

City of North Miami

COMPREHENSIVE  
Annual Financial  
REPORT

CELEBRATING  
80  
YEARS OF SERVICE



Fiscal Year Ended September 30, 2006



**CITY OF NORTH MIAMI, FLORIDA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

PREPARED BY:

FINANCE DEPARTMENT

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**PAM SOLOMON**

The City of North Miami

# *Mission Statement*

*The Mission of the City of North Miami*

*is to enhance the quality of life,  
environment, and safety for citizens,  
businesses, customers, visitors and  
employees in an atmosphere of  
courtesy, integrity, quality and  
fiscally responsible service.*



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# SERVICE TO OUR *City*



V. Lynn Whitfield is sworn in as City Attorney by Janet Reno on June 27, 2006



Former Director, Ilene Vegazo, was honored by "Who's Who in America" in late 2005, just before her retirement in February 2006

Gabriel Colón Jr, our City's own Graphic Designer, always shares his talent at various Community events, like our Veterans Day Ceremony.



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# City of North Miami

776 Northeast 125<sup>th</sup> Street, P.O. Box 610850, North Miami, Florida 33261-0850

(305) 893-6511

April 30, 2007

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

The Comprehensive Annual Financial Report of the City of North Miami, Florida, for the fiscal year ended September 30, 2006 as required by Chapter 11.45 of the Florida Statutes, Chapter 10.550 of the Rules of the Auditor General of the State of Florida, and Section 23 of the Charter of the City of North Miami is submitted for your review.

The financial statements included in this report conform with accounting principles generally accepted in the United States (GAAP) established by the Governmental Accounting Standards Board. This report consists of management's representations concerning the finances of the City of North Miami and is presented in a format designed to fairly set forth the financial position and the results of operations of the City on a government-wide and fund basis. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented. We believe the data in this report to be accurate in all material respects, and include all statements and disclosures necessary for the reader to obtain a thorough understanding of the City's financial activities. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed to both 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'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.

The City's financial statements have been audited by Rachlin Cohen & Holtz LLP, a licensed certified public accounting firm. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended September 30, 2006 are fairly presented in accordance with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federal and state mandated “Single Audit” designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the City’s internal controls and compliance with legal requirements, with special emphasis on the administration of federal and state awards.

In accordance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments*, as amended, GAAP requires that management provide a narrative, introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of North Miami’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 was incorporated on February 5, 1926 and is a political subdivision of the State of Florida. The City operates under a council-manager form of government and provides general government, public safety, public works, economic and community development, library, recreation and cultural event services to 59,734 residents. In addition, the City operates the Water and Sewer Utility, Stormwater Utility and Solid Waste Services as enterprise activities. The Council is responsible for enacting ordinances, resolutions and regulations governing the City, as well as appointing the members of various advisory boards, the City Manager and City Attorney. The City Manager is the City’s Chief Executive Officer and is responsible for the daily operations of the City and for implementing policies adopted by the City Council. The City Manager is also charged with the hiring of department heads and with preparing the annual budget.

The financial reporting entity covered in this report includes all the funds of the City and its component units. Component units are legally separate entities for which the City of North Miami is financially accountable or the nature and significance of the relationship between the City and the entity was such that exclusion would cause the City's financial statements to be misleading or incomplete. The North Miami Community Redevelopment Agency created in June 2005, in accordance with Chapter 163.356, Florida Statutes is a blended component unit. The North Miami Health Facilities Authority is also a component unit of the City, however, because there are no assets, liabilities or results of operations to report, disclosure is made only in the notes. Additional information on these legally separate entities can be found in Note 1 in the notes to the basic financial statements.

The annual budget serves as the foundation for the City's financial planning and control systems. Management's budget request is presented to the City Council by the City Manager. The Council holds public hearings on the proposed budget prior to adopting the final budget and setting the tax rates for the budget year. Budgetary control over expenditures is legally maintained at the fund level except for the General Fund, which is at the departmental level. The budget to actual comparisons for the General Fund and for the Landfill Closure Fund, a major special revenue fund, are included as RSI (Required Supplementary Information) following the notes to the basic financial statements. All other budget to actual comparisons are presented as other supplementary information.

## **FACTORS AFFECTING FINANCIAL CONDITION**

### **Local Economy**

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 operates. The City of North Miami is the fifth largest City in Miami-Dade County, the sixteenth largest in South Florida, and the thirty-third largest in the state. It is 9.5 square miles in area. North Miami's ideal location between Fort Lauderdale and Miami with easy access to major transportation corridors and area resources makes it a desirable place in which to live and work. With such accessibility and convenience, North Miami's major communities like Sunkist Grove, Central North Miami, Keystone Point and San Souci house more than 2,500 businesses and 59,734 residents. These residents are primarily younger families of multi-ethnic backgrounds that make North Miami, one of the youngest, most culturally diverse cities in South Florida. In 2006, the unemployment rate for City residents was 5.6% as compared to 4.8% in 2005. The City is home to an increasingly active, growing, and prosperous business community, from shopping centers to specialty stores, gourmet restaurants, artist studios, as well as the film, video and recording industries. Housing stock includes a mix of single-family homes, apartment buildings and condominiums.

### **Long-Term Financial Planning**

The City of North Miami's primary focus related to economic growth is the redevelopment of existing commercial property and the enhancement of residential values through neighborhood revitalization. The North Miami Community Redevelopment Agency (CRA) was created on June 7, 2005, in accordance with Chapter 163.356, Florida Statutes, to establish and carryout redevelopment objectives in economically deprived areas of the City. The CRA covers approximately 3,249 acres of the City and is considered to be the largest in the state of Florida, encompassing approximately 60% of the entire city. The mission is to redevelop areas and infrastructure within the designated CRA to create over 4,800 affordable housing units, foster new economic growth, provide better traffic flow, and in essence a better quality of life for all residents.

In December 2002, a Development Agreement was executed for the former Munisport site (Biscayne Landing). The agreement calls for a 100-year lease of the site to the developer (Biscayne Landing, LLC), with a 100-year renewal. This is a comprehensive development project for the City's last remaining large parcel of open space and an integral part of the Redevelopment plan. The Ground Lease and Development Agreement for "Biscayne Landing" provides several major advantages for the CRA. The Development Agreement puts into place elements not normally included in a start-up Community Redevelopment Agency and Plan. The Ground Lease, executed in October 2004, provides annual lease income directly to the City, which together with additional rents from the sale of each housing unit will provide new revenue streams for the General Fund. The Biscayne Landing Development Agreement requires the Developer to build, or manage to be built, all of the City's required housing programs and at a minimum to cause one (1) affordable single-family or multi-family housing unit to be rehabilitated or created for every unit built at Biscayne Landing. The development program for Biscayne Landing anticipates building approximately 5,999 housing units over a 10-year period and 434,297 sq ft. of retail/office space. The City will receive rent for the commercial space based on 50% of net profits.

Design, marketing, and construction have begun for the first 373 units of housing. In addition, the developer of Biscayne Landing is providing management and funding for certain civic, open space and pedestrian projects such as public park areas, 5.4 miles of pedestrian/biking trails within and around "Biscayne Landing" itself, environmental and wetlands conservation restoration, and an Olympic Training Facility with a gym, auditorium, and other facilities with access and training for the public, and a new proposed City library. The Biscayne Landing project represents a major mixed-used development opportunity for a multi-phase development program. On-site development plans include upscale condominiums, a town center including commercial and retail space, and a hotel, all to be phased in over the next 15 years. This development is expected to create a significant potential tax base for the City, and in turn help support redevelopment initiatives elsewhere in the City. Additional information regarding the former Munisport site and the Biscayne Landing Lease can be found in Note 12 and Note 15 of the notes to the basic financial statements.

In recent months the state's property tax policies have come under intense scrutiny and both the Florida House and Senate have passed proposals for major property tax reforms that could have significant impacts to all counties and municipalities. If the proposals are approved the City could expect to lose anywhere from \$4 to \$10 million in property tax revenues beginning in fiscal year 2007-08. The City is monitoring the proposals, and evaluating the impact this will have on the current level of services to be provided in 2007-08 and beyond.

## **MAJOR INITIATIVES**

North Miami continues to strengthen its commitment as the "City of Progress". During fiscal year 2006, the City achieved many significant accomplishments in furtherance of the goals and objectives established by the City Council. The accomplishments included:

- In August 2006, the first public school to be built in the City in over 50 years opened its doors. The David L. Lawrence K-8 Center, located adjacent to the FIU-Biscayne Bay campus, was made possible through a gift of land that is leased to the Miami-Dade County School Board by the City of North Miami.
- In 2006, the City of North Miami and the Miami-Dade County School Board, entered into an unprecedented agreement that will result in three new schools to be built in North Miami by a target date of 2010. The schools include a prototype elementary and middle school, and a new North Miami Senior High School. The first phase of this project is scheduled to break ground in early 2007.
- In 2006, the Museum of Contemporary Art (MoCA) completed the first phase of planning for its expansion. The museum unveiled the concept plan for a 24,000 square foot expansion that will triple MoCA's exhibition space, offer the public ongoing access to its permanent collection, and include an education wing that will serve thousands of children, teens and adults, expanded space to present concurrent exhibitions and public programs, enhanced public areas, and additional art storage.
- MoCA received its single largest gift of artwork in its history from Miami collectors Rosa and Carlos de la Cruz. MoCA is now the only U.S. museum to own the complete version of *No Ghost Just A Shell*. This major gift also includes the monumental multi-media installation, *Zero Hero* by John Bock.
- During 2006, the E. May Avil Public Library offered over 1,400 programs for adult, young adult, and children. Various summer reading programs academically enriched the summers of the community youth. A popular program was the "Sprouting Stories" program done in partnership with the Parks and Recreation Department.
- The North Miami Community Redevelopment Agency (CRA) began work on a downtown revitalization plan that includes removal of the existing concrete furniture and trash cans and installation of new trash cans along the downtown corridor. Pressure cleaning, the installation of new trees, and a "clean team" that will be assigned to the downtown area are also elements to this plan.
- In July 2006, the North Miami Police Department underwent a three-day on-site assessment in order to maintain accredited status through the Commission for Florida Law Enforcement Accreditation (CFLA). In October 2006, the Department was granted re-accreditation in an awards ceremony in Cocoa Beach.
- In fiscal year 2006, the City successfully implemented Phase II of an automated garbage collection system. The fully implemented program reduces the cost of North Miami's sanitation operation and provides residents with more efficient service.
- In 2006, the City's Community Planning and Development Department successfully implemented a walk-thru permit process for certain permit types which require minimal review. This expedited process increases efficiency in the Building Services Division and allows for minor improvements to properties to be done in record time.
- The City was awarded a \$1 million grant from the Florida Department of Environmental Protection to provide funds for the North Miami Gravity Sewer System Improvement Project to reduce inflow and infiltration into the City's sewer system.

- During 2006, the City made substantial progress in recovering from the damages caused by Hurricane Wilma and in responding to future disasters. In 2006, through the City's master lease program, the City purchased fifteen generators to be used for emergency operations at various facilities and pump stations.
- For the seventeenth consecutive year, a Certificate of Achievement for Excellence in Financial Reporting was awarded to the City for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2005.

Fiscal year 2006 was a year of significant accomplishments. The City is at the beginning of a period of unparalleled economic growth and expansion as envisioned by the Biscayne Landing project. With growth comes new revenue streams for the City, while at the same time increasing the demand for essential City services. The City is steadfast in its resolve to remain progressive and to provide its residents with the highest quality of life, at an affordable cost. The City of North Miami is committed to meeting the challenges of the future and is well prepared to address the challenges ahead; challenges that include the proposed property tax reforms.

### **CASH MANAGEMENT**

Interest rates rose during the year, increasing the return on the City's cash and investments. In order to maximize interest earnings, the City maintains a pooled cash account for all funds excluding the Pension Trust Funds. The City's cash management program involves a mix of maintaining principal and earnings free from risk, maintaining adequate liquidity to meet the City's obligations, and maximizing investment return through the solicitation of competitive rates from various investment sources. In 2001, the City formally adopted its written investment policy pursuant to Section 218.415, Florida Statutes. The City's investments include Certificates of Deposit (CD's) with financial institutions, collateralized as required by Florida Statutes Chapter 280 "Florida Security for Public Deposits Act", a collateralized Interest on Public Funds Checking Account, investments with the State Board of Administration (SBA) Investment Pool and obligations of the U.S. Treasury consisting primarily of government agency securities. The average interest rate earned on investments for 2006 was 4.4% compared to 2.57% for fiscal year 2005. The City's Defined Benefit Pension Plans and Defined Contribution Pension Plans manage their own funds, and are not included in the City's pooled cash system. The Pension Trust funds' investment portfolio also includes U.S. Government obligations, corporate stocks and bonds.

### **SELF-INSURANCE**

The City's General Liability and Workers' Compensation insurance programs are self-insured and accounted for within the General Risk Management Internal Service Fund. This fund contains liability reserves, including Incurred But Not Reported (IBNR) and Allocated Loss Adjustment Expenses (ALAE) reserves, as required by the Governmental Accounting Standards Board's Statement No. 10. The various City departments are assessed a charge based upon requirements of the program. The Workers' Compensation self-insurance program is administered by an outside party. The City purchases commercial insurance coverage for law enforcement officers' and public officials' liability. Group health and dental coverage is provided through fully insured plans to help control costs. Additional information on the City's risk management activity can be found in Note 9 of the notes to the basic financial statements.

## **PENSION TRUST OPERATIONS**

The City of North Miami has two Defined Benefit Pension Plans. The Clair T. Singerman (CTS Plan) Employees' Retirement System covers police officers hired before January 1, 1977, and all general employees and former North Miami firefighters. The North Miami Police Pension Plan (748 Plan) covers police officers hired after January 1, 1977. A separate Board of Trustees is responsible for the administration of each Plan. Two members of the Police Pension Board are assigned as trustees as a result of their City positions, one member for each Board is designated by the City Manager, and the remainder is elected by the Plan membership.

Annually, an independent actuary engaged by the pension boards calculates the amount of the annual pension contribution required by the City to ensure that the plans will be able to fully meet their respective 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 participates in the Florida Retirement System (FRS) (Elected Officers' Class), a cost sharing multiple employer defined benefit pension Plan. This plan is administered by the State of Florida and provides retirement, disability, and death benefit to elected officials of the City of North Miami and their beneficiaries.

The City offers two defined contribution pension plans. The North Miami Police Officers' Retirement Pension Fund Share Plan covers all City police officers and is funded through state insurance premium tax monies. The City of North Miami Department Managers' Pension Plan covers the City's department managers and is funded through City contributions consisting of 10% of a participant's compensation. These plans are not reported as funds of the City, but are disclosed in the notes to the financial statements as defined contribution pension plans.

The City sponsors two deferred compensation plans, which qualify under Internal Revenue Code Section 457. The Plans are funded by employee contributions and administered by independent fiduciary agents. These plans do not meet the fiduciary criteria found in NCGA Statement No. 1 and, accordingly, in compliance with GASB Statement No. 32 are not reported in the City's net assets.

## **AWARDS AND ACKNOWLEDGEMENTS**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of North Miami for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2005. This was the seventeenth consecutive year that the City has received this prestigious award. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized Comprehensive Annual Financial Report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that the September 30, 2006, Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

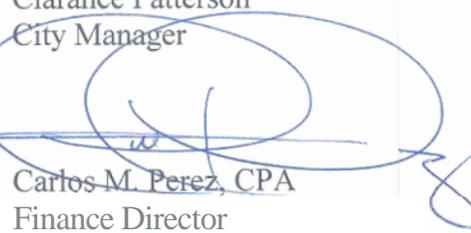
The preparation of this report would have not been accomplished without the efficient and dedicated services of the entire **staff** of the Finance **Department**. Each member of the Department has our sincere appreciation for the contributions made in the preparation of this report. We also would like to thank our independent certified public accountants, Rachlin Cohen & Holtz LLP, for their cooperation and assistance in the preparation of this report.

Sincere appreciation is also expressed to the City Council for their leadership, and support in matters pertaining to the financial affairs of the City.

Respectfully submitted,



Clarence Patterson  
Clarence Patterson  
City Manager



Carlos M. Perez, CPA  
Finance Director

# CITY OF NORTH MIAMI, FLORIDA

## LIST OF PRINCIPAL OFFICIALS

### COUNCIL - MANAGER FORM OF GOVERNMENT

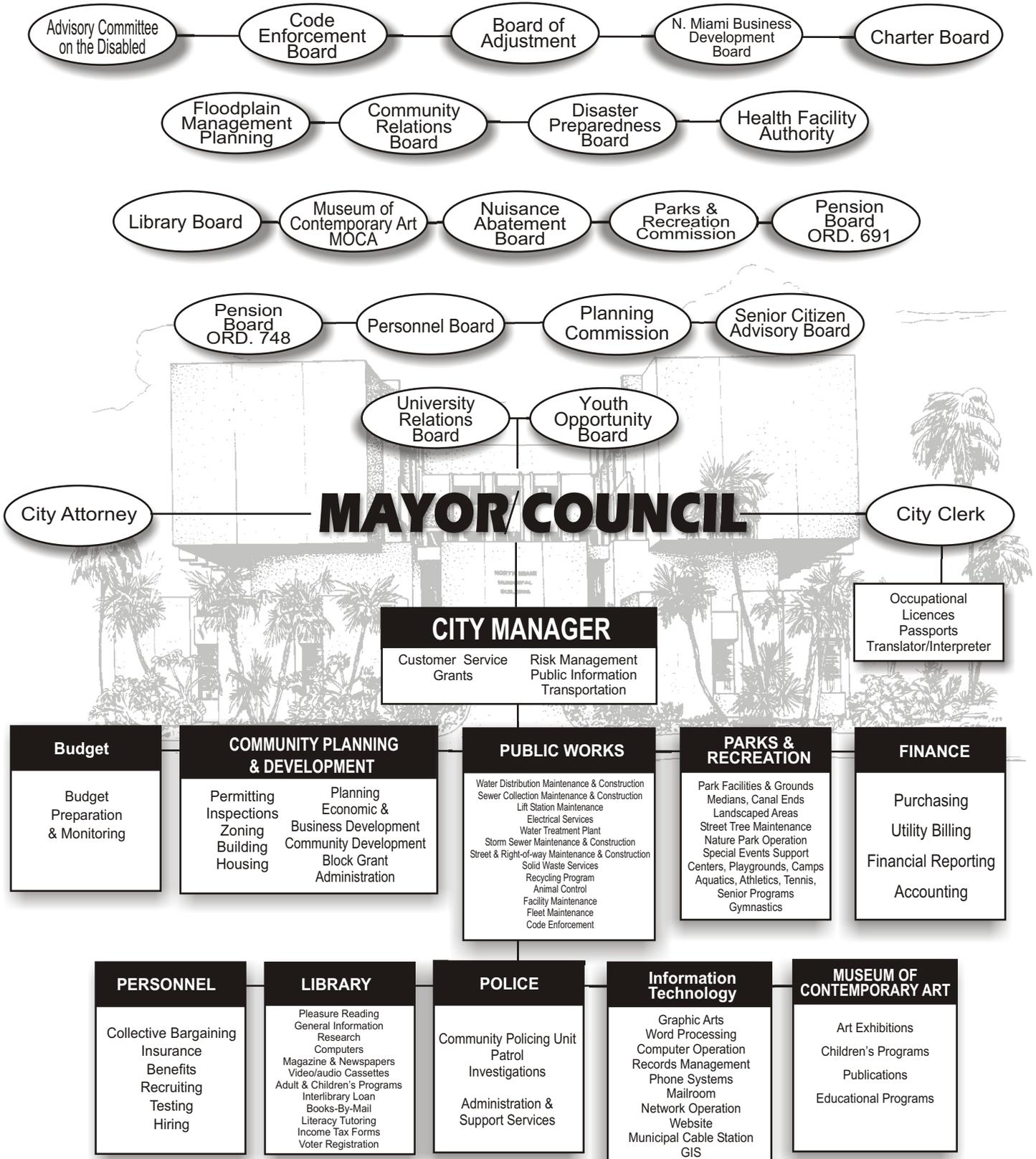
<b>TITLE</b>	<b>NAME</b>
<b>Elected Officials</b>	
Mayor	Kevin A. Burns
Councilman	Michael R. Blynn
Councilman	Jacques A. Despinosse
Councilman	Scott Galvin
Councilwoman	Marie Erlande Steril
City Clerk	Frank Wolland
<b>Appointed Officials</b>	
City Manager	Clarence Patterson
City Attorney	Lynn Whitfield
<b>Department Directors</b>	
Police Chief	Gwendolyn Boyd
Community Planning & Development Director	Maxine Calloway
Museum of Contemporary Art Director	Bonnie Clearwater
Public Works Director	Mark E. Collins
Personnel Administration Director	Rebecca Jones
Budget Director	Keith Kleiman
Parks & Recreation Director	Terry Lytle
Information Technology Director	Hortensia Machado
Finance Director	Carlos M. Perez
Library Director	Joyce Pernicone

**INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**  
**Rachlin Cohen & Holtz LLP**



# ORGANIZATIONAL STRUCTURE

FOR THE CITY OF NORTH MIAMI



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of North Miami,  
Florida

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2005

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.



A handwritten signature in black ink, appearing to read "Thomas J. Moran".

President

A handwritten signature in black ink, appearing to read "Jeffrey L. Esall".

Executive Director

# SERVICE TO OUR *Community*



Local students and City Staff participate in the Great American Clean-up May 2006, as part of the National "Keep America Beautiful" program.



The City of North Miami hosted a Hurricane Relief Concert in 2005, after Katrina devastated the Gulf Coast region and before Wilma impacted our own community

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**REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Honorable Mayor, City Council and City Manager  
City of North Miami, 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, Florida (the City) as of and for the fiscal year ended September 30, 2006, which, collectively, comprise the City's basic financial statements as listed in the table of contents: These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the North Miami Community Redevelopment Agency special revenue and capital projects funds which represent less than 1% and 1% respectively, of the assets and revenues of the aggregate remaining fund information. Those financial statements were audited by other independent auditors whose reports thereon have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the North Miami Community Redevelopment Agency special revenue and capital projects funds, is based solely on the reports of the other auditors.

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

In our opinion, and the opinion of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2006, 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.



**Rachlin Cohen & Holtz LLP**

One Southeast Third Avenue ■ Tenth Floor ■ Miami, Florida 33131 ■ Phone 305.377.4228 ■ Fax 305.377.8331 ■ [www.rachlin.com](http://www.rachlin.com)

*An Independent Member of Baker Tilly International*

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

In accordance with *Government Auditing Standards*, we have also issued a report dated March 2, 2007 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 and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the Required Supplementary Information on pages 3-22 and pages 71-75, 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 fund financial statements and schedules and the statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. Similarly, the accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*; and Chapter 10.550, and is not a required part of the basic financial statements. The combining fund financial statements and schedules and the schedule of expenditures of federal awards and state financial assistance has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information identified in the table of contents as the Introductory and Statistical Sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion thereon.

*Rachlin Cohen & Holtz LLP*

Miami, Florida  
March 2, 2007

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

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# City of North Miami, Florida

## Management's Discussion and Analysis

As management of the City of North Miami, 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, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-viii of this report.

This is the fifth year that the City has reported its financial statements in a government-wide format using the GASB Statement Number 34 ("GASB 34") reporting model. Fund-based financial reporting and government-wide financial reporting are not viewed as being in conflict; however, they are not comparable.

It is important to note at this point, that the City made a prior period adjustment that affected the government-wide financial statements, which is currently reflected in the comparative information presented. This adjustment was as follows:

- The beginning net assets balance for the governmental activities was restated for a prior period adjustment in the amount of \$102,432 relating to infrastructure assets acquired prior to 2002, but not reported in previous years. Refer to Note 7 – Capital Assets for additional information.

