for local governments. There is a 10% maximum rate allowed by statute.

CITY OF NORTH MIAMI BEACH, FLORIDA

FRANCHISE FEE REVENUE BY SOURCE

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Electricity</u>	<u>Telephone/ Telegraph</u>	<u>Gas</u>	<u>Cable Television</u>	<u>Bus Bench and Shelter</u>	<u>Other</u>	<u>Total</u>
1995	\$ 1,147,371	\$ 70,780	\$ 71,621	\$ 106,096	\$ 13,023	\$ 7,270	\$ 1,416,161
1996	1,218,030	70,130	89,230	98,847	6,598	4,315	1,487,150
1997	1,192,384	76,768	69,665	189,512	9,422	6,615	1,544,366
1998	1,146,481	63,165	71,504	160,596	3,969	7,770	1,453,485
1999	1,198,387	70,188	74,146	230,789	8,294	8,562	1,590,366
2000	1,123,852	84,089	76,980	175,644	6,698	9,055	1,476,318
2001	1,332,049	142,651	94,695	187,839	5,760	8,690	1,771,684
2002	1,331,489	- (1)	68,528	3,230 (1)	6,310	8,040	1,417,597
2003	1,365,471	-	59,927	-	8,353	8,760	1,442,511
2004	1,515,935	-	60,140	-	8,093	7,155	1,591,323

(1) Amendment of communication service tax statute eliminated telephone/telegraph and cable television franchise fee collection by local governments.

CITY OF NORTH MIAMI BEACH, FLORIDA

INTEREST REVENUE BY SOURCE LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Fund</u>	<u>Expendable Trust Fund</u>	<u>Enterprise Funds</u>	<u>Total</u>
1995	\$ 192,473	\$ 45,500	\$ 589,416	\$ 11,315	\$ 28,511	\$ 617,890	\$ 1,485,105
1996	223,033	79,722	250,581	13,345	31,685	689,577	1,287,943
1997	235,496	53,383	42,040	10,246	39,448	932,620	1,313,233
1998	303,639	208,037	129,841	10,931	51,730	794,957	1,499,135
1999	328,121	153,550	84,297	16,202	43,061	549,304	1,174,535
2000	446,625	163,212	79,332	9,559	62,850	535,369	1,296,947
2001	402,697	265,654	789,207	14,200	-	376,496	1,848,254
2002	141,609	920,226	9,144	4,115	-	433,522	1,508,616
2003	82,014	16,877	673,797	1,498	-	1,174,738	1,948,924
2004	92,451	16,870	442,145	3,259	-	965,153	1,519,878

CITY OF NORTH MIAMI BEACH, FLORIDA
WATER UTILITY FUND - REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Gross Revenue (1)</u>	<u>Operating Expenses (2)</u>	<u>Other Income (Primarily Interest)</u>	<u>Net Operating Revenue</u>	<u>Debt Service (3)</u>	<u>Coverage Factor (25%)</u>	<u>Total</u>	<u>Excess of Net Operating Revenue</u>
1995	\$ 13,650,222	\$ 9,840,560	\$ 711,500	\$ 4,521,162	\$ 810,293	\$ 202,573	\$ 1,012,866	\$ 3,508,296
1996	13,023,290	10,052,715	1,016,783	3,987,358	818,376	204,594	1,022,970	2,964,388
1997	13,252,575	11,873,321	1,106,954	2,486,208	950,653	237,663	1,188,316	1,297,892
1998	14,569,453	13,335,379	882,819	2,116,893	996,545	249,136	1,245,681	871,212
1999	14,426,144	13,375,859	631,775	1,682,060	1,154,414	288,604	1,443,018	239,042
2000	15,203,060	13,863,951	606,533	1,945,642	628,679	(4)	628,679	1,316,963
2001	14,250,161	11,797,894	586,726	3,038,993	503,360	(4)	503,360	2,535,633
2002	15,509,314	11,979,262	415,953	3,946,005	454,988	(4)	454,988	3,491,017
2003	16,215,452	12,335,560	1,412,760	5,292,652	3,741,707	(4)	3,741,707	1,550,945
2004	17,374,524	12,445,671	609,143	5,537,996	3,504,852	(4)	3,504,852	2,033,144
Average excess coverage								<u>\$ 1,955,998</u>

(1) Total revenues excluding interest.

(2) Total operating expenses excluding depreciation.

(3) Includes principal and interest on revenue bonds.

(4) Current bond issue has no requirement for a coverage factor.