### FINANCIAL HIGHLIGHTS

- The assets of the City of North Miami exceeded its liabilities at the close of the most recent fiscal year by \$87,828,449 (*net assets*), as compared with \$81,386,118 for the previous year (restated). Unrestricted net assets at year-end reflect a balance of \$2,599,820 compared with a deficit balance of \$92,107 for the previous year.
- At the end of the fiscal year, the City's \$2,599,820 balance in unrestricted net assets included a deficit of \$1,568,424 for governmental activities, and net assets of \$4,168,244 for its business-type activities.
- The City's total net assets increased by \$6,442,331 (or 7.92%) during the current fiscal year. Included in the total net assets are governmental net assets that increased by \$4,396,292 (or 8.78%), and the business-type net assets, which increased by \$2,046,039 (or 6.53%).
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$41,179,856, an increase of \$3,192,136 in comparison with the prior year. Approximately 32% (\$13.4 million) of this total amount is available for spending at the City's discretion (*unreserved fund balance*). However, only 53% (\$7 million) of this amount is available in the City's General Fund.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$7,040,481 or 16% of total General Fund expenditures. At the end of the previous fiscal year, this balance was \$6,213,651 or 16% of total General Fund expenditures.
- The City's total long-term bonded debt decreased by \$442,145 (1.9%) during the current fiscal year. Although the City entered into several lease-purchase agreements for the acquisition of equipment, whose balance at year end is \$3,287,843 this long-term liability is not deemed bonded debt.

# City of North Miami, Florida

## Management's Discussion and Analysis

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### **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 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 result in cash flows in future fiscal periods (e.g., 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 general government, public works, highways and streets, public safety, culture and recreation, community planning and development, physical environment, and economic environment. The business-type activities of the City include a Water and Sewer Utility, a Stormwater Utility, and Solid Waste Services.

The government-wide financial statements include not only the City itself, but also a legally separate community redevelopment agency (CRA) for which the City of North Miami is financially accountable. Financial information for the CRA is reported separately from the financial information presented for the City.

The government-wide financial statements can be found on pages 23-24 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 a government's near-term financing requirements.

# City of North Miami, Florida

## Management's Discussion and Analysis

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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, and the Landfill Closure Fund which are both considered major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 76-86 of this report.

The City adopts annual appropriated budgets for its General Fund and the Landfill Closure Fund, its major governmental funds. Budgetary comparison schedules have been provided as Required Supplementary Information for the General Fund and the Landfill Closure Fund to demonstrate compliance with the budget (pages 71-73).

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

**Proprietary funds.** The City maintains two different types of proprietary funds. *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 and Sewer, Stormwater, and Solid Waste operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet of vehicles and its self-insurance activities. Because both of these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer, Stormwater, and Solid Waste operations. All three of these funds are considered major funds of the City. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements on pages 87-90 of this report.

The basic proprietary fund financial statements can be found on pages 29-33 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 statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 34-35 of this report.

# City of North Miami, Florida

## Management's Discussion and Analysis

### **Notes to the Basic 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 36-70 of this report.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 75 of this report.

*The Management's Discussion and Analysis continues on the next page.*

# City of North Miami, Florida

## Management's Discussion and Analysis

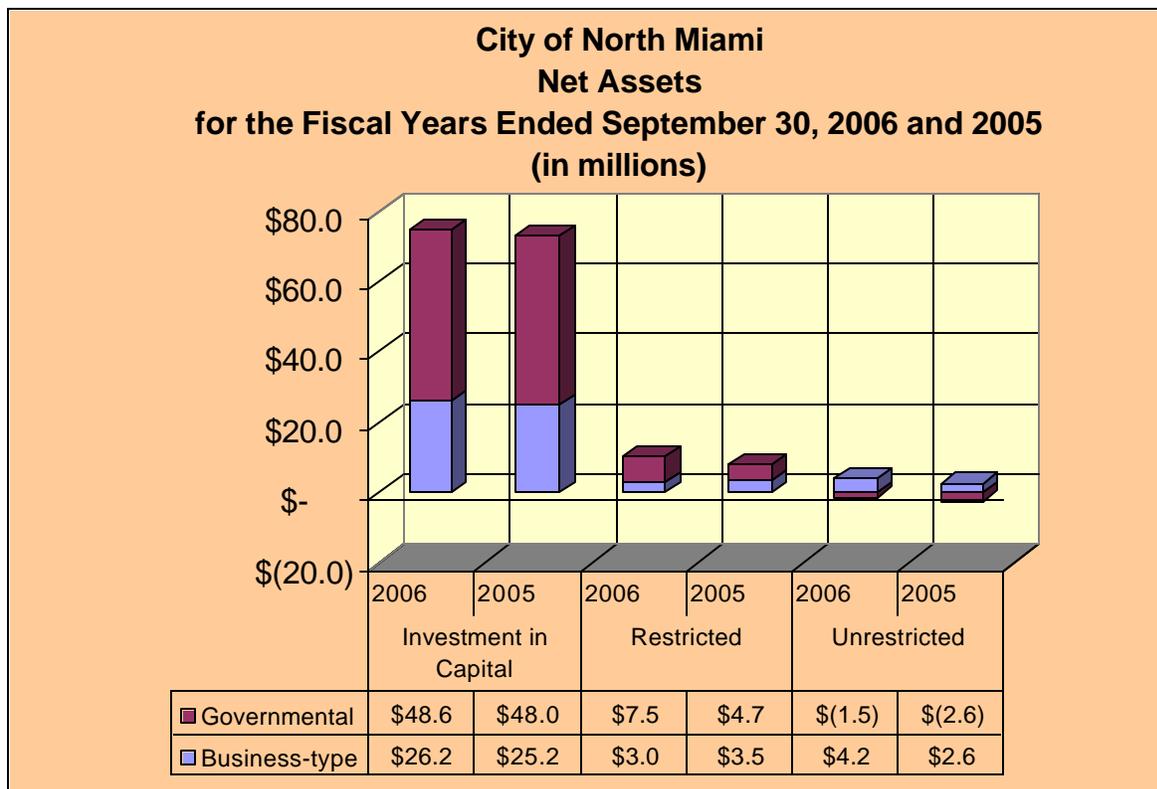
### GOVERNMENT-WIDE FINANCIAL ANALYSIS

#### Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of North Miami, assets exceeded liabilities by \$87,828,449 at the close of the most recent fiscal year, compared to restated net assets of \$81,386,118 in the prior year.

#### City of North Miami's Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change
	2006	Restated 2005	2006	2005	2006	Restated 2005	
Current and other assets	\$ 58,836,070	\$ 54,942,409	\$ 15,031,230	\$ 14,525,581	\$ 73,867,300	\$ 69,467,990	6%
Capital assets	50,733,460	51,290,114	34,749,861	30,606,629	85,483,321	81,896,743	4%
Total assets	109,569,530	106,232,523	49,781,091	45,132,210	159,350,621	151,364,733	5%
Long-term liabilities	50,336,088	51,427,486	10,529,152	8,756,645	60,865,240	60,184,131	1%
Other liabilities	4,767,606	4,735,493	5,889,326	5,058,991	10,656,932	9,794,484	9%
Total liabilities	55,103,694	56,162,979	16,418,478	13,815,636	71,522,172	69,978,615	2%
Net assets:							
Invested in capital assets, net of related debt	48,559,359	47,957,153	26,217,827	25,313,980	74,777,186	73,271,133	2%
Restricted	7,474,901	4,756,922	2,976,542	3,450,170	10,451,443	8,207,092	27%
Unrestricted	(1,568,424)	(2,644,531)	4,168,244	2,552,424	2,599,820	(92,107)	2923%
<b>Total net assets</b>	<b>\$ 54,465,836</b>	<b>\$ 50,069,544</b>	<b>\$ 33,362,613</b>	<b>\$ 31,316,574</b>	<b>\$ 87,828,449</b>	<b>\$ 81,386,118</b>	<b>8%</b>



# City of North Miami, Florida

## Management's Discussion and Analysis

By far the largest portion of the City of North Miami's net assets, \$74.7 million (85%), reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. This investment in capital assets reflects a 2% increase over the prior year's restated balance of \$73 million. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets, \$10,451,443 (12%), represents resources that are subject to external restrictions on how they may be used. This represents a 27% increase from the previous year's balance of \$8,207,092. In the governmental activities, the \$2,717,979 increase is due primarily to the recognition of over \$2.3 million in intergovernmental revenues that is restricted for transportation purposes. Additional restrictions for other grants contributed to the increase. In the business-type activities, restricted net assets decreased by \$473,628, as assets restricted for capital were used for infrastructure improvements.

The remaining portion of net assets, reflects an unrestricted balance of \$2,599,820 at the end of the fiscal year. This represents an increase of \$2,691,957 from last year's deficit balance of \$92,107. In the business-type activities, the balance of \$4,168,244 reflects an increase in unrestricted net assets of \$1,615,820. All three enterprise funds reported an aggregate operating income before depreciation expense of \$2,401,742. The unrestricted deficit of \$1,568,424 under governmental activities is primarily due to the liability for City employees' compensated absences, which will be funded over future years, and is not a reflection of the City's lack of resources to meet its ongoing obligations to citizens and creditors. The improvement of \$1,076,107 over the prior year reflects some funding of this long-term liability as well as the City's departure from its dependency on prior year's surpluses to balance its annual budget. Although no formal policy has yet been adopted, the City has recognized the need for maintaining a healthy level of reserves (unrestricted net assets)

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, for its business-type activities. However, for its governmental activities, all of the net assets are either restricted as to the purposes they can be used for or are invested in capital assets (land, buildings, equipment, and so on). Consequently, unrestricted net assets showed a \$1,568,424 deficit at the end of the fiscal year for the governmental activities. This deficit does not mean that the City does not have resources to pay its bills next year. Rather, it is the result of having long-term commitments that are greater than currently available resources. Although the business-type activities reflect a balance of \$4,168,244 in unrestricted net assets, these resources cannot be used to make up the deficit in governmental activities. The City generally can only use these net assets to finance the continuing operations of the water, sewer, solid waste and stormwater operations.

# City of North Miami, Florida

## Management's Discussion and Analysis

### Changes in Net Assets

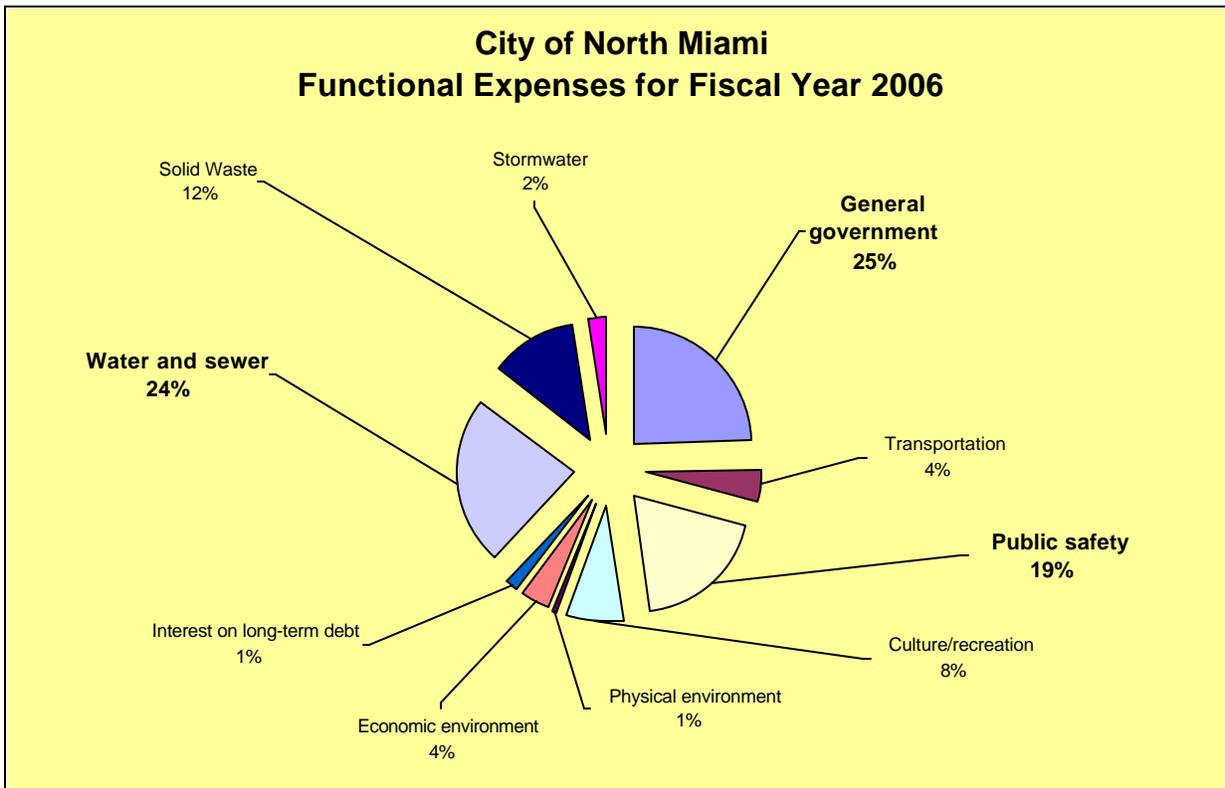
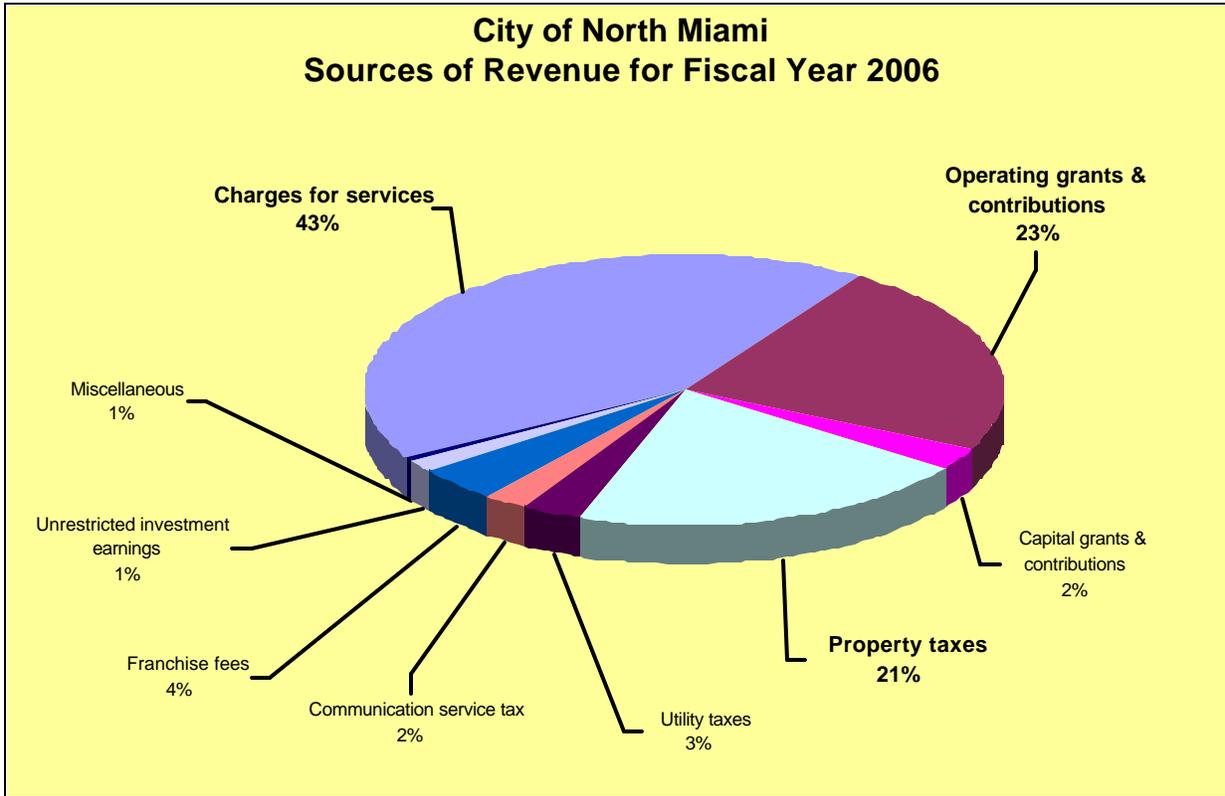
The following is a comparative analysis of the changes in net assets for the current and prior fiscal years.

### City of North Miami's Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>		<u>Total Percentage Change</u>
	<u>2006</u>	<u>Restated 2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>Restated 2005</u>	
Revenues:							
Program Revenues:							
Charges for services	\$10,213,158	\$8,679,465	\$28,382,513	\$24,632,929	\$38,595,671	\$33,312,394	16%
Operating grants and contributions	16,979,429	12,532,205	4,110,872	502,155	21,090,301	13,034,360	62%
Capital grants and contributions	647,721	541,939	1,609,815	796,671	2,257,536	1,338,610	69%
General Revenues:							
Property taxes	18,896,748	15,934,549	-	-	18,896,748	15,934,549	19%
Utility taxes	2,545,881	2,428,733	-	-	2,545,881	2,428,733	5%
Communication services tax	2,113,436	1,953,438	-	-	2,113,436	1,953,438	8%
Franchise fees	3,773,867	3,140,507	-	-	3,773,867	3,140,507	20%
Unrestricted investment earnings	925,796	455,930	330,030	211,381	1,255,826	667,311	88%
Miscellaneous revenues	500,878	176,478	69,925	269,990	570,803	446,468	28%
<b>Total revenues</b>	<b>56,596,914</b>	<b>45,843,244</b>	<b>34,503,155</b>	<b>26,413,126</b>	<b>91,100,069</b>	<b>72,256,370</b>	<b>26%</b>
Expenses:							
General government	20,715,616	18,307,316	-	-	20,715,616	18,307,316	13%
Transportation <sup>(1)</sup>	3,692,943	3,200,028	-	-	3,692,943	3,200,028	15%
Public safety <sup>(2)</sup>	16,094,486	14,543,656	-	-	16,094,486	14,543,656	11%
Culture/recreation	6,459,492	5,587,756	-	-	6,459,492	5,587,756	16%
Physical environment	500,111	1,342,690	-	-	500,111	1,342,690	-63%
Economic environment	3,640,625	680,941	-	-	3,640,625	680,941	435%
Interest on long-term debt	1,234,902	1,296,332	-	-	1,234,902	1,296,332	-5%
Water and sewer	-	-	19,962,083	18,586,779	19,962,083	18,586,779	7%
Solid waste	-	-	10,346,693	5,878,639	10,346,693	5,878,639	76%
Stormwater	-	-	2,010,787	1,817,173	2,010,787	1,817,173	11%
<b>Total expenses</b>	<b>52,338,175</b>	<b>44,958,719</b>	<b>32,319,563</b>	<b>26,282,591</b>	<b>84,657,738</b>	<b>71,241,310</b>	<b>19%</b>
Increase (Decrease) in net assets before transfers	4,258,739	884,525	2,183,592	130,535	6,442,331	1,015,060	-535%
Transfers	137,553	1,297	(137,553)	(1,297)	-	-	
<b>Increase (Decrease) in net assets</b>	<b>4,396,292</b>	<b>885,822</b>	<b>2,046,039</b>	<b>129,238</b>	<b>6,442,331</b>	<b>1,015,060</b>	<b>-535%</b>
Net assets-beginning before prior period adjustments	50,069,544	49,081,290	31,316,574	31,187,336	81,386,118	80,268,626	1%
Prior period adjustments	-	102,432	-	-	-	102,432	100%
<u>Net assets-beginning (restated)</u>	<u>50,069,544</u>	<u>49,183,722</u>	<u>31,316,574</u>	<u>31,187,336</u>	<u>81,386,118</u>	<u>80,371,058</u>	<u>1%</u>
<b>Net assets-ending</b>	<b>\$54,465,836</b>	<b>\$50,069,544</b>	<b>\$33,362,613</b>	<b>\$31,316,574</b>	<b>\$87,828,449</b>	<b>\$81,386,118</b>	<b>8%</b>

# City of North Miami, Florida

## Management's Discussion and Analysis



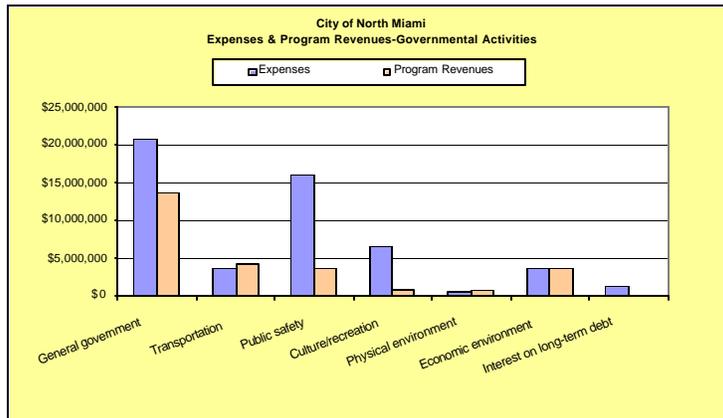
# City of North Miami, Florida

## Management's Discussion and Analysis

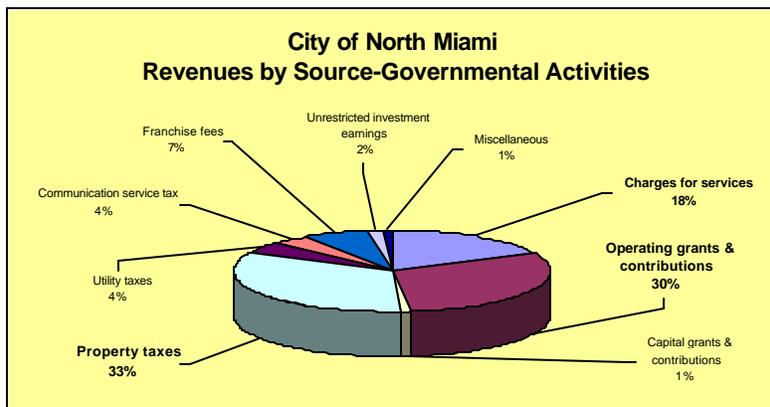
### Governmental Activities

Government-type activities for fiscal year 2006 increased the City's net assets by \$4,396,292, accounting for about 68% percent of the total increase in the City's net assets.

- In 2006, general government, public safety and culture/recreation comprised over 82% of the City's total governmental activities. General government program revenues (\$13.7 million) funded approximately 66% of its activities (\$20.7 million). Culture/recreation program revenues (\$858,911) fund less than 14% of their activities (\$6.4 million), while public safety program revenues (\$3,658,674) fund 23% of its activities (\$16 million). Public safety includes police, code enforcement and building and zoning activities. General revenues, primarily property taxes, fund the balance of these activities.
- Transportation reflects \$483,562 in program revenues in excess of expenses. This resulted from intergovernmental revenues (taxes and surtaxes) received, but not expended during the year.
- Physical environment reflects \$221,039 in program revenues in excess of expenses. This is due to over \$923,000 in interest income earned on assets restricted in escrow for the remediation and closure of an old landfill site, and a \$700,000 contribution from the developer towards the final debt service of a remediation-related debt.
- A prior period adjustment for infrastructure assets restated total net assets at the beginning of the year by \$102,432. Net assets at year end were \$54,465,836.
- The increase in net assets were generated from a 19% increase in property tax revenues due to escalating property values, as well as the revenues from construction permits related to the Biscayne Landing project, and to the increased activity in housing rehabilitation programs.



In 2006, program revenues, comprised of charges for services, and operating and capital grants and contributions, represents 49% of the governmental activities total revenues. Property taxes, which represent 33% of total revenues for governmental activities, are non-program specific and are used to fund all activities not covered by program revenues.