CITY OF NORTH MIAMI BEACH, FLORIDA

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES LAST TEN FISCAL YEARS (IN THOUSANDS)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total Governmental Expenditures (1)</u>	<u>Ratio of Debt Service to Governmental Expenditures</u>
1995	\$ 135	\$ 992	\$ 1,127	\$ 32,637	3.45%
1996	320	841	1,161	36,128	3.21%
1997	335	828	1,163	30,531	3.81%
1998	375	914	1,289	33,845	3.81%
1999	475	939	1,414	33,377	4.24%
2000	500	918	1,418	34,821	4.07%
2001	520	1,285	1,805	37,525	4.81%
2002	720	1,439	2,159	42,116	5.13%
2003	785	1,654	2,439	47,308	5.16%
2004	682	1,741	2,423	51,176	4.73%

(1) Includes General, Proud Neighborhood, 2003B Surtax, Capital Projects, and Debt Service Funds.

CITY OF NORTH MIAMI BEACH, FLORIDA

SCHEDULE OF DIRECT AND OVERLAPPING GENERAL OBLIGATION DEBT
 SEPTEMBER 30, 2004
 (IN THOUSANDS)

<u>Jurisdiction</u>	Net General Obligation Bonded Debt <u>Outstanding</u>	Percentage Applicable to City	Amount Applicable to City
Direct:			
City of North Miami Beach	\$ <u>30,648</u>	<u>100.00%</u>	\$ <u>30,648</u>
Overlapping:			
Miami-Dade County	\$ 225,581	<u>1.11%</u>	\$ 2,504
School Board	<u>750,606</u>	<u>1.11%</u>	<u>8,332</u>
	\$ <u>976,187</u>		\$ <u>10,836</u>

Note: Represents the percentage of the total tax roll valuation of all real and personal property in Miami-Dade County and the City of North Miami Beach.

Sources: Miami-Dade County, Finance Department/Controller's Division
 School Board of Miami-Dade County, Division of Accounting.

CITY OF NORTH MIAMI BEACH, FLORIDA

RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA LAST TEN FISCAL YEARS (IN THOUSANDS)

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Assessed Value</u>	<u>Gross Bonded Debt</u>	<u>Less Debt Service Fund (2)</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
1995	36	\$ 1,016,721	\$ 13,000	\$ 1	\$ 12,999	1.28%	\$ 361
1996	36	1,017,994	12,815	-	12,815	1.26%	356
1997	43	1,060,922	12,620	-	12,620	1.19%	293
1998	43	1,082,453	12,415	-	12,415	1.15%	289
1999	43	1,108,550	15,695	-	15,695	1.42%	365
2000	42	1,122,293	15,495	-	15,495	1.38%	369
2001	42	1,190,439	32,280	-	32,280	2.71%	769
2002	42	1,302,044	31,560	-	31,560	2.42%	752
2003	42	1,471,016	31,330	-	31,330	2.13%	746
2004	42	1,641,380	30,648	-	30,648	1.87%	730

(1) Annual estimate - City of North Miami Beach Economic Development

(2) Amount obligated for repayment of general obligation bonds principal and interest.

CITY OF NORTH MIAMI BEACH, FLORIDA

PRINCIPAL TAXPAYERS

SEPTEMBER 30, 2004

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Taxable Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
RHC Parkway, Inc.	Hospital	\$ 56,807,033	3.43%
Florida Power & Light Co.	Utility	25,347,348	1.53%
Intracoastal Pacific, Ltd.	Office Building	16,900,000	1.02%
Costco Wholesaler	Retail	14,200,574	0.86%
Klein Motors	Retail	13,470,561	0.81%
Dayton Hudson Corp. Target	Retail	11,507,008	0.69%
Bell South	Utility	10,462,638	0.63%
Sonic Ward, Inc. K - Mart	Retail	10,200,000	0.62%
RK Associates	Office Building	7,300,000	0.44%
NMB Commerce Center	Office Building	<u>7,103,251</u>	0.43%
 Total taxpayers		 <u>\$ 173,298,413</u>	 10.46%
 Total assessed valuation		 <u>\$ 1,656,205,596</u>	

State of Florida has a taxable valuation of \$12,581,003 but is exempt from tax.