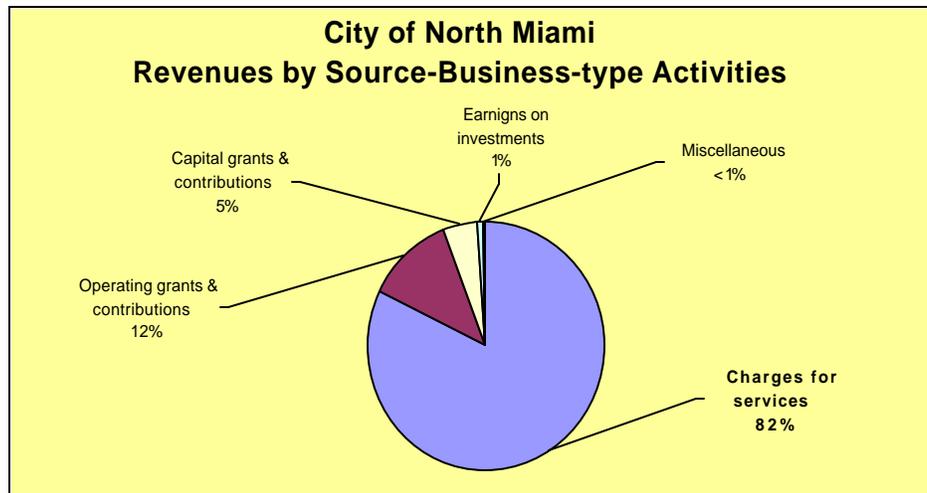
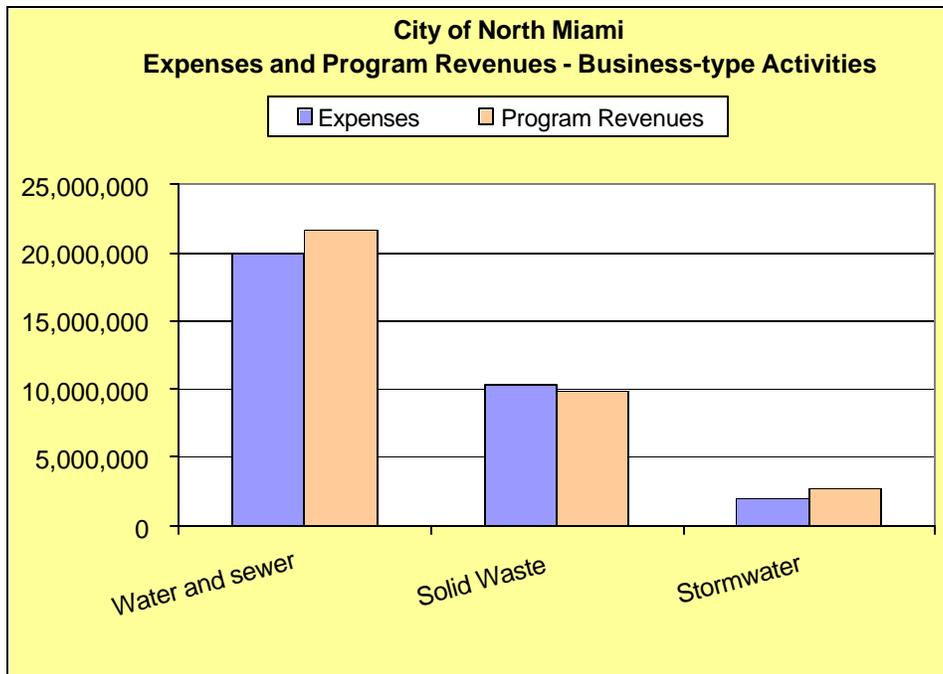
# City of North Miami, Florida

## Management's Discussion and Analysis

### Business-type Activities

Net assets of the City's business-type activities increased by \$2,046,039; the net assets increased from \$31,316,574 in the last fiscal year to \$33,362,613 in the current fiscal year.

- In 2006, the City approved an exceptional 26% rate increase for the Water & Sewer Utility to make up for years without an increase that had led to several years of operating losses. Additionally, the Utility received capital contributions from developers with an estimated value of \$1.2 million. This resulted in a \$1,595,070 increase in net assets for the Utility.
- The Stormwater Utility implemented a 6% rate increase, and although expenditures increased by 10%, they remained below the revenues, resulting in a net asset increase of \$859,378.
- The Solid Waste Fund imposed no rate increases in 2006, and as a result of \$4.3 million in disaster expenses that were only partially reimbursed by FEMA grants, the fund posted a net decrease in net assets of \$408,409.
- Charges for services represented 82% of the 2006 revenues for the business-type activities.



# City of North Miami, Florida

## Management's Discussion and Analysis

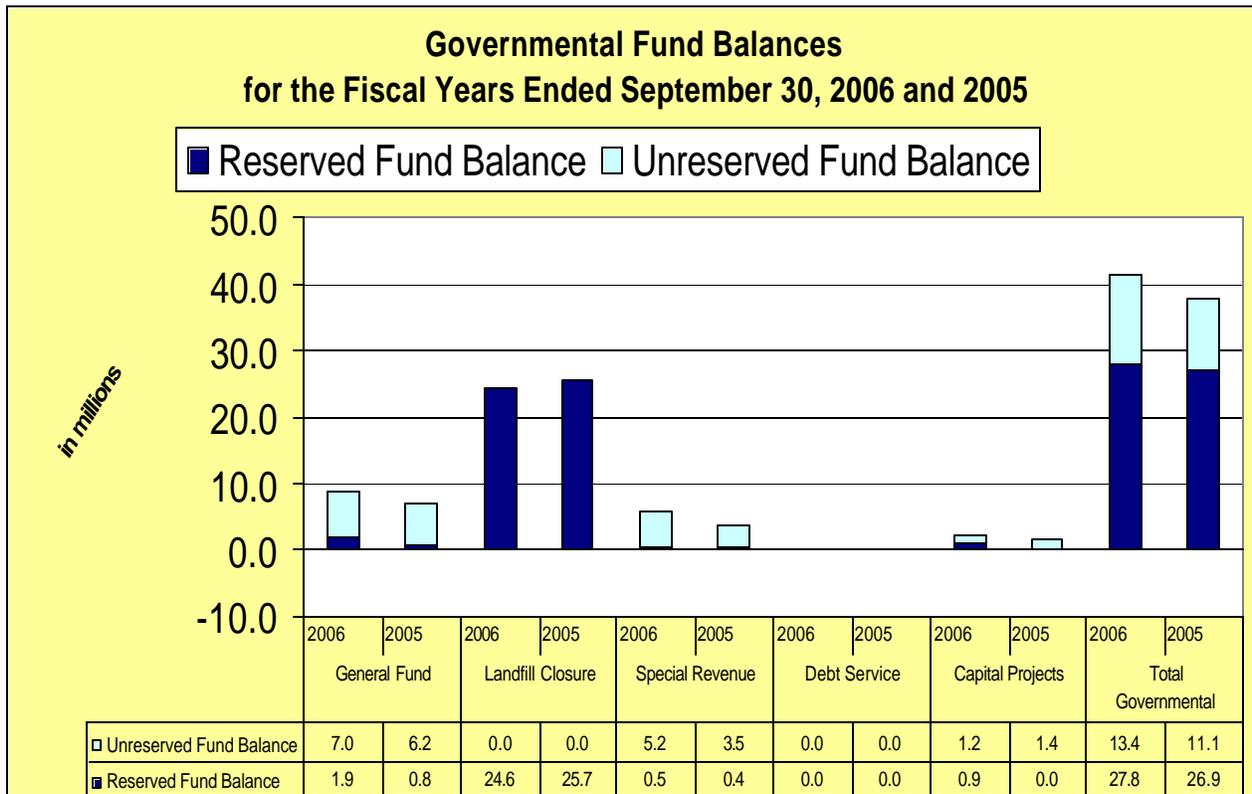
### FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City of North Miami 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 a government's net resources available for spending at the end of the fiscal year.

As of September 30, 2006, the City's governmental funds reported combined ending fund balances of \$41,179,856; an increase of \$3,195,136 in comparison with the prior year. Approximately 32% of the ending fund balance (\$13,359,992) constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$3,001,958), 2) for the remediation and closure of an old landfill site (\$24,613,739) or 3) for other restricted purpose (\$204,167). It is important to note, that although available for spending, \$5,158,075 and \$1,163,001 are the unreserved fund balances for the special revenue funds and the capital project funds respectively. These funds were set up to separately account for certain revenue sources that are legally restricted to expenditure for specified purposes.



# City of North Miami, Florida

## Management's Discussion and Analysis

### General Fund

The General Fund is the chief operating fund of the City. General tax revenues and other receipts that are not allocated to another fund by law or contractual commitment are

General Fund	2006	2005
Unreserved fund balance	\$7,040,481	\$6,213,651
As percentage of total fund expenditures	16%	16%
Total fund balance	\$8,907,016	\$7,006,255
As percentage of total fund expenditures	20%	18%

accounted for in this fund. General operating expenses and capital improvement costs not paid through another fund are paid from this fund. At September 30, 2006 unreserved fund balance of the General Fund was \$7,070,481, while total fund balance was \$8,907,016. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. The unreserved portion of fund balance represents 16% of the General Fund's expenditures for fiscal year 2006; these unreserved funds would cover just over two months of operations.

The fund balance of the City's General Fund increased by \$1,900,761 during the current fiscal year, while the unreserved portion increased by only \$826,830. Funds reserved for encumbrances at year end amounted to \$1,861,665.

Both, General Fund revenues and expenditures increased by 14%, over the prior year. While transfers out to other funds remained at just over \$1 million, \$559,512 in lease proceeds, and a \$499,486 transfer in from the closing of a capital projects fund resulted in net financing sources of \$5,810 in 2006. This is a significant change from \$1.1 million in financing uses in 2005. These components resulted in a \$1.9 million fund balance increase, allowing the City to maintain a healthy general fund surplus reserve.

The amount of General Fund revenue by type, their percent of the total and the amount of change compared to last fiscal year are shown in the following schedule:

General Fund Revenues	2006 Amount	Percent of Total	2005 Amount	Percent of Total	Increase (Decrease) From 2005	Percentage of Increase (Decrease)
Property taxes	\$17,019,195	37%	\$15,504,316	39%	\$1,514,879	10%
Utility service taxes	2,545,881	6%	2,428,733	6%	117,148	5%
Communication service tax	2,113,436	5%	1,953,438	5%	159,998	8%
Sales and use taxes	896,150	2%	894,061	2%	2,089	0%
Franchise fees	3,773,867	8%	3,140,507	8%	633,360	20%
Licenses and permits	2,802,746	6%	1,661,473	4%	1,141,273	69%
Intergovernmental	8,208,368	18%	7,338,581	18%	869,787	12%
Charges for services	6,542,843	14%	6,029,459	15%	513,384	9%
Fines and forfeitures	335,417	1%	330,764	1%	4,653	1%
Other, including interest	1,440,320	3%	645,111	2%	795,209	123%
Total revenues	\$45,678,223	100%	\$39,926,443	100%	\$5,751,780	14%

- Property tax revenues increased 10%. All of this as a result of increased property values and new construction. The operating tax rate remained unchanged at \$8.500 per \$1,000 of assessed value.
- FP&L franchise fees increased by \$595,322 primarily as a result of the company's rate increases imposed to offset rising fuel costs, and the storm surcharge that were implemented in mid 2005.
- Licenses and permits reflect the increased activity of home and business rehabilitation projects and within the City, as well as permits issued for the Biscayne Landing development project.
- Intergovernmental revenues increased as a result of FEMA disaster reimbursements of over \$1 million that only covered 87.5% of the General Fund's reported disaster expenditures.
- Other revenues increased due to the first year's rent revenues from the lease for the Biscayne Landing project, as well as and increased interest income from larger invested funds and higher rates.

# City of North Miami, Florida

## Management's Discussion and Analysis

Expenditures in the General Fund are shown in the following schedule :

General Fund Expenditures	2006 Amount	Percent of Total	2005 Amount	Percent of Total	Increase (Decrease) From 2005	Percentage of Increase (Decrease)
General government:						
Departmental	7,652,839	17%	6,980,745	18%	\$672,094	10%
Non-departmental	11,726,103	27%	9,485,652	25%	2,240,451	24%
Public Safety	15,122,372	35%	13,691,758	36%	1,430,614	10%
Cultural/Recreation	5,684,663	13%	4,950,200	13%	734,463	15%
Economic Development	75,927	0%	68,790	0%	7,137	10%
Transportation	2,545,636	6%	2,158,240	6%	387,396	18%
Grants/aid	268,134	1%	267,360	1%	774	0%
Capital outlay	702,494	2%	814,174	2%	(111,680)	-14%
<b>Total expenditures</b>	<b>\$43,778,168</b>	<b>100%</b>	<b>\$38,416,919</b>	<b>100%</b>	<b>\$5,361,249</b>	<b>14%</b>

- Public safety (police, code enforcement, and building services) accounts for over one-third of the General Fund's budget. The 10% increase is primarily due to increases in salaries and outside wages.
- Decreases in capital outlays were primarily the result of delays in the implementation of several budgeted capital projects.
- Cultural/Recreation which includes the operations of the Library, reflected a 15% increase primarily due to the inclusion of certain library-related employee benefits at the departmental level, where these had been previously reported as non-departmental. This was done to provide for the full cost of library services when reporting such activity to granting agencies.
- Transportation costs increased primarily due to increases in equipment maintenance costs.
- The most significant increase (24%) was in Non-Departmental. The following contributed to this increase:
  - \$1,234,717 in disaster-related expenditures for Hurricane Wilma
  - \$239,289 in disaster-related overtime for Hurricane Wilma
  - \$824,785 increase in employer contributions to the pension plans
  - \$300,393 increase in the general liability premiums charged by the Risk Management Self Insurance Fund to recover costs for claims paid and to fund long-term claims payable.

### *Landfill Closure Fund (Major Fund)*

This fund reflects a fund balance of \$24,613,739, all of which is reserved for remediation and closure. In 2004, an agreement for annual grant funding was amended to a one-time grant of \$31 million to cover the City's estimated environmental liability. The \$31 million grant was received on December 22, 2004, and placed in an escrow account, where the funds are to be used for the remediation and closure of an old landfill site. The cost for the remediation and closure is estimated to be \$23,676,329 at year end. However, this long-term liability is not recorded at the fund level, but is instead reflected in the statement of net assets under GASB 34. As a result of the amount of grant funds received, this fund was determined to be a major fund for 2006.

### *Other governmental funds (non major)*

Significant items pertaining to other governmental funds (non major) are as follows:

- Special Revenue unreserved fund balance at year end was \$5,158,075; an increase of \$1,646,421:
  - The most significant increase was \$1,990,592 in additional tax revenues from the Half Cent Transportation Surtax. The fund reported an unreserved yearend fund balance of \$3,738,384.
  - Unprecedented activity in providing rehabilitation grants to home and business owners, was the highlight of 2006 as over \$1.9 million in grants and aid were awarded by the CDBG, HOME and SHIP funds combined. At year end the SHIP fund had a \$1,024,597 fund balance.

# City of North Miami, Florida

## Management's Discussion and Analysis

- Capital Projects funds reported an unreserved fund balance of \$1,163,001 at year end. The \$191,641 decrease was primarily due to closure of the City of Progress, whereby the residual fund balance of \$482,596 was transferred to the General Fund in 2006.
  - The Transportation Gas Tax Fund reports \$615,447 as an unreserved fund balance.
  - The CRA Capital Fund, a component unit of the City, reports a \$495,362 unreserved fund balance.

### **Internal Service Funds**

Significant items pertaining to internal service funds are as follows:

- The General Risk Management Fund reflects no net assets, because it annually charges the user funds an amount equal to the actuarially determined funding level required to fully fund its workers compensation and general liability estimated long-term claims payable. At year end, assets totaling, \$4,709,144 are accumulated to cover current and long-term liabilities.
- The Fleet Management Fund decreased its net assets by \$73,377. Its net assets at year end were \$5,223,228. This fund is responsible for the maintenance of the City's fleet of vehicles and heavy equipment. Investments in capital assets represent \$3,947,308; the remaining unrestricted net assets of \$1,275,920 are accumulated for vehicle and equipment replacement.

### **Enterprise Funds**

In addition to the items already addressed in the discussion of the City's business-type activities, other significant items pertaining to enterprise funds are as follows:

- The Water & Sewer Utility successfully reported operating income of \$361,433 for 2006, compared to a loss of \$1,996,132 in 2005. The significant change in operating income was the result of a long-overdue rate increase needed in order to make up for past years where no inflationary increases had been imposed, and to respond to the County's 40% rate increase for the purchase of water. The City approved a 26% rate increase that generated \$3.6 million in additional revenues for 2006. The cost of water purchases from the County increased by 50%, while sewage disposal costs paid to the County remained stable, at \$6.9 million; this represents over a third of the Utility's operating expenses (before depreciation expense).
- The Stormwater Utility reported operating income of \$456,159 for 2006. A slight decrease of 2% over last year's \$463,322. While revenues increased by \$125,575 as a result of a 6% rate increase, operating expenses also increased by 9%. Contractual services for legal and engineering, as well as general liability insurance premiums contributed to the higher operating expenses.
- The Solid Waste Fund reported operating income of \$67,158 for 2006, compared to \$143,025 in 2005. No rate increase was implemented in 2006. While operating costs including, personnel services, were reduced as a result of the new automated waste collection system ("one arm bandits"), the waste disposal fees paid to the County increased, partly due to a 3% rate increase. Additionally, during 2006, as a result of the debris clearance in the aftermath of Hurricane Wilma, this fund reported \$4.3 million in disaster-related expenses that were only partially offset by \$3.8 million (87.5%) in FEMA assistance. The non-reimbursable difference of \$542,078, contributed to a decrease in net assets of \$408,409 for 2006.

### **Fiduciary Funds**

Income from investments continued to decline into 2006, producing returns that were lower than last year by \$302,996. The plans' investment policies set the portfolio allocation at 60% equities and 40% fixed income. Additionally, based on prior years' actuarial valuations, poor investment performance, and increased covered payroll, required employer contributions in 2006 increased by \$1 million. During 2006, retirement benefit payouts were \$1,173,665 less than the previous year, primarily due to fewer lump sum payouts. Both plans posted increases in net assets totaling \$8,317,589.

# City of North Miami, Florida

## Management's Discussion and Analysis

### GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in increases to revenues (grants/other) and appropriations (various departments) of \$1,603,133 to allow for disaster expenditures and other unanticipated revenues recognized during 2006. Additionally, \$451,914 in changes between departments (the budgetary level of control for the General Fund) and can be briefly summarized as follows:

- \$306,906 in increases for general government departmental activities
  - \$267,540 in increases for city attorney's office
  - \$27,465 in increases for city manager's office
  - \$10,403 in increases for mayor/council office
  - \$1,498 in increases for budget office
- \$1,854 in increases for museum
- \$143,154 in increases for community, planning and development office
- \$451,914 in decreases from non-departmental (contingency)

Even with these adjustments, actual expenditures were \$3,610,935 below final budget amounts. Additionally, resources available for appropriations from current year activities exceeded budget expectations by \$2,169,842. Other net financing sources were \$751,882 below budgeted amounts. This resulted in an overall positive variance of \$5,028,895 between the final budgeted net decrease in fund balance of \$4,268,250 and the actual net increase of \$760,645. Summarized below are the significant variances accompanied by an explanation:

- Licenses and permits: Construction Permits, Favorable \$1,232,936 variance
  - \$969,519 related to the issuance of building and other permits that primarily reflected increased activity in the Biscayne Landing development project.
  - \$216,777 was attributable to a new fee for information requests.
- Taxes: Franchise fees Favorable \$1,029,867 variance
  - \$805,462 related to the FP&L; the 2006 budgeted amount was based on the 2005 budget and not on the 2006 actual results. Thus the revenue was underestimated.
  - \$233,246 related to a non-exclusive franchise fee assessed to private waste haulers in the City. For 2005, the rate was increased from 17 ½ % to 20%, however the revenues for 2006 were estimated at the 2005 lower rate.
- Taxes: Property Taxes, Unfavorable \$631,341 variance
  - Final tax rolls reflected significant valuation reductions that were not anticipated.
- Non-Departmental: Employee Benefits, Favorable \$1,005,819 variance
  - \$610,218 from unused salary adjustments
  - \$331,329 from unanticipated savings in health group insurance premiums.
- Non-Departmental: Other, Unfavorable \$927,049 variance
  - \$1,102,487 in unanticipated disaster related expenditures related to Hurricane Wilma

# City of North Miami, Florida

## Management's Discussion and Analysis

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital assets

The City of North Miami's investment in capital assets for its governmental and business-type activities as of September 30, 2006, amounts to \$85,483,321 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, enterprise funds' infrastructure, machinery and equipment, and library books. The investment also includes governmental infrastructure assets acquired prior to 2002, which the City had elected to defer inclusion of these assets until 2005, pursuant to GASB 34. To that end, the 2005 balances have been restated to reflect a prior period adjustment of \$102,432 representing an adjustment for previously unreported infrastructure assets, net of accumulated depreciation.

Capital Assets (net of depreciation)	Activities (Restated)		Activities		Totals (Restated)	
	2006	2005	2006	2005	2006	2005
Capital assets, not being depreciated:						
Land	\$19,139,727	\$19,139,727	\$631,665	\$660,312	\$19,771,392	\$19,800,039
Construction in progress	903,225	919,312	2,533,416	295,229	3,436,641	1,214,541
Total capital assets, not being depreciated	20,042,952	20,059,039	3,165,081	955,541	23,208,033	21,014,580
Capital assets, being depreciated, net						
Land Improvements	2,384,093	2,874,763	56,680	60,009	2,440,773	2,934,772
Buildings/utility plant and improvements	9,409,467	9,712,032	322,598	343,868	9,732,065	10,055,900
Infrastructure	13,973,274	13,886,478	28,047,792	26,934,955	42,021,066	40,821,433
Machinery and equipment	4,576,074	4,389,298	3,157,710	2,312,256	7,733,784	6,701,554
Library books	347,600	368,504	-	-	347,600	368,504
Total capital assets, being depreciated, net	30,690,508	31,231,075	31,584,780	29,651,088	62,275,288	60,882,163
<b>Total</b>	<b>\$50,733,460</b>	<b>\$51,290,114</b>	<b>\$34,749,861</b>	<b>\$30,606,629</b>	<b>\$85,483,321</b>	<b>\$81,896,743</b>

The total net increase in the City's investment in capital assets for the current fiscal year was \$3,586,578 (4.38%). The gross additions to capital assets before depreciation, equaled \$2,800,705 for governmental and \$5,720,129 for business-type activities. This year's major capital asset additions (approximately) included:

- \$1,973,000 in stormwater drainage improvement projects. This is the fourth year of \$11.3 million in improvements that are being funded by a loan (\$5.6 million) and by a FEMA grant (\$5.7 million).
- \$2,416,000 in water and sewer projects, including a sewer force main to service the FIU/Biscayne Landing area. Other costs represent upgrades of lift stations and utility lines.
- \$194,000 in capital projects funded by the ½ cent transportation surtax. Projects included sidewalk repairs, and street resurfacing.
- \$128,000 for other street, sidewalk, curb, swale improvements, and an outdoor courtyard patio area.
- \$187,000 in building improvements; primarily for the new phone system.
- \$2,173,000 in vehicular assets (fleet). This included 18 police vehicles, 8 police motorcycles, 1 police boat, 1 sewer TV truck, 3 solid waste collection trucks (one arm bandits), 1 recycling truck, 9 staff cars/pickups, and several other heavy equipment items.
- \$759,000 in equipment. This included about \$221,050 in computer equipment and \$258,570 for 10 portable generators for disaster preparedness.
- \$208,000 in architectural and design services for a new recreational facility and a new library.
- \$94,000 in new books.
- \$388,000 in other capital improvements to buildings, land and infrastructure.

Additional information on the City's capital assets can be found in note 7 on pages 49-51 of this report.

# City of North Miami, Florida

## Management's Discussion and Analysis

### Long-term debt

At September 30, 2006, the City had total bonded debt outstanding of \$22,197,770. Of this amount, \$2,180,000 comprises debt backed by the full faith and credit of the City. The remaining debt is composed of special obligation bonds, loans and notes payable that are secured by non-ad valorem revenues through covenants to budget and appropriate.

Long-term Debt	Governmental Activities		Business-type Activities		Totals	
	2006	2005	2006	2005	2006	2005
General obligation debt	\$2,180,000	\$2,490,000	\$ -	\$ -	\$2,180,000	\$2,490,000
Revenue bonds	-	-	1,087,770	-	1,087,770	-
Special obligation bonds	14,130,000	14,305,000	-	-	14,130,000	14,305,000
Loans, notes payable and other obligations	-	849,915	4,800,000	4,995,000	4,800,000	5,844,915
<b>Total</b>	<b>\$16,310,000</b>	<b>\$17,644,915</b>	<b>\$5,887,770</b>	<b>\$4,995,000</b>	<b>\$22,197,770</b>	<b>\$22,639,915</b>

The City's total long-term debt decreased by \$442,145 (2%) during the current fiscal year. Although scheduled debt retirement on bond issues and outstanding loans amounted to \$1,819,101, this debt reduction was offset by the issuance of \$1,200,000 in Water and Sewer Revenue Bonds.

Annual debt service on the general obligation debt approximates \$420,000 over the life of the debt, with a maturity of May 1, 2012. Annual debt service on the revenues bonds (water and sewer project) approximates \$198,000 over the life of the debt, with a maturity of December 1, 2012. Annual debt service on the special obligation (pension) bonds approximates \$1.2 million over the life of the bonds with a maturity of July 1, 2032. Annual debt service on the loan (stormwater projects) approximates \$440,000 over the life of the loan, with a maturity of November 1, 2021. The note payable (environmental cleanup) was paid off on December 1, 2005.