Source: Miami-Dade County Property Appraiser's Office

CITY OF NORTH MIAMI BEACH, FLORIDA

DEMOGRAPHIC STATISTICS

Population by Ethnic Origin

	Hispanic		Hispanic			Non-Hispanic		Non-Hispanic			Non-Hispanic		<u>Totals</u>
	<u>Any Race</u>	<u>White</u>	<u>Afro-American</u>	<u>All Other Races</u>	<u>Subtotal</u>	<u>Any Race</u>	<u>White</u>	<u>Afro-American</u>	<u>All Other Races</u>	<u>Subtotal</u>	<u>Subtotal</u>		
1980	3,489	N/A	N/A	N/A	3,489	32,842	N/A	N/A	N/A	32,842	36,331		
1990	7,817	N/A	N/A	N/A	7,817	27,542	N/A	N/A	N/A	27,542	35,359		
2000	-	8,936	622	2,687	12,245	-	10,104	15,273	3,164	28,541	40,786		

2004 Same

Population by Ethnic Origin

	Afro-American		American Indian/ Eskimo		<u>Total</u>
	<u>White</u>	<u>American</u>	<u>Other</u>	<u>Eskimo</u>	
1980	33,601	2,067	632	-	31
1990	25,308	7,707	1,207	1,082	55
2000	19,040	15,895	1,615	4,170	66

N/A - Information is not available from the Bureau of Census.
 Prior year's census grouped by either Hispanic or non-Hispanic.
 Current year's census grouped by race as well as by ethnic origin.

CITY OF NORTH MIAMI BEACH, FLORIDA

MISCELLANEOUS STATISTICAL DATA

SEPTEMBER 30, 2004

Date of Incorporation	1926
Form of Government	Council-Manager
Area	5.1 Square Miles
Miles of Streets	109 Linear Miles
Fire Protection:	
Number of Stations	2 (Operated by the County)
Police Protection:	
Number of Stations	1
Number of Police Officers	110
Number of Support Staff (Non-Sworn)	39 full-time, 12 part-time
Hospitals	1
	<u>Elementary</u>
Education:	
Attendance Centers	2
Number of Students	2,400
Number of Teachers	170
Municipal Water Department:	
Number of Customers	32,164
Average Daily Consumption	24.5 Million Gallons
Miles of Water Mains	515
Fire Hydrants	2,200
Valves	8,160
Sewers:	
Number of Customers	7,010
Number of Lift Stations	29
Miles of Sewer Mains	90
Building Permits Issued	2,376
Recreation and Culture:	
Number of Parks	9
Number of Libraries	1
Number of Senior Centers	1
Number of Municipal Swim Centers	3
Number of Tennis Centers	1
Number of Recreational Centers	5
Number of Performing Arts Centers	1
Number of Amphitheaters	1
Employees:	
Full Time	526

CITY OF NORTH MIAMI BEACH, FLORIDA

GENERAL INFORMATION

Location

North Miami Beach is located in northeast Miami-Dade County and is approximately one mile from the beach. The City is centrally located to both Fort Lauderdale and Miami and easily accessible by all major highways. This region of southeast Florida is commonly referred to as "South Florida".

Climate

Average Annual Temperature	74.6° F
Average January Temperature	65.6° F
Average July Temperature	81.8° F
Average Annual Rainfall	57.2"

Airports and Seaports

North Miami Beach is within 15 minutes of two major airports, Miami International Airport and Fort Lauderdale-Hollywood International Airport. Opa-Locka Executive Airport, which services private and business aircraft, is located 20 minutes west of North Miami Beach.

Two deepwater seaports, Port of Miami and Port Everglades, which are located within 20 minutes of North Miami Beach.

Road Systems

North Miami Beach is located five minutes from two major highways: I-95 and the access route to the Florida Turnpike. Both roads lead south to Miami and the Florida Keys, or north to Fort Lauderdale, the Palm Beaches, and Orlando.

Train

North Miami Beach has a major train depot serving both Amtrak and Tri-Rail at its western City boundary. The Tri-Rail Commuter Organization runs from Miami to West Palm Beach.

Bus

The City-run NMB-line minibus and the countywide Metro Bus System service North Miami Beach. A Greyhound Bus station is located within city limits.

Historical Points of Interest

The Spanish Monastery was erected in Spain in 1141 and brought to North Miami Beach in 1940; the Fulford-by-the-Sea Monument was constructed to commemorate the founding of the City of Fulford-by-the-Sea, as North Miami Beach was previously known; two residential structures were constructed in the 1920s.

CITY OF NORTH MIAMI BEACH, FLORIDA

GENERAL INFORMATION (Continued)

Colleges and Universities

North Miami Beach residents and businesses have access to a number of higher education institutions. In the immediate vicinity are Nova Southeastern University/Fischler Graduate School of Education and Human Services, Florida International University and Union Institute & University. Within 15 miles are University of Miami, St. Thomas University, Barry University, Miami-Dade Community College and Johnson & Wales University.

Hospitals and Medical Industry

The North Miami Beach area offers impressive health care facilities including four major hospitals with more than 1,800 beds within five miles. Within City limits is Parkway Regional Medical Center including a pediatric emergency room and the 72,000 square foot Northpark Medical Center office building. The City's 436 licensed health care professionals include 287 doctors, 53 dentists and 96 registered nurses. The medical services sector accounts for more jobs in North Miami Beach than any other sector, except retail.

Retail Shopping and Office Space

Retail space is available in a wide array of sites with two regional malls – The Mall at 163rd Street and Aventura Mall – working as anchors. Mid-rise office buildings offering ample parking and an easy-to-reach locale characterize the business and professional environment. The retail sector in the Greater North Miami Beach area employs over 12,000 people at 1,000 stores.

Retail/Commercial Space within City Limits	154 properties	2.5 million square feet
Business/Office space within City Limits	101 properties	1.1 million square feet

Parks and Recreation

Within city limits, North Miami Beach offers a performing arts theater, open-air amphitheater, library, bike paths, easy access to beautiful ocean beaches, and acres of lush parks.

City Parks:	9 parks	49 acres
County Parks:	Greynolds Park	170 acres
	East Greynolds Park	58 acres
State Parks:	Oleta State Recreation Area	850 acres
Recreation:	Less than 1 mile to the Atlantic Ocean	
	10 golf courses within 5 miles	
	2.5 miles to Pro Player/Dolphin Stadium - Home of the Miami Dolphins and Florida Marlins	
	10 miles to American Airlines Arena - Home of the Miami Heat	
	10 miles to the Orange Bowl	

CITY OF NORTH MIAMI BEACH, FLORIDA

GENERAL INFORMATION

(Continued)

Housing

North Miami Beach offers cozy starter homes, elegant waterfront properties, luxurious condominiums, and comfortable rental apartments in an array of styles and prices.

Housing Value Ranges (2003):	
Single Family	\$70,000 - \$1,800,000
Condominiums	\$40,000 - \$600,000
Apartment Rents (Median)	
One Bedroom	\$700
Two Bedroom	\$875
Three Bedroom	\$1,025
Housing within the City Limits (2003)	
Single Family	7,642
Condominiums	4,414
Apartments	3,294
Total	15,350

Labor Force Statistics

With almost all of Dade and Broward Counties within easy commute, North Miami Beach businesses can draw from a huge labor force, with virtually any type and level of skill a business might need. The North Miami Beach workforce also represents a wide cross-section of South Florida, offering a rich diversity in language skills, cultural background and international experience.

Household Demographics

North Miami Beach has seen a dramatic change in the composition of its residents within the last decade. Young professionals and families are discovering that North Miami Beach affords them the convenience and lifestyles they've been searching for.

	<u>1990</u>	<u>2000</u>
Total Households	14,315	14,019
Persons per Household	2.47	3.00
Total Household Income (in \$millions)	\$474	\$595
Average (mean)	\$33,867	\$42,442

CITY OF NORTH MIAMI BEACH, FLORIDA

GENERAL INFORMATION

(Continued)

Population Demographics

North Miami Beach is a multi-ethnic community with an integrated mix of cultures, ages, races and ethnic backgrounds. Its population is growing increasingly younger as families with children move to its twelve neighborhoods. Current estimates place the City's population at 42,000 residents.

Population Distribution by Age

	<u>1990 Census</u>	<u>2000 Census</u>	<u>2004 Estimates</u>
Total	35,359	40,786	42,000
Age 19 & under	8,592	12,309	12,685
Age 20 to 44	13,158	15,274	15,915
Age 45 to 64	6,573	8,592	8,955
Age 65+	7,036	4,611	4,445
Median Age	37.1	34.5	34.4