The Taxable Special Obligation Refunding Bonds (Pension Funding Project) Series 2002 had a rating of *AAA/A-1/Stable* by both Standard and Poor's (November 2002) and Fitch Ratings (December 2002). The ratings reflect the existence of a bond insurance policy.

The loans and notes payable are not rated. The State of Florida does not impose a debt limitation on municipalities.

At September 30, 2006, the City's capital lease obligations were \$3,287,843; \$2,739,112 for business-type activities and \$548,731 for governmental activities, with future annual lease minimum payments of approximately \$485,900 and \$80,900 respectively.

Additional information on the City's long-term debt can be found in note 8 on pages 51-59 of this report.

# City of North Miami, Florida

## Management's Discussion and Analysis

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's local economy is primarily based upon retail and service activities. The City is in the midst of a rebirth, with many projects that promise to change the city's look and image, as well as its economic vitality in the future. Among these is the Biscayne Landing development project that began construction of Phase I in June 2005. This is an enormous development project on the City's last remaining large parcel of open space (f/k/a the Munisport landfill site). The agreement with the developers calls for about 6,000 luxury residential units, town center, park space, and a hotel that will be phased in over the next 15 years. In 2006, under a long-term ground lease, the City has begun to recognize new revenue streams. In addition to rental income from the lease, the project continues to generate revenues from building permits and impact fees, during the construction phase. In 2006, the City adopted a comprehensive economic development plan that formulates strategies and goals for neighborhood and commercial revitalization, a primary focus of the City for achieving economic growth. This will guide future development and projects throughout the City. On June 7, 2005, the City's Community Redevelopment Agency ("CRA") was officially created to further the movement of city-wide redevelopment. Although property taxes generated from the incremental tax value on certain properties within the City are redirected through the City to the CRA, the CRA will also benefit from 95% of the County's portion of the assessment increment attributable to Biscayne Landing. In addition to a downtown revitalization plan, that includes the installation of new trees and a "clean team" to be assigned to the downtown area, the CRA also has a number of plans to be implemented for workforce (affordable) housing.

The State of Florida currently limits all local government's ability to increase taxable property values in any given year to 3% or cost of living, whichever is lower. Additionally, the first \$25,000 of assessed value is exempt from taxation on homestead property. In recent months the state's property tax policies have come under intense scrutiny, and both the Florida House and Senate have passed proposals for major property tax reforms that could have significant impacts to all counties and municipalities. If the proposals are approved, the City could expect to lose, anywhere from \$4 to \$10 million in property tax revenues beginning in fiscal year 2007-08. Such a fiscal impact, would have a tremendous affect on the current level of services provided by the City.

During 2006, the continued trend of low interest mortgage rates has generated activity in the real estate market, both from sales and refinancing. This activity provides the opportunity for parcel reassessments that lead to increased property values. Additionally, new construction and housing rehabilitation throughout the City also contributed to the 10% increase in revenues from property taxes over 2005.

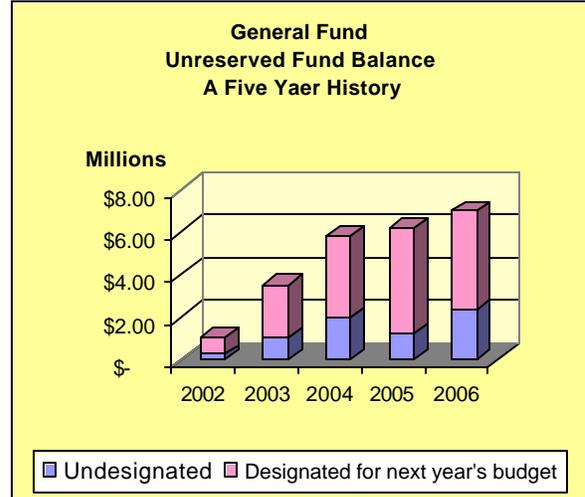
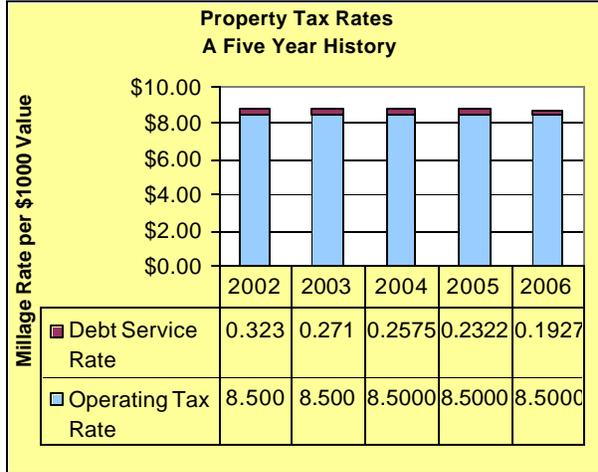
Between 2001 and 2007, the City's General Fund budget has increased approximately 72%. During this same period, the consumer price index increased 15.9%. The difference in the rate of growth has been attributed to the expansion of programming and the operation of new facilities.

# City of North Miami, Florida

## Management's Discussion and Analysis

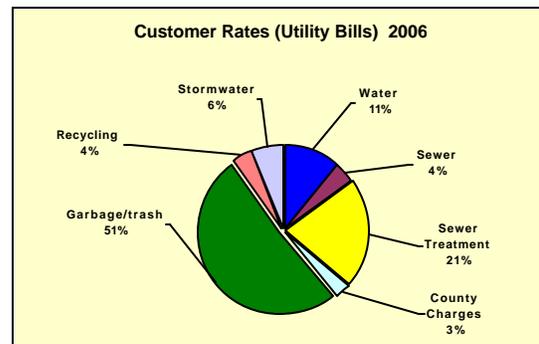
During the current fiscal year, unreserved fund balance in the general fund increased to \$7,040,481. The City has appropriated \$4,061,103 of this amount for spending in the 2007 fiscal year budget. It is intended that this use of available fund balance will avoid the need to raise taxes or charges during the 2007 fiscal year.

The charts below present a five year history the City's operating tax rate and unreserved balances:



The chart below reflects a five-year history of annual rates (utility bills) affecting a single family home inside the City that uses 60,000 gallons during the year (an average of 5,000 gallons/month; the minimum charge):

Customer Rates- Annual	Fiscal Years					
	2002	2003	2004	2005	2006	
Water & Sewer	Water	\$ 84.00	\$ 84.00	\$ 84.00	\$ 84.00	\$ 106.32
	Sewer	26.04	26.04	26.04	26.04	32.96
	Sewer Treatment	159.60	159.60	159.60	159.60	201.60
	County Charges	20.24	20.24	20.24	20.24	25.57
Solid Waste	Garbage/trash	384.00	384.00	483.00	483.00	483.00
	Recycling	29.16	29.16	37.92	37.92	37.92
	Stormwater	25.20	25.20	55.80	55.80	59.16
<b>Totals</b>	<b>\$728.24</b>	<b>\$728.24</b>	<b>\$866.60</b>	<b>\$866.60</b>	<b>\$946.53</b>	



Prior to 2003, there were little or no rate increases, which resulted in operational losses for the three enterprise funds. In 2004 the City approved a much-needed rate increase for its solid waste and stormwater activities. In 2006, the City approved a 26% rate increase for its Water & Sewer Utility, where this fund has not had a rate increase since 2000. As a result, this utility reported net operating income of \$361,433, compared to a loss of over \$1.9 million in 2005. The Stormwater Utility was also approved for a 6% rate increase in 2006. During the 2005-06 budget hearings, pursuant to recommendations that all utility rates should be reviewed and adjusted for inflation annually, to prevent "catch-up" rate increases, the City also approved a resolution allowing for the implementation of a Consumer Price Index ("CPI") adjustment that will allow the City Manager to apply this inflationary tool to each of the enterprise funds as recommended by staff. A CPI adjustment of 5.49% was imposed for the first time on the 2007 utility rates.

# City of North Miami, Florida

## Management's Discussion and Analysis

During fiscal year 2007, the City will be looking at the following programs:

- Recognition of rents on the ground lease of the *Biscayne Landing* project.
- As part of the development agreement, and with the assistance of developer commitments, and the City is also pursuing the following:
  - Renovation and expansion of the existing City library
  - Construction of an Olympic training center
- Citywide branding initiative
- Addition of five additional Code Enforcement Officers
- Purchase and installation of a new Financial Management Software System
- Funding capital projects thru the County's Building Better Communities' GOB Program:
  - Pepper Park Recreational Community Center
  - Olympic Training Center
  - Two sanitary sewer projects
- Over \$750,000 in various other parks and recreation projects
- Over \$2.9 million in transportation-related capital projects funded by the ½ Cent Transportation Surtax
- Over \$4.5 million in housing rehabilitation programs funded by CDBG, SHIP and HOME funds.
- Over \$3.6 million in water and sewer projects
- Aggressive pursuit of additional grant funding opportunities.
- Continued improvements to the stormwater drainage system.
- Implementation of a 7.5% -10% reserve policy in order to meet emergency demands resulting from hurricane activity.
- Increased activity in CRA funded projects

All of these factors were considered in preparing the City of North Miami's budget for the 2007 fiscal year.

### CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City of North Miami'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:

Carlos M. Perez  
Finance Director  
Finance Department  
City of North Miami  
776 NE 125<sup>th</sup> Street  
North Miami, Florida, 33161

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# **BASIC FINANCIAL STATEMENTS**

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# CITY OF NORTH MIAMI, FLORIDA

## STATEMENT OF NET ASSETS

SEPTEMBER 30, 2006

	<u>Governmental</u> <u>Activities</u>	<u>Business-</u> <u>type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 7,101,636	\$ 3,146,683	\$ 10,248,319
Investments	13,587,348	1,000,000	14,587,348
Receivables	4,818,302	7,335,452	12,153,754
Internal balances	108,892	(108,892)	-
Inventories and supplies	50,303	420,511	470,814
Net pension asset	7,643,934	-	7,643,934
Deferred charges	400,044	88,603	488,647
Assets held for resale	209,297	-	209,297
Net investment in sales-type lease	-	120,408	120,408
Restricted assets:			
Cash and investments	24,825,594	3,028,437	27,854,031
Other assets	90,720	28	90,748
Capital assets, not being depreciated	20,042,952	3,165,081	23,208,033
Capital assets, being depreciated, net	<u>30,690,508</u>	<u>31,584,780</u>	<u>62,275,288</u>
Total assets	<u>109,569,530</u>	<u>49,781,091</u>	<u>159,350,621</u>
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	2,502,599	1,370,165	3,872,764
Contracts payable - retainage	47,974	273,590	321,564
Interest payable	114,791	123,403	238,194
Deposits and performance bonds	73,537	2,212,231	2,285,768
Due to other governmental units	29,313	1,462,425	1,491,738
Unearned revenue	1,999,392	447,512	2,446,904
Noncurrent liabilities:			
Due within one year	2,253,712	856,151	3,109,863
Due in more than one year	<u>48,082,376</u>	<u>9,673,001</u>	<u>57,755,377</u>
Total liabilities	<u>55,103,694</u>	<u>16,418,478</u>	<u>71,522,172</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	48,559,359	26,217,827	74,777,186
Restricted for:			
Capital projects	-	2,976,542	2,976,542
Law enforcement	236,336	-	236,336
Transportation	5,406,419	-	5,406,419
Community redevelopment	758,747	-	758,747
Grant related expenses	1,073,399	-	1,073,399
Unrestricted	<u>(1,568,424)</u>	<u>4,168,244</u>	<u>2,599,820</u>
Total net assets	<u>\$ 54,465,836</u>	<u>\$ 33,362,613</u>	<u>\$ 87,828,449</u>

See notes to basic financial statements.

# CITY OF NORTH MIAMI, FLORIDA

## STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Governmental Activities</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u> <u>Primary Government</u> <u>Business-</u> <u>type</u> <u>Activities</u>	<u>Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>		<u>Business-</u> <u>type</u> <u>Activities</u>	
Primary government:							
Governmental activities:							
General government	\$20,715,616	\$ 6,823,327	\$ 6,945,959	\$ -	\$ (6,946,330)	\$ -	\$ (6,946,330)
Transportation	3,692,943	60,952	3,782,786	332,767	483,562	-	483,562
Public safety:							
Police	14,519,907	346,439	762,535	44,250	(13,366,683)	-	(13,366,683)
Other public safety	1,574,579	2,505,450	-	-	930,871	-	930,871
Culture/recreation	6,459,492	476,990	111,217	270,704	(5,600,581)	-	(5,600,581)
Physical environment	500,111	-	1,644,775	-	1,144,664	-	1,144,664
Economic environment	3,640,625	-	3,732,157	-	91,532	-	91,532
Interest on long-term debt	1,234,902	-	-	-	(1,234,902)	-	(1,234,902)
Total governmental activities	<u>52,338,175</u>	<u>10,213,158</u>	<u>16,979,429</u>	<u>647,721</u>	<u>(24,497,867)</u>	<u>-</u>	<u>(24,497,867)</u>
Business-type activities:							
Water and sewer	19,962,083	20,223,027	66,916	1,274,831	-	1,602,691	1,602,691
Solid waste	10,346,693	6,013,293	3,799,054	-	-	(534,346)	(534,346)
Stormwater	2,010,787	2,146,193	244,902	334,984	-	715,292	715,292
Total business-type activities	<u>32,319,563</u>	<u>28,382,513</u>	<u>4,110,872</u>	<u>1,609,815</u>	<u>-</u>	<u>1,783,637</u>	<u>1,783,637</u>
Total	<u>\$84,657,738</u>	<u>\$38,595,671</u>	<u>\$21,090,301</u>	<u>\$ 2,257,536</u>	<u>(24,497,867)</u>	<u>1,783,637</u>	<u>(22,714,230)</u>
General revenues:							
Property taxes levied for general purposes					17,019,195	-	17,019,195
Property taxes levied for debt service					415,728	-	415,728
Property taxes incremental					1,461,825	-	1,461,825
Utility taxes					2,545,881	-	2,545,881
Communication services tax					2,113,436	-	2,113,436
Franchise fees based on gross receipts					3,773,867	-	3,773,867
Unrestricted investment earnings					925,796	330,030	1,255,826
Miscellaneous revenues					500,878	69,925	570,803
Transfers					137,553	(137,553)	-
Total general revenues and transfers					<u>28,894,159</u>	<u>262,402</u>	<u>29,156,561</u>
Change in net assets					4,396,292	2,046,039	6,442,331
Net assets, beginning, as previously reported					49,967,112	31,316,574	81,283,686
Prior period adjustment (Note 7)					102,432	-	102,432
Net assets, beginning, as restated					<u>50,069,544</u>	<u>31,316,574</u>	<u>81,386,118</u>
Net assets, ending					<u>\$ 54,465,836</u>	<u>\$33,362,613</u>	<u>\$87,828,449</u>

See notes to basic financial statements.

# CITY OF NORTH MIAMI, FLORIDA

## BALANCE SHEET GOVERNMENTAL FUNDS

SEPTEMBER 30, 2006

	<u>General</u>	<u>Landfill Closure</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 1,217,125	\$ 20,015	\$ 3,374,644	\$ 4,611,784
Investments	6,487,348	-	3,700,000	10,187,348
Receivables, net	2,708,003	213,444	1,834,664	4,756,111
Due from other funds	847,703	-	-	847,703
Inventories and supplies	4,870	-	-	4,870
Assets held for resale	-	-	209,297	209,297
Other assets	48,117	-	5,395	53,512
Restricted assets:				
Cash held by agent	445,314	24,380,280	-	24,825,594
Total assets	<u>\$11,758,480</u>	<u>\$24,613,739</u>	<u>\$ 9,124,000</u>	<u>\$ 45,496,219</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,941,924	\$ -	\$ 380,869	\$ 2,322,793
Accrued bond interest	-	-	61,867	61,867
Contract payable - retainage	34,082	-	13,892	47,974
Deposits and performance bonds	73,537	-	-	73,537
Due to other funds	210,602	-	451,627	662,229
Due to other governmental units	23,136	-	211	23,347
Deferred revenue	182,827	-	556,433	739,260
Unearned revenue	385,356	-	-	385,356
Total liabilities	<u>2,851,464</u>	<u>-</u>	<u>1,464,899</u>	<u>4,316,363</u>
Fund balances:				
Reserved:				
Encumbrances	1,861,665	-	1,140,293	3,001,958
Assets held for resale	-	-	199,297	199,297
Inventories and supplies	4,870	-	-	4,870
Remediation and closure	-	24,613,739	-	24,613,739
Unreserved, designated:				
Designated for accumulated vacation and sick leave	650,078	-	-	650,078
Designated for subsequent year's expenditures	4,061,103	-	-	4,061,103
Unreserved, undesignated, reported in:				
General fund	2,329,300	-	-	2,329,300
Special revenue fund	-	-	5,158,075	5,158,075
Capital projects fund	-	-	1,163,001	1,163,001
Debt service fund	-	-	(1,565)	(1,565)
Total fund balances	<u>8,907,016</u>	<u>24,613,739</u>	<u>7,659,101</u>	41,179,856
Total liabilities and fund balances	<u>\$11,758,480</u>	<u>\$24,613,739</u>	<u>\$ 9,124,000</u>	

(Continued)

See notes to basic financial statements.

**CITY OF NORTH MIAMI, FLORIDA**  
**RECONCILIATION OF THE BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**GOVERNMENTAL FUNDS**  
**AS OF SEPTEMBER 30, 2006**

Total fund balances for governmental funds (page 25)	\$ 41,179,856
Total net assets reported for governmental activities in the statement of net assets is different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	46,767,363
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	400,044
A negative NPO (net pension obligation) is not considered to represent a financial asset and therefore is not reported in the governmental funds.	7,643,934
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities, except for portions payable early in the following year for which sufficient resources have been accumulated in the funds to liquidate the liabilities.	
These liabilities consist of:	
Compensated absences	\$ (7,258,543)
Bonds payable	(12,167,905)
Loan payable	(2,174,101)
Capital lease payable	(548,731)
Interest payable	(52,924)
Remediation and landfill closure costs	<u>(23,676,329)</u>
Total long-term liabilities	(45,878,533)
Unearned revenue in governmental funds is susceptible to full accrual on the Government-wide statements.	
Unearned revenue	739,260
Interest rate swap proceeds are reported as revenue in the governmental funds but are deferred to future periods in the Statement of Net Assets	
Unearned revenue - unamortized interest rate swap proceeds	(1,609,316)
Internal service funds are used by management to charge the costs of self-insurance and fleet management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	
Net assets of governmental activities (Page 23)	<u>5,223,228</u> <u>\$ 54,465,836</u>

**CITY OF NORTH MIAMI, FLORIDA**

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

FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>General</u>	<u>Landfill Closure</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Taxes	\$ 26,348,529	\$ -	\$ 1,877,553	\$ 28,226,082
Licenses and permits	2,802,746	-	-	2,802,746
Intergovernmental	8,208,369	-	5,818,123	14,026,492
Charges for services	6,542,842	-	-	6,542,842
Fines and forfeitures	335,417	-	125,660	461,077
Contributions	-	-	28,647	28,647
Other (including interest)	<u>1,440,320</u>	<u>1,624,573</u>	<u>529,950</u>	<u>3,594,843</u>
Total revenues	<u>45,678,223</u>	<u>1,624,573</u>	<u>8,379,933</u>	<u>55,682,729</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	19,378,942	-	-	19,378,942
Public safety	15,122,372	-	127,877	15,250,249
Transportation	2,545,636	-	594,670	3,140,306
Culture/recreation	5,684,663	-	60,000	5,744,663
Physical environment	-	1,841,182	-	1,841,182
Economic environment	75,927	-	1,573,113	1,649,040
Grants/aid	268,134	-	1,953,899	2,222,033
Capital outlay	702,494	-	793,344	1,495,838
<b>Debt service:</b>				
Principal retirement	-	849,773	485,000	1,334,773
Interest and fiscal charges	-	20,933	1,139,478	1,160,411
Total expenditures	<u>43,778,168</u>	<u>2,711,888</u>	<u>6,727,381</u>	<u>53,217,437</u>
Excess (deficiency) of revenues over expenditures	<u>1,900,055</u>	<u>(1,087,315)</u>	<u>1,652,552</u>	<u>2,465,292</u>
<b>Other financing sources (uses):</b>				
Transfers in	505,685	-	3,762,388	4,268,073
Transfers out	(1,059,387)	-	(3,033,250)	(4,092,637)
Capital lease proceeds	<u>559,512</u>	-	-	<u>559,512</u>
Total other financing sources (uses)	<u>5,810</u>	-	<u>729,138</u>	<u>734,948</u>
Net change in fund balances	1,905,865	(1,087,315)	2,381,690	3,200,240
Fund balances, beginning	7,006,255	25,701,054	5,277,411	37,984,720
Decrease in inventory reserve	<u>(5,104)</u>	-	-	<u>(5,104)</u>
Fund balances, ending	<u>\$ 8,907,016</u>	<u>\$ 24,613,739</u>	<u>\$ 7,659,101</u>	<u>\$ 41,179,856</u>

See notes to basic financial statements.

**CITY OF NORTH MIAMI, FLORIDA**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2006

Net change in fund balances-total governmental funds (page 27) \$ 3,200,240

Amounts reported for governmental activities in the statement of activities (page 24)  
are different because:

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

The details of the difference are as follows:

Expenditures for capital assets	\$ 1,469,619	
Less: current year depreciation	<u>(2,113,833)</u>	
Net adjustment		(644,214)

The net effect of various miscellaneous transactions involving capital assets (i.e., sale, trade-ins, donations) is to reduce net assets (28,360)

The issuance of long-term debt (e.g., bonds, loans,) 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. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued whereas these amounts are deferred and amortized in the statement of activities.

Debt issued:

Capital lease	(559,512)	
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Principal payments:

FMLC loan (General Obligation)	310,000	
Pension Obligation Bonds	175,000	
Notes payable	849,915	
Capital lease obligation	<u>10,781</u>	
Net adjustment		786,184

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.

The details of the difference are as follows:

Compensated absences	(678,201)	
Accrued interest	25,084	
Amortization of deferred charge on refunding	(142,024)	
Amortization of issuance costs	(20,191)	
Amortization of loan premium	7,946	
Amortization of interest rate swap proceeds	62,498	
Amortization of net pension asset	<u>(406,227)</u>	
Net adjustment		(1,151,115)

Payment of landfill closure costs reported as an expenditure in the governmental funds is a reduction of long-term liabilities in the statement of net assets. 1,841,182

Under the modified accrual basis of accounting used in the governmental funds, revenues are not recognized until funds are measurable and available to finance current expenditures. In the statement of activities, however, which is presented on the accrual basis, revenues are reported when earned.

The details of the difference are as follows:

Changes in deferred revenue		543,627
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Internal service funds are used by management to charge the costs of self insurance and fleet management services to individual funds.

The net revenue of certain activities of internal service funds is reported with governmental activities.

		<u>(151,252)</u>
Change in net assets of governmental activities (page 24)		<u>\$ 4,396,292</u>

# CITY OF NORTH MIAMI, FLORIDA

## STATEMENT OF NET ASSETS

### PROPRIETARY FUNDS

SEPTEMBER 30, 2006

<u>ASSETS</u>	<u>Business-type Activities - Enterprise Funds</u>				<u>Governmental</u>
	<u>Water and Sewer Utility</u>	<u>Solid Waste Services</u>	<u>Stormwater Utility</u>	<u>Totals</u>	<u>Activities- Internal Service Funds</u>
Current assets:					
Cash and cash equivalents	\$ 2,653,690	\$ 492,993	\$ -	\$ 3,146,683	\$ 2,489,852
Investments	-	-	1,000,000	1,000,000	3,400,000
Receivables	4,909,658	1,098,672	1,327,122	7,335,452	62,191
Due from other funds	183,084	43,158	12,331	238,573	463,324
Inventories and supplies	420,511	-	-	420,511	45,433
Other assets	28	-	-	28	37,208
Restricted assets:					
Cash held by agent	898,442	187,255	175,603	1,261,300	-
Investments	-	-	1,767,137	1,767,137	-
Total current assets	<u>9,065,413</u>	<u>1,822,078</u>	<u>4,282,193</u>	<u>15,169,684</u>	<u>6,498,008</u>
Non-current assets:					
Deferred charges	9,294	-	79,309	88,603	-
Net investment in sales-type lease	120,408	-	-	120,408	-
Advances to other funds	128,638	-	-	128,638	83,030
Capital assets, net	<u>24,202,581</u>	<u>1,763,575</u>	<u>8,783,705</u>	<u>34,749,861</u>	<u>3,966,097</u>
Total non-current assets	<u>24,460,921</u>	<u>1,763,575</u>	<u>8,863,014</u>	<u>35,087,510</u>	<u>4,049,127</u>
Total assets	<u>33,526,334</u>	<u>3,585,653</u>	<u>13,145,207</u>	<u>50,257,194</u>	<u>10,547,135</u>

(Continued)

See notes to basic financial statements.