Percentage of Population by Age

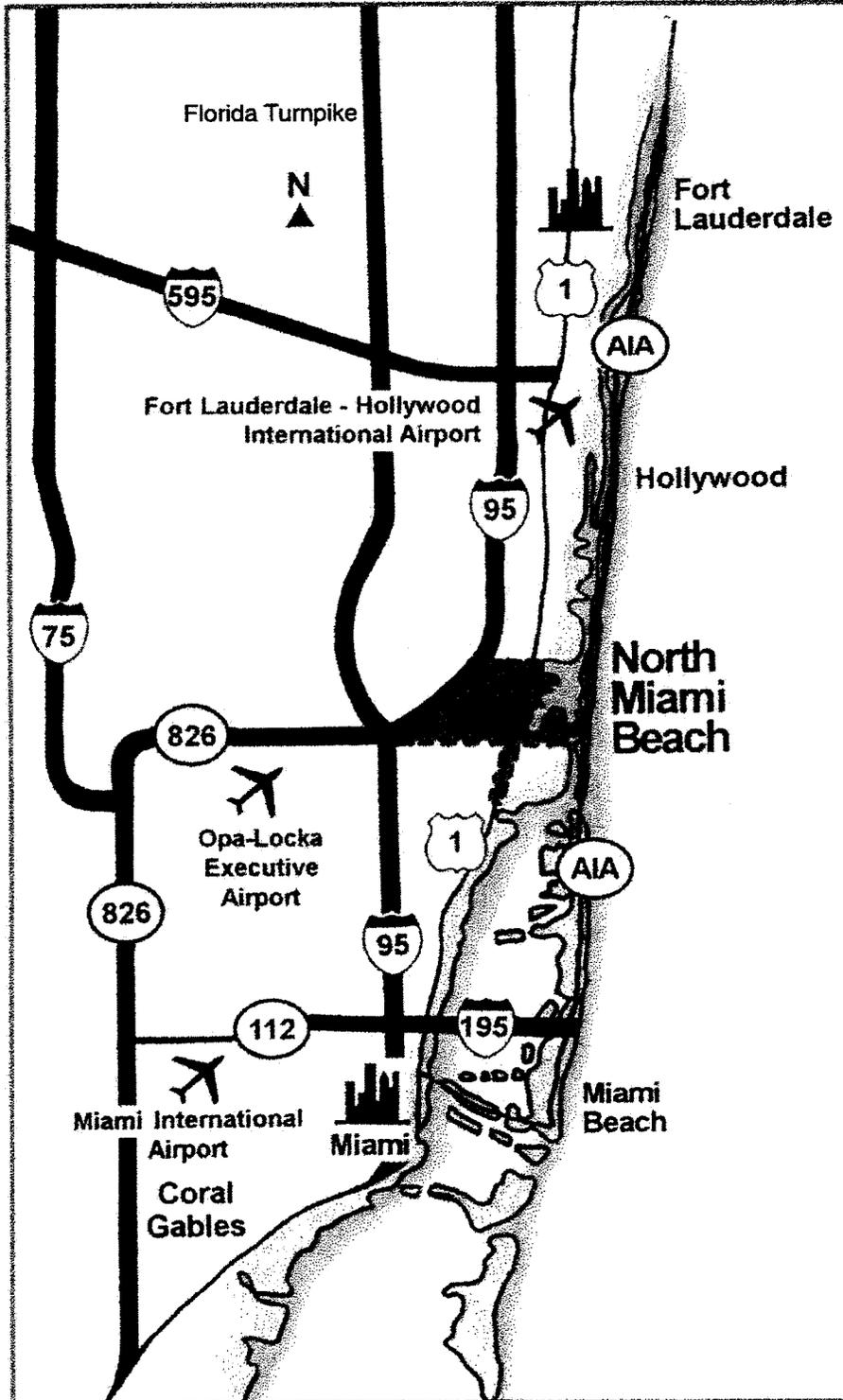
	<u>1990 Census</u>	<u>2000 Census</u>	<u>2004 Estimates</u>
Age 19 & under	24%	30%	30%
Age 20 to 44	37%	37%	38%
Age 45 to 64	19%	21%	21%
Age 65+	20%	12%	11%

North Miami Beach at a Glance

Land Area:	5.1 square miles
Form of Government:	Council/Manager
Annual Budget (FY2005):	\$45 million
Number of Residents (2003):	42,000
Median Age (2003):	34.4
# of Businesses:	1,800
Major Economic Base:	Health Care, Retail
% Residential:	50%
% Commercial:	20%
% Recreational:	10%
% Other:	20%
Average Household Income (2003):	\$42,442
# of Housing Units (2003):	15,350
Zip Codes:	33179, 33160, 33162, 33169, 33181

CITY OF NORTH MIAMI BEACH, FLORIDA

GENERAL INFORMATION
(Continued)





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, 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, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 21, 2005. 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 of North Miami Beach's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters that we have reported to management in the schedule of findings and questioned costs accompanying this report.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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

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City of North Miami Beach, Florida
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provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the Mayor, City Council, management, and regulatory agencies and is not intended to be and should not be used by anyone other than these specific parties.

Rachlin Cohen & Holtz LLP

Miami, Florida
January 21, 2005

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, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 21, 2005.

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*. We have issued our Report of Independent Certified Public Accountants on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements, Report of Independent Certified Public Accountants on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance, and the Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated January 21, 2005, should be considered in conjunction with this management letter.

In connection with our audit of the basic financial statements of the City of North Miami Beach for the fiscal year ended September 30, 2004, we report the following in accordance with Chapter 10.550, Rules of the Auditor General, *Local Government Entity Audits* which requires that this report specifically address, but not be limited to, the matters outlined in Rule 10.554(1)(h):

1. There were no significant findings or recommendations made in the preceding financial audit report.
2. The City was in compliance with Section 218.415, Florida Statutes, regarding the investment of public funds.
3. Recommendations to improve the City's present financial management and accounting procedures are accompanying this report in the schedule of findings.
4. During the course of our audit, other than matters that are clearly inconsequential considering both quantitative and qualitative factors, nothing came to our attention that caused us to believe that the City:

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- a. Was in violation of any laws, rules or regulations and contractual provisions or abuse that have occurred, or were likely to have occurred, or were discovered within the scope of the audit.
 - b. Made any illegal or improper expenditures that were discovered within the scope of the audit that may materially affect the financial statements.
 - c. Had deficiencies in internal control that are reportable conditions including but not limited to:
 - (1) Improper or inadequate accounting procedures
 - (2) Failures to properly record financial transactions
 - (3) Other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that came to the attention of the auditor.
5. The City was incorporated pursuant to Chapter 15824, Laws of Florida, Acts of 1931. The City has no component units.
6. a. The City, during fiscal year 2004, was not in a state of financial emergency as defined by Florida Statutes 218.503(1).
- b. The annual financial report for the fiscal year ended September 30, 2004 has been filed with the Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes and is in agreement with the audited financial statements for the fiscal year ended September 30, 2004.
- c. During the course of our audit, we applied financial condition assessment procedures pursuant to Rule 10.556(8). It is management's responsibility to monitor the City's financial condition, and our financial condition assessment, which was performed as of the City's fiscal year end, was based on representations made by management and the review of financial information provided by the City. There were no findings that identified deteriorating financial conditions.

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

Rachlin Cohen & Holtz LLP

Miami, Florida
January 21, 2005

CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED SEPTEMBER 30, 2004

<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	\$ <u>129,048</u>
U.S. DEPARTMENT OF JUSTICE			
Forfeiture Fund - Federal Equitable Sharing (non-treasury)	N/A	N/A	548,453
Forfeiture Fund - U.S. Treasury Equitable Sharing	N/A	N/A	352,266
C.O.P.S. Homeland Security O/T Program	16.710	2003OMWX0199	42,542
School Resource Officer Project/Byrne Grant	16.579	2004-CJ-J3-11-23-01-224	11,417
FY 2003 Weed & Seed Program	16.595	2004-WS-Q4-0078	48,175
C.O.P.S. Universal Hiring Award	16.710	2003-UM-WX-0025	46,940
C.O.P.S. More 2000 Award	16.710	2000-CM-VX-0066	13,322
Local Law Enforcement Block Grant - 2001	16.592	2001-LB-BX-2106	56,317
Local Law Enforcement Block Grant - 2002	16.592	2002-LB-BX-2834	28,567
Local Law Enforcement Block Grant - 2003	16.592	2003-LB-BX-2097	85
Bulletproof Vest	16.607	N/A	<u>6,430</u>
Subtotal - direct awards			1,154,514
Passed through the Office of the Attorney General - State of Florida:			
2003-2004 Victims of Crime Act Agreement	16.575	V3280	61,189
Passed through Florida Department of Law Enforcement and			
Miami-Dade County Department of Human Services:			
Police Anti-Crime Community Team	16.579	2003-CJ-5A-11-23-01-079	<u>4,235</u>
Total U.S. Department of Justice			<u>1,219,938</u>
U.S. OFFICE OF NATIONAL DRUG CONTROL POLICY			
Passed through Monroe County Sheriff's Office:			
HITDA Black Market Peso Exchange	N/A	12PMIP5120	49,052
HITDA Black Market Peso Exchange	N/A	13PMIP586	<u>7,900</u>
Total U.S. Office of National Drug Control Policy			<u>56,952</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Special Water Infrastructure Award	66.606	XP-97428601-2	<u>572,411</u>
U.S. DEPARTMENT OF THE TREASURY - ATM			
Gang Resistance Education and Training	21.053	ATC020165	<u>9,935</u>
U.S. DEPARTMENT OF INTERIOR			
National Park Service			
Urban Park and Recreation Recovery Program Grant			
Washington Park Pool Restrooms Rehab	15.919	12-CTY-2230-0101	<u>140,512</u>
FEDERAL EMERGENCY MANAGEMENT AGENCY			
Passed through Florida Department of Community Affairs:			
FEMA-1345-DR-FL (Disaster Relief - South Florida Floods of 2000)	83.544	OIRM-L5-11-23-02-064	102,180
FEMA-1545-FL (Disaster Relief - Hurricane Frances)	97.036	086-49475-00	431,329
FEMA-1561-FL (Disaster Relief - Hurricane Jeanne)	97.036	086-49475-00	<u>11,712</u>
Total Federal Emergency Management Agency			<u>545,221</u>
Liberty Shield (Orange Alert)	16.007	04-LS-IP-11-23-02-131	<u>12,032</u>
Total of Expenditures of Federal Awards			<u>\$ 2,686,049</u>

N/A - Not available.