**CITY OF NORTH MIAMI, FLORIDA**

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

(Continued)

SEPTEMBER 30, 2006

	<u>Business-type Activities - Enterprise Funds</u>				Governmental
	Water and	Solid	Stormwater	Totals	Activities-
	Sewer	Waste	Utility		Internal
	Utility	Services	Utility		Service
					Funds
<u>LIABILITIES</u>					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 1,243,746	\$ 30,948	\$ 95,471	\$ 1,370,165	\$ 179,806
Contracts payable - retainage	126,708	-	146,882	273,590	-
Due to other funds	112,321	107,641	44,473	264,435	622,936
Deposits and performance bonds	2,212,231	-	-	2,212,231	-
Due to other governmental units	1,462,425	-	-	1,462,425	5,966
Current portion of debt payable	169,398	-	205,000	374,398	-
Current portion of capital lease payable	143,177	285,877	18,076	447,130	-
Interest payable	12,194	9,695	101,514	123,403	-
Unearned revenue	-	447,512	-	447,512	4,720
Total current liabilities	<u>5,482,200</u>	<u>881,673</u>	<u>611,416</u>	<u>6,975,289</u>	<u>813,428</u>
Non-current liabilities:					
Compensated absences	824,239	739,183	139,380	1,702,802	482,935
Estimated claims payable	-	-	-	-	4,027,544
Advances from other funds	-	154,353	57,315	211,668	-
Debt payable	918,372	-	4,794,468	5,712,840	-
Capital lease payable	877,567	1,262,178	152,237	2,291,982	-
Total non-current liabilities	<u>2,620,178</u>	<u>2,155,714</u>	<u>5,143,400</u>	<u>9,919,292</u>	<u>4,510,479</u>
Total liabilities	<u>8,102,378</u>	<u>3,037,387</u>	<u>5,754,816</u>	<u>16,894,581</u>	<u>5,323,907</u>
<u>NET ASSETS</u>					
Invested in capital assets, net of related debt	22,294,284	220,434	3,703,109	26,217,827	3,966,097
Restricted for:					
Capital projects	-	-	2,976,542	2,976,542	-
Unrestricted	<u>3,129,672</u>	<u>327,832</u>	<u>710,740</u>	<u>4,168,244</u>	<u>1,257,131</u>
Total net assets	<u>\$ 25,423,956</u>	<u>\$ 548,266</u>	<u>\$ 7,390,391</u>	<u>\$ 33,362,613</u>	<u>\$ 5,223,228</u>

See notes to basic financial statements.

# CITY OF NORTH MIAMI, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>Business-type Activities - Enterprise Funds</u>				Governmental
	Water and Sewer Utility	Solid Waste Services	Stormwater Utility	Totals	Activities- Internal Service Funds
Operating revenues:					
Metered water sales	\$ 6,454,196	\$ -	\$ -	\$ 6,454,196	\$ -
Sanitary sewer sales	1,787,422	-	-	1,787,422	-
Sewage treatment charges	10,155,088	-	-	10,155,088	-
Solid waste services	-	6,013,293	-	6,013,293	-
Stormwater charges	-	-	2,146,193	2,146,193	-
Motor vehicle charges	-	-	-	-	3,348,852
Other charges for services	<u>1,826,321</u>	<u>-</u>	<u>-</u>	<u>1,826,321</u>	<u>2,421,574</u>
Total operating revenues	<u>20,223,027</u>	<u>6,013,293</u>	<u>2,146,193</u>	<u>28,382,513</u>	<u>5,770,426</u>
Operating expenses:					
Personal services	3,609,313	2,344,881	627,317	6,581,511	1,593,538
Sewage disposal and water charges	8,876,568	-	-	8,876,568	-
Solid waste disposal fees	-	1,679,221	-	1,679,221	-
Claims	-	-	-	-	1,299,216
Materials, supplies, services and other operating expenses	6,384,062	1,657,300	802,109	8,843,471	2,487,276
Depreciation	<u>991,651</u>	<u>264,733</u>	<u>260,608</u>	<u>1,516,992</u>	<u>1,177,974</u>
Total operating expenses	<u>19,861,594</u>	<u>5,946,135</u>	<u>1,690,034</u>	<u>27,497,763</u>	<u>6,558,004</u>
Operating income (loss)	<u>361,433</u>	<u>67,158</u>	<u>456,159</u>	<u>884,750</u>	<u>(787,578)</u>
Non-operating revenues (expenses):					
Interest income	140,283	37,437	152,310	330,030	211,588
Grants	142,229	3,799,054	579,886	4,521,169	335,982
Grants to others	-	-	(49,571)	(49,571)	-
Interest expense and fiscal charges	(63,636)	(59,426)	(247,879)	(370,941)	-
Amortization of bond premium	-	-	13,298	13,298	-
Amortization of issuance costs	(1,599)	-	(5,287)	(6,886)	-
Disaster expenses	(35,254)	(4,341,132)	(18,016)	(4,394,402)	(18,734)
Miscellaneous	<u>43,773</u>	<u>11,600</u>	<u>1,254</u>	<u>56,627</u>	<u>174,020</u>
Total non-operating revenues (expense)	<u>225,796</u>	<u>(552,467)</u>	<u>425,995</u>	<u>99,324</u>	<u>702,856</u>
Income (loss) before contributions and transfers	<u>587,229</u>	<u>(485,309)</u>	<u>882,154</u>	<u>984,074</u>	<u>(84,722)</u>
Capital contributions	1,199,518	-	-	1,199,518	77,875
Transfers in	-	206,964	-	206,964	-
Transfers out	<u>(191,677)</u>	<u>(130,064)</u>	<u>(22,776)</u>	<u>(344,517)</u>	<u>(66,530)</u>
Total contributions and transfers	<u>1,007,841</u>	<u>76,900</u>	<u>(22,776)</u>	<u>1,061,965</u>	<u>11,345</u>
Change in net assets	<u>1,595,070</u>	<u>(408,409)</u>	<u>859,378</u>	<u>2,046,039</u>	<u>(73,377)</u>
Net assets, beginning	<u>23,828,886</u>	<u>956,675</u>	<u>6,531,013</u>	<u>31,316,574</u>	<u>5,296,605</u>
Net assets, ending	<u>\$ 25,423,956</u>	<u>\$ 548,266</u>	<u>\$ 7,390,391</u>	<u>\$ 33,362,613</u>	<u>\$ 5,223,228</u>

See notes to basic financial statements.

## CITY OF NORTH MIAMI, FLORIDA

### STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>Business-type Activities - Enterprise Funds</u>				Governmental
	Water and Sewer Utility	Solid Waste Services	Stormwater Utility	Totals	Activities- Internal Service Funds
Cash flows from operating activities:					
Cash received from customers, including cash deposits	\$ 19,245,011	\$ 5,976,476	\$ 2,089,928	\$ 27,311,415	\$ 73,069
Interfund services provided and used	(4,513,515)	(1,544,025)	(640,786)	(6,698,326)	5,673,276
Gasoline tax refund	-	-	-	-	38,319
Cash payments to suppliers	(10,631,542)	(6,555,497)	(149,800)	(17,336,839)	(2,436,638)
Claim payments	-	-	-	-	(636,986)
Cash payments to employees	(3,704,200)	(2,341,059)	(620,523)	(6,665,782)	(1,546,407)
Net cash provided (used) by operating activities	<u>395,754</u>	<u>(4,464,105)</u>	<u>678,819</u>	<u>(3,389,532)</u>	<u>1,164,633</u>
Cash flows from non-capital financing activities:					
Repayments on interfund loans	42,712	(63,269)	(19,106)	(39,663)	39,663
Due from other funds	(35,113)	-	-	(35,113)	-
Due to other funds	-	-	35,113	35,113	-
Due to other government units	255,807	-	-	255,807	-
Transfers from other funds	-	206,964	-	206,964	-
Transfers to other funds	(163,030)	(130,064)	(22,776)	(315,870)	(66,530)
Grant proceeds	-	4,113,652	261,129	4,374,781	455,597
Net cash provided by non-capital financing activities	<u>100,376</u>	<u>4,127,283</u>	<u>254,360</u>	<u>4,482,019</u>	<u>428,730</u>
Cash flows from capital and related financing activities:					
Capital contributions	354,046	-	-	354,046	-
Purchase of capital assets	(2,175,706)	(560,427)	(1,866,954)	(4,603,087)	(1,111,954)
Principal payments - bonds	(112,229)	-	(195,000)	(307,229)	-
Principal payments received - capital leases	238,584	-	-	238,584	-
Capital lease proceeds	2,067,506	-	172,799	2,240,305	-
Grant proceeds	165,258	-	-	165,258	-
Interest paid	(60,150)	(59,426)	(252,808)	(372,384)	-
Net cash provided (used) by capital and related financing activities	<u>477,309</u>	<u>(619,853)</u>	<u>(2,141,963)</u>	<u>(2,284,507)</u>	<u>(1,111,954)</u>
Cash flows from investing activities:					
Proceeds from sale of investments	1,500,000	200,000	900,000	2,600,000	3,275,000
Purchase of investments	-	-	(1,076,483)	(1,076,483)	(2,900,000)
Interest received	127,734	38,617	153,469	319,820	200,955
Net cash provided (used) by investing activities	<u>1,627,734</u>	<u>238,617</u>	<u>(23,014)</u>	<u>1,843,337</u>	<u>575,955</u>
Net increase (decrease) in cash and cash equivalents	2,601,173	(718,058)	(1,231,798)	651,317	1,057,364
Cash and cash equivalents, beginning	<u>950,959</u>	<u>1,398,306</u>	<u>1,407,401</u>	<u>3,756,666</u>	<u>1,432,488</u>
Cash and cash equivalents, ending	<u>\$ 3,552,132</u>	<u>\$ 680,248</u>	<u>\$ 175,603</u>	<u>\$ 4,407,983</u>	<u>\$ 2,489,852</u>
Cash and cash equivalents per statement of net assets:					
Unrestricted	\$ 2,653,690	\$ 492,993	\$ -	\$ 3,146,683	\$ 2,489,852
Restricted	898,442	187,255	175,603	1,261,300	-
	<u>\$ 3,552,132</u>	<u>\$ 680,248</u>	<u>\$ 175,603</u>	<u>\$ 4,407,983</u>	<u>\$ 2,489,852</u>

(Continued)

See notes to basic financial statements.

# CITY OF NORTH MIAMI, FLORIDA

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>Business-type Activities - Enterprise Funds</u>				Governmental
	<u>Water and Sewer Utility</u>	<u>Solid Waste Services</u>	<u>Stormwater Utility</u>	<u>Totals</u>	<u>Activities- Internal Service Funds</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 361,433	\$ 67,158	\$ 456,159	\$ 884,750	\$ (787,578)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	991,651	264,733	260,608	1,516,992	1,177,974
Other income (loss)	(1,175)	(4,329,532)	(17,896)	(4,348,603)	65,199
Changes in operating assets and liabilities:					
(Increase) decrease in:					
Customer accounts receivable	(407,944)	(10,060)	(38,219)	(456,223)	-
Customer unbilled accounts receivable	(633,976)	(38,362)	(18,166)	(690,504)	-
Miscellaneous receivables	(39,003)	5	-	(38,998)	(13,497)
Inventories	(53,115)	-	-	(53,115)	1,923
Due from other funds	-	-	-	-	4,680
Other assets	7,882	-	140	8,022	(23,975)
Increase (decrease) in:					
Accounts payable	160,806	(421,223)	11,381	(249,036)	13,579
Estimated claims payable	-	-	-	-	662,230
Compensated absences	(59,824)	6,591	24,077	(29,156)	61,459
Accrued liabilities	(926)	(647)	191	(1,382)	1,317
Accrued payroll deductions	1,117	(2,768)	544	(1,107)	700
Due to other funds	-	-	-	-	(2,469)
Due to other government units	-	-	-	-	3,091
Customer deposits	68,828	-	-	68,828	-
Total adjustments	<u>34,321</u>	<u>(4,531,263)</u>	<u>222,660</u>	<u>(4,274,282)</u>	<u>1,952,211</u>
Net cash provided (used) by operating activities	<u>\$ 395,754</u>	<u>\$ (4,464,105)</u>	<u>\$ 678,819</u>	<u>\$ (3,389,532)</u>	<u>\$ 1,164,633</u>

Non-cash investing, capital and financing activities:

During 2006, the Water and Sewer Utility Fund received contributed assets from developers valued at \$823,896.

Note: All short-term investments are reported at cost, which approximates fair value, therefore, there is no change in fair value of investments.

See notes to basic financial statements.

# CITY OF NORTH MIAMI, FLORIDA

## STATEMENT OF FIDUCIARY NET ASSETS PENSION TRUST FUNDS

SEPTEMBER 30, 2006

### ASSETS

Cash and short-term investments	\$ 2,349,625
Investments, at fair value:	
U.S. Treasury bonds and notes	11,502,298
U.S. Agency obligations	4,315,967
Corporate bonds	16,164,447
Common stock	52,708,842
Total investments	<u>84,691,554</u>
Receivables:	
Plan member contributions	32,767
Miami-Dade County	687,821
CNM Police Share Plan	224,596
Receivable from broker on investments sold	942,290
Accrued interest	350,476
Accrued dividends	53,158
Total receivables	<u>2,291,108</u>
Total assets	<u>89,332,287</u>

### LIABILITIES AND NET ASSETS

Accounts payable	76,641
Benefits payable	10,862
Payable to broker for investments purchased	818,322
Total liabilities	<u>905,825</u>
Net assets held in trust for pension benefits	<u>\$ 88,426,462</u>

See notes to basic financial statements.

# CITY OF NORTH MIAMI, FLORIDA

## STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS PENSION TRUST FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2006

### ADDITIONS

#### Contributions:

Employer	\$ 5,440,885
Plan members	1,725,904
County	650,586
Other (including state contributions)	<u>90,827</u>
Total contributions	<u>7,908,202</u>

#### Investment income:

Net appreciation in fair value of investments	3,599,363
Interest	1,431,856
Dividends	<u>890,665</u>
	5,921,884
Less investment expenses	<u>448,841</u>
Net investment income	<u>5,473,043</u>
Total additions	<u>13,381,245</u>

### DEDUCTIONS

#### Benefits paid directly to participants:

Disability retirement	180,162
Death benefit	23,042
Normal retirement	2,503,649
Lump sum retirement	1,968,003
Refunds of contributions	<u>116,528</u>
Total benefits paid	<u>4,791,384</u>
Administrative expenses	<u>272,272</u>
Total deductions	<u>5,063,656</u>

Net increase in net assets	8,317,589
Net assets, beginning	<u>80,108,873</u>
Net assets, ending	<u>\$ 88,426,462</u>

See notes to basic financial statements.

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## **NOTES TO BASIC FINANCIAL STATEMENTS**

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# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of North Miami, Florida (the City), located in Miami-Dade County, was incorporated in 1926. The City operates under a Council-Manager form of government and provides the following services: general government, public safety, public works, solid waste, stormwater management, culture and recreation including library services, community planning and development and water and sewer utility.

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

#### **A. Financial Reporting Entity**

The financial reporting entity covered by this report includes the City and its component units. The reporting entity has been defined by GASB Statement No. 14 (as amended by GASB Statement No. 39) as the City and those component units for which the City is financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations, therefore, data for these units are combined with data of the City.

#### ***Blended Component Unit***

The North Miami Community Redevelopment Agency (CRA) was created on June 7, 2005, in accordance with Chapter 163.356, Florida Statutes, to establish and carryout redevelopment objectives in economically deprived areas of the City. The CRA, whose board members are the same as the City Council provides services that exclusively benefit the City. The CRA is fiscally dependent on the City because the City Council approves the CRA's budget, levies taxes, and must approve any debt issuances. Accordingly, the CRA is a blended component unit and is presented in the City's financial statements as both a special revenue and a capital projects fund. The CRA has a September 30th year end. Complete financial statements for the CRA can be obtained by writing to: Director, North Miami Community Redevelopment Agency 615 N.E. 124 Street, North Miami, Florida 33161.

#### ***Discretely Presented Component Unit***

The City of North Miami Health Facilities Authority was created pursuant to state statute to issue special obligation debt for capital improvements on certain health facilities located within and outside the City limits. The debt is supported solely from revenues generated by said facilities and does not constitute an obligation of the City or the Authority. The Authority receives no revenues and makes no disbursements. Because there are no assets, liabilities or results of operations to report, no disclosure other than this description is made.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### A. Financial Reporting Entity (Continued)

##### *Discretely Presented Component Unit* (Continued)

The North Miami Health Facilities Authority is a component unit because the sole activity in which it engages, i.e., the issuance of revenue bonds to finance health care facilities, is subject in each instance to the approval of the City Council. In addition, the City Council is responsible for appointing the members of the Board of the Authority.

#### 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 City and its component units. 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 are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants 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*. The City does not currently employ an indirect cost allocation system.

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

#### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

# CITY OF NORTH MIAMI, 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)

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 fees and other 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. Revenues for expenditure driven grants are recognized when the qualifying expenditures are included. 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 City'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 *Landfill Closure Fund* accounts for the costs of remediation and closure of the former Munisport landfill site.

The City reports the following major proprietary funds:

The *Water and Sewer Utility Fund* accounts for the costs of providing water treatment and distribution service, and sewage treatment to all areas within the City limits and certain districts outside the City limits.

The *Solid Waste Services Fund* accounts for the City's sanitation operations inclusive of garbage, trash and recycling. Additionally, it includes animal control, graffiti control and sanitation code enforcement.

The *Stormwater Utility Fund* accounts for improvements to the City's stormwater systems and pollution from stormwater runoff.

Additionally, the City reports the following fund types:

*Internal Service Funds* account for the cost of insuring the City in the areas of workers' compensation and general liability risks, and to provide fleet management services to other departments on a cost reimbursement basis.

# CITY OF NORTH MIAMI, 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 *Pension Trust Funds* (CTS Plan and Police Pension Plan) are used to account for the City's two single-employer defined benefit pension plans covering substantially all of its employees.

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

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes with the exception of local option fuel taxes and the half-cent transportation surtax. Proceeds from these taxes are used to fund transportation related expenditures and therefore are reported as *program revenues* under the function "transportation".

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing goods and services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water and sewer, solid waste services and stormwater utility funds and of the City's internal service funds are charges to customers for services. Operating expenses for enterprise funds and internal service funds include the costs 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. Deposits and Investments

The City's cash and cash equivalents include cash on hand, time and demand deposits, and short-term investments consisting primarily of a collateralized interest on public funds checking account and investments with the State Board Investment Pool. The City also invests in obligations of the U.S. Treasury, consisting primarily of government agency bonds.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### D. Assets, Liabilities, and Net Assets or Equity (Continued)

##### 1. Deposits and Investments (Continued)

Resources of all funds, with the exception of the pension trust funds and certain other cash and investment accounts, which are maintained in accordance with legal requirements, 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 based upon equity balances of the respective funds.

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

The nature of investments is governed by the provisions of Florida Statutes Section 218.415.

Under this statute, authorized investments are limited, unless otherwise authorized by law or ordinance, to the Local Government Surplus Funds Trust Fund, money market funds, direct or unconditionally guaranteed obligations of the United States Government, obligations of certain governmental agencies, interest bearing time deposits or savings accounts.

Cash and cash equivalents, for purposes of the statement of cash flows, include 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” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds (i.e., amounts owed for goods/services rendered to a particular fund by another fund in the reporting entity) are reported as “due to/from other funds” (current portion) or “interfund receivables/payables” (non-current portion). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

##### 3. Inventories

Inventories consist principally of materials and supplies held for consumption and are recorded at cost for governmental funds and lower of average cost or market for proprietary funds. In the governmental funds, the cost of inventories are recorded as expenditures at the time of purchase, while in the proprietary funds, the cost of inventories are recorded as expenditures when consumed. In the governmental funds, reported inventories are offset by a fund balance reserve which indicates that they do not constitute available spendable resources.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### D. Assets, Liabilities, and Net Assets or Equity (Continued)

##### 4. Restricted Assets

In November 2001, the City entered into a loan agreement with the Florida Municipal Loan Council to finance the cost of certain stormwater capital improvement projects. The loan proceeds are classified as restricted assets on the statement of net assets. They are maintained in a separate bank account and their use is restricted for specific stormwater capital improvement projects. In December 2004, the City received a grant of \$31 million from Miami-Dade County for remediation and closure of the City's former landfill site. These funds were placed in escrow and are restricted for funding the costs of the environmental cleanup. Beginning in January 2005, the City entered into a Master Lease Agreement to fund the acquisition costs of certain capital equipment. Under the terms of the Agreement, proceeds are deposited in escrow with a financial institution and held by the Escrow Bank pending acquisition of the equipment.

##### 5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., utility lines, roads, bridges, sidewalks, and similar items), regardless of their acquisition date, are reported at cost or estimated historical cost in the applicable governmental or business-type activities columns in the government-wide financial statements. Donated capital assets are recorded at their estimated fair value at the date of donation. The capitalization thresholds are \$1,000 for equipment and \$5,000 for land, buildings, and infrastructure. The costs of normal maintenance and repairs that do not increase the capacity or efficiency 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 asset constructed. No such costs were capitalized in 2006.

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	50
Building improvements	20
Public domain infrastructure	10-50
System infrastructure	5-50
Vehicles, and other outdoor equipment	3-10
Office equipment	5-10
Computer equipment	3-4
Library books	5

# CITY OF NORTH MIAMI, 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. Compensated Absences

It is the City's policy to permit employees to accumulate, within certain limits, earned but unused vacation time and sick leave, which will be paid to employees upon separation from City service. All vacation and sick leave 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, due to employee resignation or retirement.

##### 7. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line amortization method. The results of using this method do not differ significantly from the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In addition, the difference between the reacquisition price (new debt) and the net carrying value of the old debt on refunded debt transactions is deferred and amortized as a component of interest expense using the bonds outstanding method over the shorter of the remaining life of the old debt or the life of the new debt. The deferred amount is offset against the new liability.

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

##### 8. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Material estimates that are particularly susceptible to significant change in the near term relate to 1) the determination of the actuarially accrued liability for unpaid claims which is prepared based on certain assumptions pertaining to interest rates, inflation rates, etc. and 2) the estimated liability for remediation and closure of the former Munisport site. Although these estimates as well as all estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### D. Assets, Liabilities, and Net Assets or Equity (Continued)

##### 9. Fund Equity/Net Assets

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 balance, where noted, represent tentative management plans that are subject to change.

The government-wide and proprietary fund financial statements utilize a net asset presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted, and unrestricted.

### NOTE 2. DEPOSITS AND INVESTMENTS

In accordance with GASB Statement No. 40, the following disclosures are made regarding the City's deposit and investment balances as of September 30, 2006:

#### *Deposits*

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

#### *Investments*

As required by Florida Statutes, the City has adopted a written investment policy, which may, from time to time, be amended by the City. Investments are made in accordance with provisions of the Florida Statutes and the City's Bylaws. 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 Florida Local Government Surplus Funds Trust Fund and is governed by Ch. 19-7 of the Florida Administrative Code. These rules provide guidance and establish the general operating procedures for the administration of the Florida Local Government Surplus Funds Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the State Board of Administration. The Florida Local Government Surplus Funds Trust Fund is not a registrant with the Securities and Exchange Commission (SEC); however, the board has adopted operating procedures consistent with the requirements for a 2a-7 fund. In accordance with GASB Statement No. 31, the SBA has

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

#### *Investments* (Continued)

reported that the Local Government Surplus Funds Trust Fund is a “2a-7 like” pool and, therefore, these investments are valued using the pooled share price. The pension trust funds are also authorized to invest in common stocks, corporate bonds rated “BBB” or better by Standard & Poor Corporation or “Baa” or better by Moody’s bond ratings.