See note to the Schedule of Expenditures of Federal Awards.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FISCAL YEAR ENDED SEPTEMBER 30, 2004

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Report of Independent Certified Public Accountants on Compliance with Requirements
Applicable to Each Major Program and on Internal Control Over
Compliance in Accordance with OMB Circular A-133**

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* that are applicable to each of its major federal programs for the fiscal year ended September 30, 2004. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended September 30, 2004.

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

Internal Control over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. 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 programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

Rachlin Cohen + Holtz LLP

Miami, Florida
January 21, 2005

CITY OF NORTH MIAMI BEACH, FLORIDA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FISCAL YEAR ENDED SEPTEMBER 30, 2004

PRIOR YEAR COMMENTS AND STATUS

Financial Statement Findings

The following addresses the status of financial statement findings reported in the fiscal year ended September 30, 2003 schedule of findings and questioned costs:

Matters that are repeated in the accompanying schedule of findings and questioned costs.

- Capital Assets (see Item 04-01)
- Physical inventory of fixed assets (see Item 04-02)

Federal Award Findings and Questioned Costs

There were no federal award findings and questioned costs reported in the fiscal year ended September 30, 2003 schedule of findings and questioned costs.

CITY OF NORTH MIAMI BEACH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FISCAL YEAR ENDED SEPTEMBER 30, 2004

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:

Unqualified Opinion

Internal control over financial reporting:

Material weakness(es) identified?

___ Yes X No

Reportable condition(s) identified not considered to be material weakness?

___ Yes X None reported

Non-compliance material to financial statements noted?

___ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

___ Yes X No

Reportable condition(s) identified not considered to be material weakness?

___ Yes X None reported

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

Unqualified Opinion

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

___ Yes X No

Identification of major programs:

CFDA Numbers Name of Federal Program or Cluster

66.606 Special Water Infrastructure Project – EPA

97.036 Disaster Relief Grants

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

\$300,000

Auditee qualified as low-risk auditee?

X Yes ___ no

(Continued)

CITY OF NORTH MIAMI BEACH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

SECTION II – FINANCIAL STATEMENT FINDINGS

Other Matters

04-01. Capital Assets

We noted during our testing of capital assets that the City's financial management system and capital asset system were not in balance for the governmental funds. The City needs to record all expenditures for capital outlays properly to capital asset accounts. The Information Technology Department should modify existing computer programs to ensure that all capital outlay expenditures get recorded into the capital asset system and that the two systems are in balance. This is important under GASB 34 reporting because all assets must be accounted for in order to have the proper amount of depreciation charged to the assets. The dollar amount that the two systems have been out-of-balance has not been material.

This comment was also reported in the prior year.

Recommendation

The City should ensure that capital asset expenditures are recorded in the proper capital outlay accounts and modify their computer programs to reconcile that they are in balance at the beginning or end of each day. We noted that this reconciliation is already being done daily for the funds that comprise the business-type activities. This recommendation should be extended to the funds that comprise the governmental activities.

Management Response

The Finance Department currently does a manual reconciliation at the end of each fiscal year. While the amount is immaterial, the Finance Department agrees that this process should be automated and will continue to work with the Information Technology Department to meet this recommendation, since some modifications to the fixed asset and daily reconciliation programs will be necessary.

04-02. Physical Inventory of Capital Assets

We noted that the City has not taken a physical inventory of its capital assets in recent years. The purpose of a capital asset inventory would ensure that only active, in-service machinery and equipment is included in the City's financial statements and would also provide safeguards from loss or misuse of assets. This comment was also reported in the prior year.

Recommendation

We recommend that the City perform a physical inventory of all capital assets and maintain detailed records of these assets to ensure that the assets are properly reported and properly safeguarded from loss or misuse.

Management Response

In fiscal year 2004, the City re-instituted an annual physical inventory requirement of departments.

CITY OF NORTH MIAMI BEACH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

04-03. Pension Plan Census Data

During our participant data testing in the General Employees and Police and Firefighters Pension Trust Funds we noted that the census data report provided to us and to the actuaries was not accurate. We conducted interim procedures in October where we selected ten participants who had either retired or were terminated during fiscal 2004. It was noted that several retired/terminated individuals were still listed as active. We requested a new census report and made additional selections. Again it was noted that one of the active individuals selected had resigned in June. The census report was again corrected and a new report was furnished to us. We performed additional procedures in December when we began our final field work for the audit. However, in this instance, we requested and obtained a listing from the Human Resources department of all individuals who retired or were terminated during fiscal 2004. Upon comparison of the two listings, we noted two additional employees who were terminated during the year and were still listed as active in the census data. One was a police officer and one was a general city employee. We brought this situation to the pension administrator's attention and received a new census report. Subsequently a fourth and final census report was furnished to us.

It is very important that the census data be maintained correctly and that the information furnished to the actuaries for both plans be complete and accurate for them to prepare the required reports.

As noted in Item 04-04 below, new governmental standards require the recording of certain information derived from the actuaries' reports and accurate census reports is the first part of data submitted to the actuaries to begin the process.

Recommendation

We recommend that the plans' administrator update the City's pension records based on changes in employees status received from the Human Resource department.

Management Response

A new plan administrator was hired in fiscal year 2004. There was only a one-week overlap with the old and new plan administrators. During this period, training was incomplete. Some procedural processes were lost during the transition.

Currently, when the plan administrator receives employee status changes from the human resource department, the plan administrator enters the data into the census data file by the end of each month. A comparison of human resource versus pension records will be made annually.

04-04. Actuarial Reports

As a result of new Government Accounting Standards the City is required to present either a net pension asset/obligation in the City-wide financial statements and this information is furnished by the respective actuaries of either plans. Apparently information submitted to the actuary to calculate this amount has not in the past been reconciled between prior reports and required and/or actual contributions by responsible officials. The new pension administrator is reviewing and re-submitting information in conjunction with the City's finance department to correct the reports.

CITY OF NORTH MIAMI BEACH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Recommendation

When the annual reports are received, both the finance department and pension administrator need to review and reconcile the report to the City's records and investigate any discrepancies immediately.

Management Response

A new plan administrator was hired in fiscal year 2004. When the plan administrator receives a draft copy of the actuary report, the plan administrator will review the data to ensure that the report contains accurate information. A draft copy of the report will also be distributed to the finance department for review prior to the final report's issuance.

04-05. Pension Funds Accounting

During our testing of the General Employees and Police and Firefighters Pension Trust Funds we noted that many general ledger account balances did not agree to the supporting documentation we were furnished. In addition, various transactions during the year were recorded to incorrect accounts. As a result a significant amount of journal entries were proposed by the auditors and recorded to correct the general ledger accounts.

Recommendation

We recommend that the plans' administrator carefully record and code all transactions and review the general ledger accounts to ensure that the balances agree to the supporting documentation prior to the audit of the Pension Trust Funds. We are available to assist the administrator with any accounting issues or unusual transactions that may arise in the future.

Management Response

A new plan administrator was hired in fiscal year 2004. Currently, the plan administrator compares the pension spreadsheets to the City's financial reports on a monthly basis. Unusual transactions are discussed with the auditors or finance department staff prior to journal entry posting.

04-06. Inventory Valuation

We noted during our testing of the City's inventory valuation that the inventory system currently being used is recording items using average cost. The City's accounting policy is to record the inventory items at cost. The difference in costing methods used to value the inventory is not considered to be material to the financial statements. Based on discussions with City personnel this is due to various glitches in the inventory system program.

Recommendation

We recommend that the City correct the inventory system to properly value all inventory items at cost.

CITY OF NORTH MIAMI BEACH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Management Response

Public Services will review the costing portion of the inventory system during fiscal year 2005. New software is currently being reviewed for implementation in fiscal year 2006.

04-07. IT Systems

We noted during our review of the City's Information Technology internal controls questionnaires that the City does not have adequate security for remote access systems, segregation of duties is lacking between application developers and system administrators and that no formal disaster recovery plan has been established to protect the Information Technology systems environment in the event of a catastrophic event.

Recommendation

We recommend that an in-depth Information Technology internal controls review be performed.

Management Response

The City is in the process of implementing more advanced VPN technology, which should resolve the remote access security issues mentioned above. Additionally, the City's IT staff has only two employees that support applications and three that support network and desktop systems. With this limited staff, segregation of duties is difficult, if not impossible, to achieve. Informal disaster recovery procedures are in place and a more formal, written plan will be created when time permits.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.