As of September 30, 2006, the City had the following investments:

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>
SBA (State Investment Pool)	60 Days	\$ 11,000,000
U.S. Treasury Bills	11/9/2006	4,841,183
U.S. Treasury Bills	1/18/2007	4,224,773
U.S. Treasury Bills	1/25/2007	4,038,993
U.S. Treasury Notes	12/31/2006	10,029,574
Total investments		34,134,523
Cash and Certificates of Deposit		<u>13,348,319</u>
Total Pooled Cash and Investments		<u><u>\$ 47,482,842</u></u>

Pension Investments	Fair Value	Less than 1 Year	1 to 5 Years	6 to 10 Years	More Than 10
U.S. Treasuries	\$ 11,502,298	\$ 1,955,692	\$ 3,307,528	\$ 2,483,322	\$ 3,755,756
U.S. Agency Obligations	4,315,967	441,849	2,008,790	724,545	1,140,783
Corporate Bonds	<u>16,164,447</u>	<u>1,252,320</u>	<u>7,556,502</u>	<u>5,424,207</u>	<u>1,931,418</u>
	<u>\$ 31,982,712</u>	<u>\$ 3,649,861</u>	<u>\$ 12,872,820</u>	<u>\$ 8,632,074</u>	<u>\$ 6,827,957</u>
Total	<u>\$ 79,465,554</u>				

#### Interest Rate Risk

The City has an investment policy that limits the maturities on individual investments to no more than five years. The investments at September 30, 2006 meet our investment policy restrictions.

#### Credit Risk

The City has an investment policy that limits investments to the highest ratings by two nationally recognized statistical rating organizations (NRSRO) Standard and Poor’s and Moody’s Investment Services. Excess funds are sent to the Florida State Board of Administration (SBA) for investment. The SBA does not have a rating from a NRSRO. The City’s Pension Plan’s corporate bonds and agency bonds were all ranked “A” or better under Standard & Poor’s ratings and at least “A” under Moody’s ratings.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

#### *Investments* (Continued)

##### Concentration Credit Risk

The City's investment policy limits its investments to no more than 15% in any one issuer. This includes certificates of deposit, U.S. Federal Agencies, and federal instrumentalities. The maximum limit for total investments vary from 35% to 60%. The City does not have an issuers limit for the State Board of Administration Trust Fund. GASB 40 requires disclosure when the percent is 5% or more in any one issuer. The investments in U.S. Treasury Notes are 21%. Given the restriction to the highest rating, the additional concentration is not viewed to be an additional risk by the City.

##### *Risks and Uncertainties*

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

### NOTE 3. RECEIVABLES

Receivables as of September 30, 2006 for the City's individual major funds and nonmajor governmental funds, in the aggregate, including the allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Landfill</u>	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Storm- water</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Receivables:							
Customer's accounts:							
Billed	\$ -	\$ -	\$ 1,868,078	\$ 459,322	\$ 219,541	\$ -	\$ 2,546,941
Unbilled	-	-	2,723,706	351,548	69,624	-	3,144,878
Property taxes	359,277	-	-	-	-	8,082	367,359
Franchise and utility	956,412	-	-	-	-	-	956,412
Communication services tax	366,461	-	-	-	-	-	366,461
Intergovernmental	648,697	-	73,465	277,957	1,033,804	1,222,045	3,255,968
Notes	-	-	-	-	-	550,123	550,123
Other	<u>377,156</u>	<u>213,444</u>	<u>244,409</u>	<u>9,845</u>	<u>4,153</u>	<u>116,605</u>	<u>965,612</u>
Gross receivables	2,708,003	213,444	4,909,658	1,098,672	1,327,122	1,896,855	12,153,754
Less allowance for uncollectibles	-	-	-	-	-	-	-
Net total receivables	<u>\$ 2,708,003</u>	<u>\$ 213,444</u>	<u>\$ 4,909,658</u>	<u>\$ 1,098,672</u>	<u>\$ 1,327,122</u>	<u>\$ 1,896,855</u>	<u>\$ 12,153,754</u>

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 3. RECEIVABLES (Continued)

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental activities and governmental funds are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Occupational licenses	\$ -	\$ 297,563
Interest rate swap proceeds	-	1,609,316
Notes receivable	550,123	-
Administrative fee	182,827	-
FEMA disaster proceeds	-	74,707
Miscellaneous revenues	6,310	17,806
Total deferred/unearned revenue for governmental activities and governmental funds	<u>\$ 739,260</u>	<u>\$ 1,999,392</u>

### NOTE 4. PROPERTY TAXES

Property taxes are levied on November 1st of each year, at which time taxes become an enforceable lien on property assessed as of the previous January 1st. Tax bills are payable upon receipt with discounts at the rate of 4% if paid in November, decreasing by 1% per month with no discount available in the month of March of the following calendar year. Taxpayers also have the option of paying their taxes in advance in equal quarterly payments based on the prior year's tax assessment with quarterly discounts varying between 2% and 6%. All unpaid taxes on real and personal property become delinquent on April 1st and bear annual interest at 18% until a tax sale certificate is sold at auction. Miami-Dade County bills and collects all property taxes for the City, and sells tax certificates for delinquent taxes.

The net assessed value of property, as established by the Miami-Dade County Property Appraiser, at January 1, 2005 upon which the 2005-06 levy was based, was approximately \$2.3 billion. The City is permitted by Article 7, Section 9 of the Florida Constitution to levy taxes up to \$10 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. For the year ended September 30, 2006, the tax rate to finance General Fund operations was \$8.500 per \$1,000 of assessed value. The debt service tax rate for the same period was \$0.1927 per \$1,000 of assessed value.

Property taxes receivable representing collections within 60 days subsequent to September 30 for billings through the fiscal year then ended amounted to approximately \$359,277 for the General Fund and \$8,082 for the debt service funds.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 5. NET INVESTMENT IN SALES-TYPE LEASE

On April 17, 1979, the City entered into a sales-type lease agreement with Miami-Dade Water and Sewer Authority retroactive to May 1978. Under the terms of the lease, the City is receiving payments, which will total \$7,071,438 (including interest) through April 2007, for the use of the City's ocean outfall line.

The lease has been accounted for as a capital (sales-type) lease within the Water and Sewer Enterprise Fund. Interest is imputed at an annual rate of 6.5% over the life of the lease. Proceeds received from the lease agreement are to be used for replacement of water and sewer system assets.

The future minimum lease payments under this agreement are as follows:

Year ending September 30:	
2007	\$122,925
Total	122,925
Less unearned discount	<u>(2,517)</u>
Balance, September 30, 2006	<u>\$120,408</u>

### NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances as of September 30, 2006 consisted of the following:

#### Due to/from Other Funds

	Due From						Total
	General Fund	Nonmajor Governmental	Water and Sewer	Solid Waste	Stormwater Utility	Internal Service	
<b>Due to:</b>							
General fund	\$ -	\$ 446,947	\$ -	\$ -	\$ -	\$ 400,756	\$ 847,703
Water and sewer	-	-	-	-	35,113	147,971	183,084
Solid waste	-	-	-	-	-	43,158	43,158
Stormwater utility	-	-	-	-	-	12,331	12,331
Internal service	<u>210,602</u>	<u>4,680</u>	<u>112,321</u>	<u>107,641</u>	<u>9,360</u>	<u>18,720</u>	<u>463,324</u>
Total	<u>\$ 210,602</u>	<u>\$ 451,627</u>	<u>\$ 112,321</u>	<u>\$ 107,641</u>	<u>\$ 44,473</u>	<u>\$ 622,936</u>	<u>\$ 1,549,600</u>

The balance of \$622,936 payable from the Internal Service Fund to the other various funds resulted from excess general liability premiums in the General Risk Management Fund. The receivable of \$463,324 in the Internal Service Fund represents additional charges to the various funds for workers' compensation premiums.

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**CITY OF NORTH MIAMI, FLORIDA**

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

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

**Advances to/from Other Funds**

	Advance From		
	Water & Sewer	Internal Service	<u>Total</u>
<u>Advance to:</u>			
Solid waste	\$ 128,638	\$ 25,715	\$ 154,353
Stormwater utility	-	57,315	57,315
Total	<u>\$ 128,638</u>	<u>\$ 83,030</u>	<u>\$ 211,668</u>

The balance of \$211,668 represents interfund loans from the Water and Sewer Fund and Fleet Management Fund to the Solid Waste and Stormwater Utility Funds for the purchase of vehicles and equipment. This amount is not expected to be paid within one year.

**Interfund Transfers**

Interfund transfers for the year ended September 30, 2006, consisted of the following:

	Transfers In			
	General Fund	Nonmajor Governmental	Solid Waste	Total
<u>Transfers out:</u>				
General fund	\$ -	\$ 852,423	\$ 206,964	\$ 1,059,387
Nonmajor governmental	505,685	2,527,565	-	3,033,250
Water and sewer	-	163,030	-	163,030
Solid waste services	-	130,064	-	130,064
Stormwater utility	-	22,776	-	22,776
Internal service	-	66,530	-	66,530
Total	<u>\$ 505,685</u>	<u>\$ 3,762,388</u>	<u>\$ 206,964</u>	<u>\$ 4,475,037</u>

Transfer out of water and sewer capital assets:

To nonmajor governmental funds from existing capital assets	28,647
Total transfers out	\$ 4,503,684

In the fund financial statements, total transfers out of \$4,503,684 are greater than total transfers in of \$4,475,037 due to the transfer of a capital asset with a book value of \$28,647 from the water & sewer enterprise fund to a nonmajor governmental fund. The enterprise fund reported a transfer out; however, no amounts were reported in the nonmajor governmental fund as the amount did not involve the transfer of financial resources.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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

#### Interfund Transfers (Continued)

Included in the transfer of \$3,762,388 into the nonmajor governmental funds from the other various funds is: an interfund transfer of \$1,065,740 from the CRA special revenue fund to the CRA capital projects fund, a transfer of \$1,461,825 from the City to the CRA representing incremental tax revenues, and a transfer of \$ 1,198,748 into the Pension Obligation Bond Fund from the other various funds to meet debt service requirements. During FY06 two non- major governmental funds were closed and the balances totaling \$505,685 transferred into the General Fund. A transfer of \$206,964 was made from the General Fund to the Solid Waste Services Fund to help defray the cost of code enforcement, animal control and graffiti services accounted for in that fund.

### NOTE 7. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2006 was as follows:

	Beginning Balance <u>Restated (1)</u>	<u>Increases</u>	<u>Decreases</u>	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 19,139,727	\$ -	\$ -	\$ 19,139,727
Construction in progress	<u>919,312</u>	<u>635,023</u>	<u>(651,110)</u>	<u>903,225</u>
Total capital assets, not being depreciated	<u>20,059,039</u>	<u>635,023</u>	<u>(651,110)</u>	<u>20,042,952</u>
Capital assets, being depreciated:				
Land improvements	11,942,109	90,235	(25,244)	12,007,100
Buildings and improvements	14,148,556	142,651	-	14,291,207
Infrastructure	32,084,497	824,080	(98,916)	32,809,661
Machinery and equipment	15,517,467	1,676,761	(1,732,351)	15,461,877
Library books	<u>1,796,497</u>	<u>94,447</u>	<u>(76,517)</u>	<u>1,814,427</u>
Total capital assets, being depreciated	<u>75,489,126</u>	<u>2,828,174</u>	<u>(1,933,028)</u>	<u>76,384,272</u>
Less accumulated depreciation for:				
Land improvements	(9,067,346)	(580,905)	25,244	(9,623,007)
Buildings and improvements	(4,436,524)	(445,216)	-	(4,881,740)
Infrastructure	(18,198,019)	(703,578)	65,210	(18,836,387)
Machinery and equipment	(11,128,169)	(1,446,757)	1,689,123	(10,885,803)
Library books	<u>(1,427,993)</u>	<u>(115,351)</u>	<u>76,517</u>	<u>(1,466,827)</u>
Total accumulated depreciation	<u>(44,258,051)</u>	<u>(3,291,807)</u>	<u>1,856,094</u>	<u>(45,693,764)</u>
Total capital assets, being depreciated, net	<u>31,231,075</u>	<u>(463,633)</u>	<u>(76,934)</u>	<u>30,690,508</u>
Governmental activities capital assets, net	<u>\$ 51,290,114</u>	<u>\$ 171,390</u>	<u>\$ (728,044)</u>	<u>\$ 50,733,460</u>

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### NOTE 7. CAPITAL ASSETS (Continued)

	Beginning Balance <u>Restated (1)</u>	<u>Increases</u>	<u>Decreases</u>	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 660,312	\$ -	\$ (28,647)	\$ 631,665
Construction in progress	<u>295,229</u>	<u>2,381,508</u>	<u>(143,321)</u>	<u>2,533,416</u>
Total capital assets, not being depreciated	<u>955,541</u>	<u>2,381,508</u>	<u>(171,968)</u>	<u>3,165,081</u>
Capital assets, being depreciated:				
Land improvements	135,883	-	-	135,883
Buildings and improvements	737,299	-	-	737,299
Infrastructure	50,118,808	2,175,915	(65,863)	52,228,860
Machinery and equipment	<u>3,922,917</u>	<u>1,306,027</u>	<u>(331,401)</u>	<u>4,897,543</u>
Total capital assets, being depreciated	<u>54,914,907</u>	<u>3,481,942</u>	<u>(397,264)</u>	<u>57,999,585</u>
Less accumulated depreciation for:				
Land improvements	(75,874)	(3,329)	-	(79,203)
Buildings and improvements	(393,431)	(21,270)	-	(414,701)
Infrastructure	(23,183,853)	(1,031,820)	34,605	(24,181,068)
Machinery and equipment	<u>(1,610,661)</u>	<u>(460,573)</u>	<u>331,401</u>	<u>(1,739,833)</u>
Total accumulated depreciation	<u>(25,263,819)</u>	<u>(1,516,992)</u>	<u>366,006</u>	<u>(26,414,805)</u>
Total capital assets, being depreciated, net	<u>29,651,088</u>	<u>1,964,950</u>	<u>(31,258)</u>	<u>31,584,780</u>
Business-type activities capital assets, net	<u>\$ 30,606,629</u>	<u>\$ 4,346,458</u>	<u>\$ (203,226)</u>	<u>\$ 34,749,861</u>

(1) Includes a prior period adjustment of \$102,432 for the retroactive reporting of infrastructure for governmental activities

Depreciation expense was charged as functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 109,866
Public safety	375,203
Transportation	511,803
Economic environment	4,620
Physical environment	500,111
Culture and recreation	<u>612,230</u>
Subtotal	2,113,833
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of assets	
	<u>1,177,974</u>
Total depreciation expense – governmental activities	<u>\$ 3,291,807</u>

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 7. CAPITAL ASSETS (Continued)

Business-type activities:	
Water and sewer	\$ 991,651
Solid waste	264,733
Stormwater	<u>260,608</u>
Total depreciation expense – business-type activities	<u><u>\$ 1,516,992</u></u>

### NOTE 8. LONG-TERM LIABILITIES

#### *Governmental Activities*

The following is a summary of changes in long-term liabilities of the City for governmental activities for the year ended September 30, 2006:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Debt payable:					
FMLC loan (general obligation)	\$ 2,490,000	\$ -	\$ (310,000)	\$ 2,180,000	\$ 325,000
Pension obligation bonds-Series 2002	14,305,000	-	(175,000)	14,130,000	190,000
Capital lease obligation	-	559,512	(10,781)	548,731	56,921
Note payable	849,915	-	(849,915)	-	-
Unamortized bond premiums/ discount and deferred amount on refunding	<u>(2,102,072)</u>	<u>-</u>	<u>134,078</u>	<u>(1,967,994)</u>	<u>-</u>
Total debt payable	<u>15,542,843</u>	<u>559,512</u>	<u>(1,211,618)</u>	<u>14,890,737</u>	<u>571,921</u>
Other liabilities:					
Compensated absences	7,001,818	1,118,159	(378,499)	7,741,478	177,800
Landfill closure	25,517,511	-	(1,841,182)	23,676,329	900,000
Claims payable (risk)	<u>3,365,314</u>	<u>1,299,216</u>	<u>(636,986)</u>	<u>4,027,544</u>	<u>603,991</u>
Total other liabilities	<u>35,884,643</u>	<u>2,417,375</u>	<u>(2,856,667)</u>	<u>35,445,351</u>	<u>1,681,791</u>
Governmental activities long-term liabilities	<u>\$ 51,427,486</u>	<u>\$ 2,976,887</u>	<u>\$ (4,068,285)</u>	<u>\$ 50,336,088</u>	<u>\$ 2,253,712</u>

#### ***Bonds and Note Payable***

#### **General Obligation Bonds/Loan**

On May 1, 2002, the City entered into a loan agreement with the Florida Municipal Loan Council in the principal amount of \$3,335,000 with interest rates on the loan ranging from 3.25% to 5.0%. The purpose of the loan was to currently refund \$3,265,000 of outstanding proceeds were funded through a Florida Municipal Loan Council bond issuance (FMLC-Series 2002A). Principal and interest due on the loan constitute a general obligation refunding bond, as defined in Section 132.34, Florida Statutes.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 8. LONG-TERM LIABILITIES (Continued)

#### *Bonds and Note Payable* (Continued)

##### **General Obligation Bonds/Loan** (Continued)

The reacquisition price of the refunding debt exceeded the net carrying value of the old debt by \$90,028. This amount is being netted against the new debt and amortized over the life of the new debt, which is equal to the life of the refunded debt.

As a result of the current refunding, the City reduced its total debt service requirements by approximately, \$233,000, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$192,000.

Principal and interest on the new debt is payable May 1, 2003 through May 1, 2012.

##### **Debt Service Requirements to Maturity**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>FMLC Loan- (Series 2002A) General Obligation</u>			
Fiscal year ended September 30:			
2007	\$ 325,000	\$ 91,738	\$ 416,738
2008	340,000	78,738	418,738
2009	350,000	65,138	415,138
2010	370,000	51,138	421,138
2011	390,000	36,336	426,336
2012	<u>405,000</u>	<u>20,250</u>	<u>425,250</u>
	2,180,000	343,338	2,523,338
Unamortized premium	44,367	-	44,367
Deferred amount on refunding	<u>(50,266)</u>	<u>-</u>	<u>(50,266)</u>
Total	<u>\$2,174,101</u>	<u>\$343,338</u>	<u>\$2,517,439</u>

##### **Pension Obligation Bonds**

On October 31, 2002, the City issued \$14,735,000 in Taxable Special Obligation Refunding Bonds Series 2002 (variable rate demand bonds) for the purpose of advance refunding \$11,755,000 of outstanding Taxable Special Obligation Bonds (Pension Funding Project) Series 1997 with interest rates ranging from 6.6% to 7.35%. After payment of approximately \$422,662 in underwriting fees, insurance, and other issuance costs, the net bond proceeds of approximately \$14,312,338 were used to purchase government securities, which were placed in an irrevocable trust with an escrow agent.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### NOTE 8. LONG-TERM LIABILITIES (Continued)

#### *Bonds and Note Payable* (Continued)

##### **Pension Obligation Bonds** (Continued)

The refunded bonds maturing on or before July 1, 2007 will be paid at maturity and the refunded bonds maturing on or after January 1, 2008, will be called for redemption on July 1, 2007. As a result, the refunded bonds are considered to be defeased and the liability is no longer reflected in the governmental activities column of the Statement of Net Assets. The reacquisition price exceeded the net carrying amount of the old debt by \$2,483,103. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. Simultaneously, the variable rate bonds were converted to a fixed rate through an interest rate swap. As a result of the advance refunding the City incurred an economic loss of approximately \$(2.7 million), which was offset by approximately \$1.9 million in swap proceeds resulting in a net present value loss of approximately \$(800,000). The transaction provided up front monies, extended the final maturity on the debt while maintaining the annual debt service payments under \$1.2 million (the maximum annual debt service on the refunded Series 1997 bonds).

Debt service on these bonds is funded by non-ad valorem revenues budgeted and appropriated by the City on an annual basis. The scheduled payment of principal and interest on the bonds is guaranteed under an insurance policy obtained concurrently with the delivery of the bonds.

Principal and interest on the new debt is payable July 1, 2003 through July 1, 2032.

##### **Interest Rate Swap**

**Objective:** As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance, in October 2002, the City entered into an interest rate swap in connection with its \$14.735 million Series 2002 Taxable Special Obligation Refunding Bond issuance. The intention of the swap was to effectively change the City's variable interest rate on the bonds to a synthetic fixed rate of 6.85%.

**Terms:** Based on the swap agreement, the City pays a synthetic fixed rate of 6.85% to the counterparty to the swap (Bank of America, N.A.) and receives a variable rate payment based on the interest rate applicable to the City's Series 2002 Taxable Special Obligation Bonds during each remarketing period. The bond's variable rate coupons are based on the London Interbank Offering Exchange Rate (LIBOR). Only the net difference in interest payments is actually exchanged with the counterparty on a monthly basis. Additionally, the City received an upfront cash payment of \$1,854,100 from the counterparty to the swap. The bonds and the related swap agreement mature on July 1, 2032 and the swap's notional amount of \$14.735 million matches the \$14.735 million variable rate bonds.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### NOTE 8. LONG-TERM LIABILITIES (Continued)

#### *Bonds and Note Payable* (Continued)

#### **Interest Rate Swap** (Continued)

As of September 30, 2006, rates were as follows:

	<u>Terms</u>	<u>Percentage Rates</u>
Interest rate swap:		
Fixed payment to counterparty	Fixed	6.850
Variable payment from counterparty	LIBOR	<u>(5.317)</u>
Net interest rate swap payments		1.533
Variable-rate bond coupon payments		<u>5.317</u>
Synthetic interest rate on bonds		<u>6.850</u>

**Fair value:** As of September 30, 2006, the swap had a negative fair value of \$(2,677,182). The negative fair value was determined using Mark-to-Market Value and represents mid-market values.

**Credit risk:** As of September 30, 2006, the City was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the City would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty (Bank of America, N.A.) was rated Aa1 by Moody's Investors Service, AA by Standard and Poor's and AA- by Fitch Ratings.

**Termination risk:** The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination event". That is, the swap agreement may be terminated by the counterparty if (i) the Covered Indenture terminates or ceases to be of full force and effect; or (ii) if the City fails to budget and appropriate from Non-Ad Valorem funds amounts sufficient to satisfy any amounts due the counterparty under the agreement in any fiscal year. If the swap is terminated, the variable-rate bonds would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value.

**Market access risk:** In conjunction with the swap, the City purchased a renewable letter of credit. Expected cost savings related to the swap may not be realized if the credit becomes more costly or cannot be obtained after the original letter of credit expires.

**Swap payments and associated debt:** Using rates as of September 30, 2006, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, are as follows: As rates vary, variable-rate bond interest payments and net swap payments will vary.

**CITY OF NORTH MIAMI, FLORIDA**

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

**NOTE 8. LONG-TERM LIABILITIES (Continued)**

*Bonds and Note Payable (Continued)*

**Interest Rate Swap (Continued)**

**Debt Service Requirements to Maturity and Net Swap Payments**

2002 Taxable Special Obligation Refunding Bonds (Pension)

	<u>Variable Rate Bonds</u>		(1)	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Interest Rate Swap, Net</u>	
Fiscal year ended September 30:				
2007	\$ 190,000	\$ 748,767	\$ 255,930	\$ 1,194,697
2008	205,000	738,465	252,514	1,195,979
2009	225,000	727,299	248,546	1,200,845
2010	240,000	715,136	244,423	1,199,559
2011	255,000	702,176	239,989	1,197,165
2012-2016	1,610,000	3,279,924	1,121,075	6,010,999
2017-2021	2,290,000	2,775,341	948,293	6,013,634
2022-2026	3,280,000	2,056,084	702,212	6,038,296
2027-2031	4,680,000	1,026,713	349,992	6,056,705
2032	<u>1,155,000</u>	<u>46,058</u>	<u>15,501</u>	<u>1,216,559</u>
	14,130,000	12,815,963	4,378,475	31,324,438
Deferred amount on refunding	<u>(1,962,095)</u>	<u>-</u>	<u>-</u>	<u>(1,962,095)</u>
<b>Total</b>	<u><b>\$12,167,905</b></u>	<u><b>\$ 12,815,963</b></u>	<u><b>\$ 4,378,475</b></u>	<u><b>\$29,362,343</b></u>

(1) Computed: (6.85% less 5.317%) times notional amount outstanding. Includes liquidity and remarketing fees.

***Other Liabilities***

**Compensated Absences**

Compensated absences represent the portion of the applicable funds total estimated liability for employees' compensation for future absences. The estimated liability includes an accrual for salary related costs (employer's share of social security and Medicare taxes). Adjustments were made for employees earning more than the taxable wage base and for certain other exclusions.

The estimated liability is measured using rates in effect at the balance sheet date; benefits are computed at current salary rates at the time of payment. Upon separation from City service, vacation leave is paid at 100% and sick leave is paid at 50%. The General Fund has primarily been used in prior years to liquidate the liability for compensated absences.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 8. LONG-TERM LIABILITIES (Continued)

#### *Business-type Activities*

The following is a summary of changes in long-term liabilities of the City for business-type activities for the year ended September 30, 2006:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Due Within One <u>Year</u>
<b>Business-type Activities</b>					
Debt payable:					
FMLC loan (stormwater)	\$4,995,000	\$ -	\$(195,000)	\$ 4,800,000	\$ 205,000
Water and Sewer revenue bonds	-	1,200,000	(112,230)	1,087,770	156,821
Capital lease obligations	1,816,921	1,209,146	(286,955)	2,739,112	447,130
Unamortized bond premiums and discount	<u>212,766</u>	<u>-</u>	<u>(13,298)</u>	<u>199,468</u>	<u>-</u>
Total debt payable	7,024,687	2,409,146	(607,483)	8,826,350	808,951
Other liabilities:					
Compensated absences	<u>1,731,958</u>	<u>145,597</u>	<u>(174,753)</u>	<u>1,702,802</u>	<u>47,200</u>
Business-type activities long-term liabilities	<u>\$8,756,645</u>	<u>\$ 2,554,743</u>	<u>\$(782,236)</u>	<u>\$10,529,152</u>	<u>\$ 856,151</u>
<b><i>Loan Payable</i></b>					

#### **Stormwater Utility Loan**

On November 15, 2001, the City entered into a loan agreement with the Florida Municipal Loan Council in the principal amount of \$5,545,000 with interest rates on the loan ranging from 3.25% to 5.25%. The purpose of the loan is to finance the cost of certain stormwater capital improvement projects. The loan proceeds were funded through a Florida Municipal Loan Council bond issuance (FMLC-Series 2001A).

The FMLC-Series 2001A bonds were issued at a premium (104.796%) and after payment of approximately \$105,744 in underwriting fees, insurance and other issuance costs, the net loan proceeds of approximately \$5,705,214 were deposited into the Stormwater Utility Fund and are being drawn down as the project progresses. This debt is subject to arbitrage. The arbitrage rebate requirement requires issuers of tax-exempt debt to rebate to the U.S. Treasury investment income arising from proceeds of tax-exempt debt to the extent that such income results from investment yield in excess of the bond yield. As a result of continued low interest rates, at September 30, 2006, the City did not have an arbitrage liability.

#### ***Debt Service Requirements to Maturity***

Principal and interest on the new debt is payable May 1, 2002 through November 1, 2021.

**CITY OF NORTH MIAMI, FLORIDA**

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

**NOTE 8. LONG-TERM LIABILITIES (Continued)**

***Debt Service Requirements to Maturity (Continued)***

The Stormwater Utility FMLC Loan-Series 2001A consist of the following at September 30, 2006:

<u>Final Maturity Date</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>	
FMLC Loan-Series 2001A, 11/1/2021	3.25%-5.25%	\$ 4,800,000	
Less current portion		(205,000)	
Unamortized Premium		<u>199,468</u>	
Long-term portion		<u>\$ 4,794,468</u>	
<u>FMLC Loan - 2001A</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ended September 30:			
2007	\$ 205,000	\$ 235,138	\$ 440,138
2008	210,000	225,800	435,800
2009	220,000	215,575	435,575
2010	235,000	204,200	439,200
2011	245,000	192,200	437,200
2012-2016	1,425,000	756,450	2,181,450
2017-2021	1,835,000	335,644	2,170,644
2022	<u>425,000</u>	<u>10,094</u>	<u>435,094</u>
	4,800,000	2,175,101	6,975,101
Unamortized premium	<u>199,468</u>	<u>-</u>	<u>199,468</u>
Total	<u>\$ 4,999,468</u>	<u>\$ 2,175,101</u>	<u>\$ 7,174,569</u>

***Bonds Payable***

**Water and Sewer Revenue Bonds, Series 2005**

In November 2005, the City issued Water and Sewer Revenue Bonds, Series 2005, in the principal amount of \$1,200,000 for the purpose of financing improvements to the City's water and sewer system, financing architectural, engineering, environmental, legal and other planning costs related thereto, and paying costs of issuance of the Bonds. The Bonds bear interest on the outstanding principal balance at an interest rate equal to 4.05% per annum. The Bonds are for a 7-year term and mature December 1, 2012.

***Debt Service Requirements to Maturity***

Principal and interest on the new debt is payable March 1, 2006 through December 1, 2012.

**CITY OF NORTH MIAMI, FLORIDA**

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

**NOTE 8. LONG-TERM LIABILITIES (Continued)**

*Debt Service Requirements to Maturity (Continued)*

The Water and Sewer Revenue Bonds-Series 2005 consist of the following at September 30, 2006:

<u>Water and Sewer Bond - Series 2005</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ended September 30:			
2007	\$ 156,821	\$ 41,674	\$ 198,495
2008	162,479	35,257	197,736
2009	169,160	28,575	197,735
2010	176,116	21,620	197,736
2011	183,358	14,378	197,736
2012-2013	<u>239,836</u>	<u>7,334</u>	<u>247,170</u>
Total	<u>\$1,087,770</u>	<u>\$148,838</u>	<u>\$ 1,236,608</u>

*Capital Leases*

The City has entered into lease purchase agreements as lessee for financing the acquisition of vehicles and or equipment in the General Fund, Water and Sewer Fund, Solid Waste Services, and Stormwater Utility Fund. These lease agreements qualify as capital leases for accounting purposes and have been recorded at the present value of the future minimum lease payments as of the inception date.

The fair value of assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Assets:		
Machinery and equipment	\$ 118,658	\$ 2,587,851
Cash received under master lease agreement for purchase of leased assets	<u>440,854</u>	<u>505,985</u>
	<u>\$ 559,512</u>	<u>\$ 3,093,836</u>

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 8. LONG-TERM LIABILITIES (Continued)

#### *Capital Leases* (Continued)

Future minimum lease payments and the present value of net minimum lease payments as of September 30, 2006 are as follows:

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>
Fiscal year ending September 30:		
2007	\$ 80,931	\$ 485,901
2008	80,931	485,901
2009	80,931	485,901
2010	80,932	485,901
2011	67,758	485,901
2012-2016	272,928	706,604
Total minimum lease payments	664,411	3,136,109
Less amount representing interest	(115,680)	(396,997)
Present value of net minimum lease payments	\$ 548,731	\$ 2,739,112

### NOTE 9. SELF-INSURANCE

The City maintains a self-insurance program accounted for in the internal service funds. The General Risk Management Fund was established by City Ordinance to account for insurance activities relating to workers' compensation and general liability risks. Charges to departments are based upon amounts determined by management to be necessary to meet the required annual payouts during the fiscal year and to maintain adequate fund reserves. The funding level and estimated claims liability for workers' compensation and general liability for fiscal year 2006 is based on recommended funding requirements for fiscal year 2006 as determined by a self-insurance actuarial review as of September 30, 2005 performed by outside consultants.

The City is exposed to various risks of loss for workers' compensation and general liability. The other exposures include theft, and errors and omissions, for which the City carries commercial insurance.

As of September 30, 2006, the City's risk retention for certain types of risk is as follows:

	<u>Retention/Deductible</u>	<u>Coverage after</u> <u>Retention/Deductible</u>
Self-Insured:		
Workers' Compensation	Self –insured retention of \$350,000	Excess worker's compensation Part I – Statutory Part II-\$1,000,000 (employers liability)

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### NOTE 9. SELF-INSURANCE (Continued)

	<u>Retention/Deductible</u>	<u>Coverage after Retention/Deductible</u>
General liability (includes automobile)	Fully self-insured	F.S. 768.28 (\$100,000/individual, \$200,000/occurrence)
Commercial Insurance:		
Property:		
Property, multi-peril	\$5,000	\$29,120,098
Boiler and machinery	\$1,000	\$50,000,000
Flood	Buildings: \$500 to \$1,000 Contents: \$0 to \$1,000 varies according to facility	Buildings: \$25,000 to \$500,000 Contents: \$ 0 to \$ 200,000 varies according to facility
Other:		
Police professional liability	\$25,000/claim No annual aggregate	\$2,000,000 each wrongful act and aggregate
Public officials' liability	\$50,000 EPLI/wrongful acts	\$1,000,000/loss and aggregate.

The General Risk Management Internal Service Fund consists of the following:

#### **Workers' Compensation**

All workers' compensation costs are paid from the self-insurance fund, with all operating funds of the City assessed a charge based upon the requirements of the self-insurance fund and their relative share of the total risk. As claims are reported they are investigated by claims personnel, and an estimate of liability on a case-by-case basis is established. The estimated liabilities are periodically reviewed and revised as claims develop.

#### **General Liability**

Departments of the City are assessed for general and automobile liability coverage based upon the requirements of the self-insurance fund and their relative share of the total risk. The City has continued to purchase certain casualty insurance for which the premium is small in relation to the coverage provided. As the casualty claims are reported, they are investigated by the claims personnel and an estimate of liability on a case-by-case basis is established.

#### **Estimated Claims Liability**

The estimated claims liability of \$4,027,544 in the General Risk Management Fund includes estimates for claims incurred but not reported (IBNR) and allocated loss adjustment expenses (ALAE). The estimates are based on the requirement that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 9. SELF-INSURANCE (Continued)

#### Estimated Claims Liability (Continued)

Changes in the estimated claims liability are as follows:

			<u>2006</u>	<u>2005</u>
	<u>Workers'</u>	<u>General</u>	<u>General</u>	
	<u>Compensation</u>	<u>Liability</u>	<u>Risk</u>	<u>General</u>
			<u>Total</u>	<u>Risk</u>
Estimated claims liability at beginning of year	\$ 2,041,113	\$ 1,324,201	\$ 3,365,314	\$ 3,015,034
Current year claims and changes in estimates (including IBNR)	602,895	696,321	1,299,216	990,612
Claim payments	<u>(536,486)</u>	<u>(100,500)</u>	<u>(636,986)</u>	<u>(640,332)</u>
Estimated claims liability at end of year	<u>\$ 2,107,522</u>	<u>\$ 1,920,022</u>	<u>\$ 4,027,544</u>	<u>\$ 3,365,314</u>

Beginning in 2005, the City obtained specific excess Workers' Compensation insurance to secure statutory worker's compensation coverage in excess of the self-insured retention. In 2006, there were no significant reductions in insurance coverage from the prior year. During the past three years, there have been no settlements that exceeded insurance coverage.

### NOTE 10. EMPLOYEE RETIREMENT PLANS

#### I. Pension Plans Administered by the City of North Miami

##### a. Plan Descriptions

The City's Public Employee Retirement Systems (PERS) administers two single-employer defined benefit pension plans established to provide pension, disability and death benefits for its employees and beneficiaries: Clair T. Singerman Employees' Retirement System (CTS Plan) and the North Miami Police Pension Plan (748 Plan). The CTS Plan was established by Ordinance 691 effective January 1, 1968. On January 1, 1977, the City froze future participation in the CTS Plan and established the 748 Plan by Ordinance 748 for all employees hired after that date and for all employees under the CTS Plan who elected to join the new plan. The Plans cover substantially all City employees under the administration of separate Boards of Trustees.

On April 3, 1994, the City transferred all general employees which were in the 748 Plan to the CTS Plan, thereby limiting 748 Plan participation to sworn police personnel hired after January 1, 1977. The CTS Plan covers police officers hired before January 1, 1977 and all general employees and former North Miami firefighters.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### NOTE 10. EMPLOYEE RETIREMENT PLANS (Continued)

#### I. Pension Plans Administered by the City of North Miami (Continued)

##### a. Plan Descriptions (Continued)

Each of the Plans issue a publicly available report that includes financial statements and required supplementary information for the Plan. These reports may be obtained by writing to: North Miami Employees' Retirement Systems, 776 N.E. 125th Street, North Miami, Florida 33161.

##### Contributions and Funding Policy

###### North Miami Police Pension Plan (748)

Employees contribute 6.85% of their base salaries or wages. Interest is credited annually on employees' accumulated contributions at a rate of interest determined at the discretion of the Board of Trustees. The interest rate was 3% for 2006 and 2005. Employer contributions for fiscal year ended September 30, 2006 were 23.49% of covered payroll.

###### CTS Plan

Employees contribute 7% of their compensation. Interest is credited annually on employees' accumulated contributions through the prior year-end. The interest rate, determined by the Board of Trustees, was 3% in 2006 and 2005. Employer contributions for fiscal year ended September 30, 2006 were 27.95% of covered payroll.

Both Plans' funding policies provide for actuarially determined periodic employer contributions sufficient to pay the benefits provided by the Plan when they become due.

##### b. Summary of Significant Accounting Policies

###### *Basis of Accounting*

The financial statements of the Plans are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plans. Interest and dividends are recorded as earned.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### NOTE 10. EMPLOYEE RETIREMENT PLANS (Continued)

#### I. Pension Plans Administered by the City of North Miami (Continued)

##### b. Summary of Significant Accounting Policies (Continued)

###### *Method Used to Value Investments*

Investments are reported at fair value. Short-term investments are reported at amortized cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair value. Net appreciation in fair value of investments includes realized and unrealized gains and losses. Realized gains and losses are determined on the basis of specific cost. Purchases and sales of securities are recorded on the trade-date. Dividends are recorded on the ex-dividend date.

Within certain limitations as specified in the Plans, the investment policy is determined by the Board of Trustees and is implemented by the Plan's investment managers. The investment managers are monitored by a financial consultant.

###### *Annual Pension Cost and Net Pension Asset*

The City's annual pension cost and net pension asset of the CTS Plan for the current year is as follows:

Annual required contribution	\$4,439,848
Interest on net pension asset	(647,775)
Adjustment to annual required contribution	<u>1,064,536</u>
Annual pension cost	4,856,609
Contributions made	<u>4,439,848</u>
Decrease in net pension asset	(416,761)
Net pension asset, beginning of year	<u>7,620,884</u>
Net pension asset, end of year	<u><u>\$7,204,123</u></u>

The annual required contribution for the current year was determined as part of the October 1, 2004 actuarial valuation (using the October 1, 2005 covered payroll) and the entry age actuarial cost method for the firefighters and the aggregate actuarial cost method for the general employees and police. The aggregate actuarial cost method does not identify and separately amortize unfunded actuarial liabilities. The actuarial assumptions included (a) 9% investment rate of return up to retirement; 7% thereafter, and (b) projected salary increases of 6% per year. Both (a) and (b) included an inflation component of 4%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized using the level dollar closed basis. The remaining amortization period was 2 years.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### NOTE 10. EMPLOYEE RETIREMENT PLANS (Continued)

#### I. Pension Plans Administered by the City of North Miami (Continued)

##### b. Summary of Significant Accounting Policies (Continued)

##### *Annual Pension Cost and Net Pension Asset (Continued)*

Clair T. Singerman Employees Retirement System			
<u>Three-Year Trend Information (Dollar Amounts in Thousands)</u>			
<u>Fiscal Year Ending</u>	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
September 30, 2004	\$ 2,974	86.0%	\$8,016
September 30, 2005	3,911	89.9%	7,621
September 30, 2006	4,857	91.4%	7,204

The City's annual pension cost and net pension asset of the North Miami Police Pension Plan (748 Plan) for the current year is as follows:

Annual required contribution	\$ 1,679,308
Interest on net pension asset	(36,489)
Adjustment to annual required contribution	<u>64,400</u>
Annual pension cost	1,707,219
Contributions made	<u>1,717,753</u>
Increase in net pension asset	10,534
Net pension asset, beginning of year	<u>429,277</u>
Net pension asset, end of year	<u><u>\$ 439,811</u></u>

The annual required contribution for the current year was determined as part of the October 1, 2004 actuarial valuation (using the October 1, 2005 covered payroll). The actuarial assumptions included (a) 9% investment rate of return up to retirement; 7% thereafter, and (b) projected salary increases of 4% to 9.4% per year depending on service. Both (a) and (b) include an inflation component of 4%. The actuarial value of assets was determined using the 5-year smoothed market method. The Plan uses the aggregate actuarial cost method, which does not identify and separately amortize unfunded actuarial liabilities.

North Miami Police Pension Plan (748 Plan)			
<u>Three-Year Trend Information (Dollar Amounts in Thousands)</u>			
<u>Fiscal Year Ending</u>	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
September 30, 2004	\$ 979	96.6%	\$ 458
September 30, 2005	1,299	97.8%	429
September 30, 2006	1,707	100.6%	440

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### NOTE 10. EMPLOYEE RETIREMENT PLANS (Continued)

#### II. Pension Plan administered by the State of Florida

##### a. Plan Description

Effective January 2002, the City began participating in the Florida Retirement System (FRS) (Elected Officers' Class), a cost-sharing multiple employer defined benefit pension plan. Benefit provisions are established under Chapter 121, Florida Statutes, which may be amended by the Florida legislature. This Plan provides retirement, disability, and death benefits to elected officials of the City of North Miami and their beneficiaries. The FRS is administered by the State of Florida. Benefits vest after six years of credited service and are computed on the basis of service credit, average final compensation, and the percentage value earned for each year of service credit. The percentage value for service in the Elected Officers' Class is 3% per year of service. FRS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. Copies of the report may be obtained by writing to the Division of Retirement, 2639-C North Monroe Street, Tallahassee, Florida 32399-1560.

##### *Contributions and Funding Policy*

The FRS funding policy provides for monthly employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll are adequate to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates, established by state law, are determined using the entry-age actuarial cost method. If an unfunded actuarial liability reemerges as a result of future plan benefit changes, assumption changes, or methodology changes, it is assumed any unfunded actuarial liability would be amortized over 30 years, using level dollar amounts. Except for gains reserved for rate stabilization, it is anticipated future actuarial gains and losses are amortized on a rolling 10% basis, as a level dollar amount.

The contribution rate effective July 2006 was 16.53% of covered payroll. The City's contribution to the State of Florida Retirement System (Elected Officers' Class) for the fiscal year ending September 30, 2006 was \$2,604 and was equal to the required contribution for the year. The Plan is non-contributory on the part of the members.

### NOTE 11. DEFINED CONTRIBUTION PLANS

The City of North Miami Police Officers' Retirement Pension Fund Share Plan (Ord. 592.1.1) (the Plan) was established to provide retirement benefits for police officers of the City of North Miami. These benefits are funded from the State of Florida insurance premium tax monies and are in addition to benefits provided by the City of North Miami's retirement system. A separate Board of Trustees is responsible for the administration of this Plan. In accordance with GASB Statement No. 24, the City recognized revenues and expenditures in the amount of \$238,414 as on behalf payments for contributions of these premiums into the Plan.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### **NOTE 11. DEFINED CONTRIBUTION PLANS (Continued)**

The Plan issues a publicly available report that includes financial statements and required supplementary information. This report may be obtained by writing to: City of North Miami Police Department, 700 N.E. 124th Street, North Miami, Florida 33161.

The City administers the City of North Miami Department Managers' Pension Plan, an IRS Section 401(a) defined contribution pension plan for department managers. This Plan is funded through employer contributions consisting of 10% of a participant's compensation. This Plan can only be amended by the City Council. During fiscal year 2006, the City contributed approximately \$163,205 into this Plan, which is administered through a third party administrator.

### **NOTE 12. CONTINGENCIES**

#### **a. Environmental Matters (Biscayne Landing, f/k/a Munisport/Interama)**

##### **(i) Historical Background**

In 1970, the City acquired 350 acres of land (n/k/a Biscayne Landing), for approximately \$11,800,000, from the proceeds of \$12,000,000 General Obligation Bonds, issued to provide financial assistance to the Inter-American Center Authority (Interama), an agency established by the State of Florida to develop an international cultural and trade center for the Americas. The project never materialized. Interama never repaid the City for the bond proceeds.

The City subsequently entered into a 30-year lease agreement with a company formed to develop a recreation project on the Interama land. The company subsequently operated a portion of the property as a dumpsite, and the property became the subject of controversy arising principally from site related environmental issues involving the City, the company, various governmental agencies and others, which controversy has restricted its use and development. Accordingly, the recreation project was never completed and the company abandoned the premises.

In 1981, the Florida Department of Environmental Regulation (n/k/a FDEP) filed a suit against the City to close the portion of the land, which was operated as a dumpsite (landfill). The landfill has not operated since 1980 and the City, State and DERM have worked together to produce a closure plan, pursuant to a Consent Agreement.

On February 10, 1998, the City voluntarily executed a Consent Agreement with the Miami-Dade County Department of Environmental Resources Management (DERM) to carry out groundwater remedial measures required by Florida law and County ordinance.

##### **(ii) Recent Studies and Developments**

In December 2002, the City entered into a Development Agreement for the site. Although the developer has assumed responsibility for the cleanup, the City is ultimately liable for remediation and closure of the site. A Remediation and Landfill Closure Cost Projection

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### NOTE 12. CONTINGENCIES (Continued)

#### a. Environmental Matters (Biscayne Landing, f/k/a Munisport/Interama) (Continued)

##### (ii) Recent Studies and Developments (Continued)

completed in 2003, estimates the cost of remediation and closure at a range of between \$31 million to \$43 million. This liability is funded through a grant from Miami-Dade County to the City in the amount of \$31 million for remediation and closure. These grant funds were received in December 2004, and placed in escrow to be used for funding the costs of the environmental cleanup.

During 2006, the City incurred approximately \$1.8 million in site closure costs, which are reflected in the Landfill Closure Fund. Accordingly, in 2006, the City has reflected in the financial statements an estimated liability of \$23.7 million.

In addition to the remediation and closure of the site, it is estimated that long-term closure care costs will be between \$200,000 and \$540,000/year over 30 years, for a projected total cost of \$6-\$16.2 million. The condominium homeowners' associations for the development will be responsible for financing the long-term care costs via special assessments on the units. Since there is only a remote possibility that the City will incur any costs associated with the long-term care, disclosure of these costs is being made in the notes and has not been reflected in the financial statements.

##### (iii) Overall Outlook

The agreement provides for development of the site with the City receiving income from sales of units and from an annual ground lease (see Note 15). It is the City's opinion that any ultimate loss to the City concerning the environmental matters pertaining to the former Munisport site will be offset by the future use of the land.

#### b. Other

The City is a defendant in several additional lawsuits as of September 30, 2006, incidental to its operations, the outcomes of which are uncertain at this time. However, in the opinion of management and legal counsel, the ultimate outcome of such actions will not have a material adverse effect on the financial condition of the City.

#### c. Contingent Liabilities

Federal and State programs in which the City participates were audited in accordance with the provisions of the Federal Single Audit Act, the U.S. Office of Management and Budget Circular A-133, the Florida Single Audit Act and the Rules of the Auditor General, Chapter 10.550. Pursuant to those provisions, financial assistance programs were tested for compliance with applicable grant requirements. Grantor agencies may subject grant programs to additional compliance tests, which could result in disallowed expenditures. In the opinion of management, future disallowances, if any, of grant program expenditures would be immaterial.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 13. OTHER POST EMPLOYMENT BENEFITS

In addition to pension benefits described in Notes 10 and 11, the City offers post retirement health care and group term life insurance benefits to all retirees who elect to pay the associated premiums and receive the benefits. Retirees can insure eligible dependents. The premium cost is paid entirely by the retirees and is at the same group rate as that charged to City employees. In fiscal year 2006, there were approximately 37 health and dental retiree members and approximately 103 life insurance members.

In accordance with the October 1, 1994 Police Bargaining Agreement between the City of North Miami and the Dade County Police Benevolent Association, the City pays the full cost of health insurance premiums for children and minor dependents of officers killed in the line of duty, provided they were covered by the City's health insurance plan at the time of the officer's death. The coverage continues until such children/minor dependents attain the age of 18 or the age of 25 for full-time students. Currently, 3 children/minor dependents meet those eligibility requirements.

In fiscal year 1997, the City offered a one-time Retirement Incentive to employees who had at least twenty years of City service and who were at least 50 years of age. The incentive was City paid group health premiums until age 65. Nine employees took advantage of this incentive. The annual budget includes premiums for this group of employees and for children/minor dependents of officers killed in the line of duty. Fiscal year 2006 expenditures for these benefits totaled \$105,695 and \$16,954, respectively.

Since October 1, 1997, the City provides paid group health insurance premiums until age 65, for elected officials of the City who have served a minimum of two complete terms of office and their tenure as an elected official commenced after May 1, 1991.

In addition, since October 2000, the City provides paid group health insurance premiums for any former member of the Administrative Staff who has completed ten years or more of satisfactory service to the City as a member of the Administrative Staff or has completed 20 years or more of satisfactory service with the City.

### NOTE 14. NON-COMMITMENT DEBT

#### *Health Care Facilities Revenue Bonds*

In November 1998, the City issued \$25,040,000 in Health Care Facilities Revenue Bonds to provide funds to the Affordable Community Housing Trust, a non-profit public benefit corporation for the purpose of currently refunding the \$20,515,000 principal amount outstanding of City of North Miami Health Care Facilities Revenue Bonds (the Imperial Club Project), Series 1992 and to provide financing for the cost of certain additional capital improvements to the health care facility. The Imperial Club is an independent elderly living facility located within the geographic boundaries of the County. The City has recorded a receivable of \$256,358 for the annual administrative fees.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### NOTE 14. NON-COMMITMENT DEBT (Continued)

#### *Educational Facilities Revenue Bonds*

In November 1999, the City issued \$6,000,000 in Educational Facilities Revenue Bonds to provide financial assistance to Miami Country Day School, Inc., a not-for-profit corporation, for the cost of construction improvements, additions, and renovations to an educational facility, known as Miami Country Day School. In 2006, the City received an annual administrative fee of \$4,800.

In March 2003, the City issued \$24,485,000 in Educational Facilities Revenue Refunding Bonds (Johnson & Wales University Project) Series 2003A, to refund and defease \$23,640,000 in outstanding City of North Miami Educational Facilities Revenue Bonds-Series 1994A and to pay certain other expenses incurred in connection with the issuance of the 2003A Bonds and the refunding and defeasance of the 1994A Bonds. Johnson & Wales University owns and operates a campus located within the geographic limits of the City of North Miami. In 2006, the City received an annual administrative fee in the amount of \$22,660.

#### *Debt Outstanding*

The City acts solely as a lawful conduit in the issuance of the bonds described above and is not liable in any manner. The amount of debt outstanding as of September 30, 2006 was \$24,275,000, \$4,500,000 and \$22,100,000 respectively.

### NOTE 15. BISCAYNE LANDING LEASE

In December 2002, a Development Agreement was executed for the former Munisport site (Biscayne Landing). The agreement contemplates development of the site with the City receiving income from the sale of units, and from an annual ground lease. The Ground Lease, executed in October 2004, calls for a 100-year lease of the site to the developer (Biscayne Landing, LLC), with a 100-year renewal. The Lease provides for annual lease income directly to the City consisting of \$750.00 per unit per year in basic rents once a building permit is issued, increasing to \$1,500 per unit per year, upon issuance of a certificate of occupancy, and continuing for the length of the lease. In addition, the City receives a processing fee of \$1,500 per unit from the first-time sale of individual leasehold condominium units to individual purchasers. Additional rents include 4% from the net sales revenue of the units and bifurcated lease payments of \$100,000 for each bifurcated lease. The development program for Biscayne Landing anticipates building approximately 5,999 housing units over a 10-year period and 434,297 sq ft. of retail/office space. The City will receive rent for the commercial space based on 50% of net profits.

In addition to improvements on the Biscayne Landing site, the Munisport Development Agreement provides for off-site improvements in other areas of the City. Off-site improvements include a commitment of \$10 million dollars for the construction of an Olympic training facility, a commitment of \$10 million dollars for a new City library, and additional affordable housing units constructed within the City.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### **NOTE 15. BISCAYNE LANDING LEASE (Continued)**

Groundbreaking on the Biscayne Landing Project occurred in June 2005. The first two towers were issued building permits in November 2005 for 373 units. Pursuant to the Development Agreement, and prior to the Ground lease, the City received payments of \$1,352,000.

In FY06, the City received basic rents and bifurcated lease payments of \$422,826.

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**REQUIRED SUPPLEMENTARY INFORMATION**  
**(Other Than MD&A)**

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# CITY OF NORTH MIAMI, FLORIDA

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>Budgeted Amounts</u>		<u>Budgetary Basis Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Property taxes	\$ 17,650,536	\$ 17,650,536	\$ 17,019,195	\$ (631,341)
Sales and use taxes	908,407	908,407	896,150	(12,257)
Franchise fees	2,744,000	2,744,000	3,773,867	1,029,867
Utility service taxes	2,401,450	2,401,450	2,545,881	144,431
Communication service tax	1,750,000	1,750,000	2,113,436	363,436
	<u>25,454,393</u>	<u>25,454,393</u>	<u>26,348,529</u>	<u>894,136</u>
Licenses and permits:				
Business licenses and permits	516,700	516,700	513,810	(2,890)
Construction permits	1,056,000	1,056,000	2,288,936	1,232,936
	<u>1,572,700</u>	<u>1,572,700</u>	<u>2,802,746</u>	<u>1,230,046</u>
Intergovernmental:				
State revenue sharing	1,830,977	1,830,977	2,148,690	317,713
Grants	1,662,685	2,269,599	1,713,728	(555,871)
Other state and local revenues	3,795,220	3,795,220	4,107,537	312,317
	<u>7,288,882</u>	<u>7,895,796</u>	<u>7,969,955</u>	<u>74,159</u>
Charges for services:				
Public safety	10,500	261,277	265,856	4,579
Culture/recreation	375,989	375,989	410,586	34,597
Internal charges	5,612,368	5,612,368	5,603,308	(9,060)
Other	219,350	219,350	263,092	43,742
	<u>6,218,207</u>	<u>6,468,984</u>	<u>6,542,842</u>	<u>73,858</u>
Fines and forfeitures	<u>278,700</u>	<u>278,700</u>	<u>335,417</u>	<u>56,717</u>
Other:				
Interest	120,000	120,000	455,188	335,188
Other	1,174,807	1,479,395	985,132	(494,263)
	<u>1,294,807</u>	<u>1,599,395</u>	<u>1,440,320</u>	<u>(159,075)</u>
Total revenues	<u>\$42,107,689</u>	<u>\$43,269,968</u>	<u>\$45,439,809</u>	<u>\$2,169,841</u>

(Continued)

See notes to budgetary comparison schedule.

# CITY OF NORTH MIAMI, FLORIDA

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND (Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>Budgeted Amounts (1)</u>		Budgetary Basis Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Expenditures:				
Current:				
General Government:				
Mayor and council	\$ 278,400	\$ 296,803	\$ 296,803	\$ -
City manager	1,400,909	1,210,083	1,210,083	-
City clerk	279,380	279,380	261,907	17,473
Finance	1,922,966	1,922,966	1,768,138	154,828
Budget	-	217,679	217,679	-
Legal	714,287	981,827	981,827	-
Personnel	654,392	636,292	539,500	96,792
Administrative services	1,195,469	1,135,608	1,014,031	121,577
Non-departmental:				
Intragovernment charges for insurance	1,321,602	1,321,602	1,321,602	-
Employee benefits	9,266,961	9,587,006	8,581,187	1,005,819
Other	994,338	707,478	1,634,526	(927,048)
Total general government	18,028,704	18,296,724	17,827,283	469,441
Public works	2,771,495	2,999,258	2,765,819	233,439
Public safety	13,780,328	14,008,515	13,630,528	377,987
Parks and recreation	5,584,351	5,739,835	5,525,245	214,590
Library	1,147,572	1,144,311	1,033,049	111,262
Museum	533,938	535,792	535,792	-
Community planning and development	1,920,867	2,069,066	2,069,066	-
Grant/aids	287,248	285,748	263,134	22,614
Capital outlay	2,638,274	3,216,661	1,035,058	2,181,603
Total expenditures	46,692,777	48,295,910	44,684,974	3,610,936
Excess (deficiency) of revenues over expenditures	(4,585,088)	(5,025,942)	754,835	5,780,777
Other financing sources (uses):				
Transfers in	487,160	487,160	505,685	18,525
Transfers out	(1,059,595)	(1,059,595)	(1,059,387)	208
Lease proceeds	889,273	1,330,127	559,512	(770,615)
Total other financing sources	316,838	757,692	5,810	(751,882)
Net change in fund balance	\$(4,268,250)	\$(4,268,250)	\$ 760,645	\$5,028,895
Appropriated beginning fund balance	\$ 4,918,328	\$ 4,918,328		

(1) \$650,078 budgeted as reserve for employee benefits

See notes to budgetary comparison schedule.

# CITY OF NORTH MIAMI, FLORIDA

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE LANDFILL CLOSURE

FISCAL YEAR ENDED SEPTEMBER 30, 2006

	(1) Budgeted Amounts		Budgetary Basis Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>(Negative)</u>
<b>Revenues:</b>				
Other (including interest)	\$ 1,158,400	\$ 1,158,400	\$ 1,624,573	\$ 466,173
Total revenues	<u>1,158,400</u>	<u>1,158,400</u>	<u>1,624,573</u>	<u>466,173</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Physical environment	8,650,000	8,639,292	1,841,182	6,798,110
Capital outlay	-	-	-	-
<b>Debt service:</b>				
Principal retirement	845,000	849,774	849,773	1
Interest and fiscal charges	<u>15,000</u>	<u>20,934</u>	<u>20,933</u>	<u>1</u>
Total expenditures	<u>9,510,000</u>	<u>9,510,000</u>	<u>2,711,888</u>	<u>6,798,112</u>
Net change in fund balance	<u>\$ (8,351,600)</u>	<u>\$ (8,351,600)</u>	<u>\$ (1,087,315)</u>	<u>\$ 7,264,285</u>
Appropriated beginning fund balance	<u>\$ 21,323,381</u>	<u>\$ 21,323,381</u>		

(1) \$12,971,781 budgeted as reserve for landfill closure and remediation.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BUDGETARY COMPARISON SCHEDULE

FISCAL YEAR ENDED SEPTEMBER 30, 2006

### NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States, except for encumbrances in the General Fund, Landfill Closure Fund and for all other governmental funds (nonmajor funds). Additionally, interfund loans between funds are budgeted as operating transfers.

- (1) 35 days prior to fiscal year end, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1st. The operating budget is restricted to proposed expenditures and the means of financing them by means of appropriated revenues, other financing sources and appropriations of fund balances. Budgetary control over expenditures, including capital outlay and operating transfers in the General Fund is legally maintained at the departmental level.
- (2) Two public hearings are conducted to obtain taxpayer comments as required by Truth in Millage (TRIM) legislation.
- (3) Prior to September 28th (unless preempted by TRIM) as stated in the City's Charter, the budget is legally enacted through passage of an ordinance.
- (4) The City Manager may at any time transfer any unencumbered appropriated balance or portion thereof between general classifications of expenditures within an office, department or agency. The Council may by resolution transfer any unencumbered appropriated balance or portion thereof, from one office, department or agency to another.
- (5) Budgeted amounts are as originally adopted or as amended. There was \$1,603,133 of supplemental appropriations in the General Fund during the year ended September 30, 2006.
- (6) Unencumbered appropriations lapse at year end.

### NOTE 2. RECONCILIATION OF BUDGETED AND ACTUAL RESULTS

The following adjustments were necessary to present the actual data on a budgetary basis at September 30, 2006:

	General Fund	Landfill Closure Fund
Net change in fund balance - GAAP	\$ 1,905,865	\$ (1,087,315)
September 30, 2005 encumbrances budgeted as 2005 expenditures	394,695	-
September 30, 2006 encumbrances budgeted as 2006 expenditures	<u>(1,539,915)</u>	-
Net change in fund balance - budgetary basis	<u>\$ 760,645</u>	<u>\$ (1,087,315)</u>

**CITY OF NORTH MIAMI, FLORIDA**  
**CLAIR T. SINGERMAN EMPLOYEES' RETIREMENT SYSTEM**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (1) (b-a)	Funded Ratio (a÷b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)÷c)
October 1, 1999	\$58,875,802	\$ 56,780,548	\$ (2,095,254)	103.7%	\$ 14,139,623	(14.8)%
October 1, 2001	62,110,336	59,943,465	(2,166,871)	103.6%	14,453,082	(15.0)%
October 1, 2002	55,291,559	62,380,560	7,089,001	88.6%	15,421,323	46.0%
October 1, 2003	53,926,828	64,432,281	10,505,453	83.7%	15,530,805	67.6%
October 1, 2004	54,227,261	67,485,625	13,258,364	80.4%	15,886,989	83.5%
October 1, 2005	60,623,796	75,784,482	15,160,686	80.0%	15,952,834	95.0%

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**COMBINING FUND  
STATEMENTS AND SCHEDULES**

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# NONMAJOR GOVERNMENTAL FUNDS

## SPECIAL REVENUE FUNDS

**SPECIAL REVENUE FUNDS** are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

**COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) ENTITLEMENT** – This fund is used to account for expenditures of federal funds to provide decent housing, a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income.

**CRA FUNDED PROJECTS FUND**-This fund is used as a pass-thru for the tax-incremental property tax monies that are transferred to the CRA component unit and to account for monies received from the CRA component unit as reimbursements for City projects in the CRA area.

**CRA COMPONENT UNIT**-This fund represents the CRA component unit's General Fund.

**BISCAYNE BOULEVARD IMPROVEMENT** – This fund is used to account for miscellaneous revenues from code violations, impact fees and miscellaneous billings that are restricted to expenditures for specific current operating purposes. This fund was closed in fiscal year 2006 and remaining funds transferred to the General Fund.

**POLICE TRAINING** – This fund is used to account for expenditures of state police training funds on behalf of the City of North Miami police officer training.

**LOCAL HOUSING ASSISTANCE (SHIP)** – This fund is used to account for state funds provided for the creation of local housing partnerships, to expand production of and preserve affordable housing, to further the housing element of the local government comprehensive plan specific to affordable housing and to increase housing-related employment.

**HOME INVESTMENT PARTNERSHIP**– This fund was created to account for expenditures of federal funds to expand safe, decent, and affordable housing opportunities to low and very-low income households.

**HALF-CENT TRANSPORTATION SURTAX** – This fund is used to account for the City's prorated share of the Charter County Transit System Surtax proceeds. The monies received can be used toward projects and programs such as public transportation operations and maintenance, roadway and right-of-way maintenance and equipment, street lighting, and transit system enhancements.

**DOWNTOWN INCENTIVES** – This fund was created to provide grants for capital expenditures for eligible businesses and to assist new eligible businesses with rental agreement commitments.

**LAW ENFORCEMENT** – This fund is used to account for confiscated monies awarded to the City under State Statutes to be used for law enforcement related expenditures.

**FEDERAL FORFEITURE** – This fund is used to account for confiscated monies that involve the City's Police department and federal agencies.

**LAW ENFORCEMENT BLOCK GRANT** – This fund is used to account for the City's entitlement under the local law enforcement block grant program.

**JUSTICE ASSISTANCE GRANT (JAG)** -This fund is used to account for the City's allocation under the Edward Byrne Memorial Justice Assistance Grant.

## **DEBT SERVICE FUNDS**

The **DEBT SERVICE FUNDS** are used to account for the accumulation of resources and payment of general obligation loan principal and interest from governmental resources and special obligation bond principal and interest when the government is obligated in some manner for the payment.

**FMLC LOAN (GENERAL OBLIGATION)** – This fund is used to account for monies for payment of principal, interest, and other costs related to the loan agreement with the Florida Municipal Loan Council. The loan proceeds were funded through a Florida Municipal Loan Council bond issuance (FMLC-Series 2002A). Debt service is financed primarily by ad valorem taxes.

**TAXABLE SPECIAL OBLIGATION REFUNDING BONDS – SERIES 2002 (PENSION OBLIGATION BONDS)** – This fund is used to account for monies for payment of principal, interest and other costs related to the Series 2002 Taxable Special Obligation Refunding Bonds issuance. The bonds were issued for the purpose of advance refunding outstanding Taxable Special Obligation Bonds Series 1997 (pension funding project). Debt service is financed by non-ad valorem funds budgeted and appropriated by the City on an annual basis.

## **CAPITAL PROJECTS FUNDS**

**CAPITAL PROJECTS FUNDS** are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

**SAFE NEIGHBORHOOD PARKS** – This fund is used to account for the receipt and expenditure of funds from the County's parks bond issuance.

**CITY OF PROGRESS CAPITAL IMPROVEMENT** – This fund is used to account for expenditures related to miscellaneous capital projects. This fund was closed in fiscal year 2006 and remaining monies transferred to the General Fund.

**E. MAY AVIL LIBRARY** – This fund was established to account for expenditures for library renovation and expansion.

**TRANSPORTATION GAS TAX** – This fund is used to account for expenditures for implementing transportation related capital improvements. The local option gas tax is a county imposed tax, collected by the State of Florida, and distributed back to counties and municipalities based on the interlocal agreement in effect for that year.

**PEPPER PARK YOUTH CENTER** – This fund is used to account for revenues and expenditures related to the construction of a youth center. Construction to be funded through grant funds, and other sources.

**OLYMPIC TRAINING CENTER**-This fund is used to account for revenues and expenditures related to the construction of an Olympic Training Center. Construction to be funded through developer commitments, grant funds, and other sources.

**CRA COMPONENT UNIT**- This fund represents the CRA component unit's Capital Projects Fund.

**CITY OF NORTH MIAMI, FLORIDA**

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2006

Special Revenue

	HOME Investment Partnership	CDBG Entitlement	Biscayne Boulevard Improvement	Police Training	Local Housing Assistance (SHIP)	Downtown Incentives	Law Enforcement	Federal Forfeiture	Law Enforcement Block Grant	Half Cent Transportation Surtax	Justice Assistance Grants	CRA Funded Projects	CRA Component Unit	Total
<b>ASSETS</b>														
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 3,143	\$ 773,762	\$ 9,581	\$ 77,803	\$ 568	\$ -	\$ 973,123	\$ 48,802	\$ -	\$ 142,383	\$ 2,029,165
Investments	-	-	-	-	250,000	-	150,000	-	-	2,800,000	-	-	-	3,200,000
Receivables	67,156	873,578	-	1,117	1,038	-	693	-	-	480,064	-	-	-	1,423,646
Assets held for resale	-	-	-	-	-	-	-	10,000	-	-	-	-	-	10,000
Other assets	-	625	-	-	-	-	1,370	-	-	-	-	-	3,400	5,395
Total assets	\$ 67,156	\$ 874,203	\$ -	\$ 4,260	\$ 1,024,800	\$ 9,581	\$ 229,866	\$ 10,568	\$ -	\$ 4,253,187	\$ 48,802	\$ -	\$ 145,783	\$ 6,668,206
<b>LIABILITIES AND FUND BALANCES</b>														
Liabilities:														
Accounts payable and accrued liabilities	\$ 23,808	\$ 177,566	\$ -	\$ -	\$ 203	\$ 899	\$ 2,048	\$ -	\$ -	\$ 59,282	\$ -	\$ -	\$ 20,892	\$ 284,698
Accrued bond interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contracts payable - retainage	-	10,333	-	-	-	-	-	-	-	3,559	-	-	-	13,892
Due to other funds	43,348	135,970	-	-	-	-	-	-	-	-	-	-	-	179,318
Due to other governmental units	-	211	-	-	-	-	-	-	-	-	-	-	-	211
Deferred revenue	-	550,123	-	-	-	-	-	6,310	-	-	-	-	-	556,433
Total liabilities	67,156	874,203	-	-	203	899	2,048	6,310	-	62,841	-	-	20,892	1,034,552
Fund balances:														
Reserved for:														
Encumbrances	-	-	-	-	23,039	-	578	-	-	451,962	-	-	-	475,579
Assets held for resale	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unreserved	-	-	-	4,260	1,001,558	8,682	227,240	4,258	-	3,738,384	48,802	-	124,891	5,158,075
Total fund balances	-	-	-	4,260	1,024,597	8,682	227,818	4,258	-	4,190,346	48,802	-	124,891	5,633,654
Total liabilities and fund balances	\$ 67,156	\$ 874,203	\$ -	\$ 4,260	\$ 1,024,800	\$ 9,581	\$ 229,866	\$ 10,568	\$ -	\$ 4,253,187	\$ 48,802	\$ -	\$ 145,783	\$ 6,668,206

(Continued)

**CITY OF NORTH MIAMI, FLORIDA**

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
(Continued)

SEPTEMBER 30, 2006

	Debt Service			Capital Projects							Total Nonmajor Governmental Funds	
	FMLC-Loan General Obligation	Pension Obligation Bonds	Total	City of Progress Capital Improvement	Transportation Gas Tax	Safe Neighborhood Parks	E. May Avil Library	Pepper Park Youth Center	Olympic Training	CRA Component Unit		Total
<b>ASSETS</b>												
Cash and cash equivalents	\$ -	\$ 68,443	\$ 68,443	\$ -	\$ 659,799	\$ 720	\$ 52,192	\$ -	\$ -	\$ 564,325	\$ 1,277,036	\$ 3,374,644
Investments	-	-	-	-	500,000	-	-	-	-	-	500,000	3,700,000
Receivables	8,082	-	8,082	-	56,274	256,662	-	30,000	60,000	-	402,936	1,834,664
Assets held for resale	-	-	-	-	-	-	-	-	-	199,297	199,297	209,297
Other assets	-	-	-	-	-	-	-	-	-	-	-	5,395
Total assets	<u>\$ 8,082</u>	<u>\$ 68,443</u>	<u>\$ 76,525</u>	<u>\$ -</u>	<u>\$ 1,216,073</u>	<u>\$ 257,382</u>	<u>\$ 52,192</u>	<u>\$ 30,000</u>	<u>\$ 60,000</u>	<u>\$ 763,622</u>	<u>\$ 2,379,269</u>	<u>\$ 9,124,000</u>
<b>LIABILITIES AND FUND BALANCES</b>												
Liabilities:												
Accounts payable and accrued liabilities	\$ -	\$ 6,576	\$ 6,576	\$ -	\$ -	\$ 69,720	\$ -	\$ 15,000	\$ -	\$ 4,875	\$ 89,595	\$ 380,869
Accrued bond interest	-	61,867	61,867	-	-	-	-	-	-	-	-	61,867
Contracts payable - retainage	-	-	-	-	-	-	-	-	-	-	-	13,892
Due to other funds	9,647	-	9,647	-	-	187,662	-	15,000	60,000	-	262,662	451,627
Due to other governmental units	-	-	-	-	-	-	-	-	-	-	-	211
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	556,433
Total liabilities	<u>9,647</u>	<u>68,443</u>	<u>78,090</u>	<u>-</u>	<u>-</u>	<u>257,382</u>	<u>-</u>	<u>30,000</u>	<u>60,000</u>	<u>4,875</u>	<u>352,257</u>	<u>1,464,899</u>
Fund balances:												
Reserved for:												
Encumbrances	-	-	-	-	600,626	-	-	-	-	64,088	664,714	1,140,293
Assets held for resale	-	-	-	-	-	-	-	-	-	199,297	199,297	199,297
Unreserved	(1,565)	-	(1,565)	-	615,447	-	52,192	-	-	495,362	1,163,001	6,319,511
Total fund balances	<u>(1,565)</u>	<u>-</u>	<u>(1,565)</u>	<u>-</u>	<u>1,216,073</u>	<u>-</u>	<u>52,192</u>	<u>-</u>	<u>-</u>	<u>758,747</u>	<u>2,027,012</u>	<u>7,659,101</u>
Total liabilities and fund balances	<u>\$ 8,082</u>	<u>\$ 68,443</u>	<u>\$ 76,525</u>	<u>\$ -</u>	<u>\$ 1,216,073</u>	<u>\$ 257,382</u>	<u>\$ 52,192</u>	<u>\$ 30,000</u>	<u>\$ 60,000</u>	<u>\$ 763,622</u>	<u>\$ 2,379,269</u>	<u>\$ 9,124,000</u>

**CITY OF NORTH MIAMI, FLORIDA**

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

FISCAL YEAR ENDED SEPTEMBER 30, 2006

Special Revenue

	HOME Investment Partnership	CDBG Entitlement	Biscayne Boulevard Improvement	Police Training	Local Housing Assistance (SHIP)	Downtown Incentives	Law Enforcement	Federal Forfeiture	Law Enforcement Block Grant	Half Cent Transportation Surtax	Justice Assistance Grants	CRA Funded Projects	CRA Component Unit	Total
Revenues:														
Intergovernmental	\$ 225,077	\$ 2,273,311	\$ -	\$ 12,959	\$ 353,393	\$ -	\$ -	\$ -	\$ -	\$ 1,990,592	\$ 136,383	\$ -	\$ 206,979	\$ 5,198,694
Taxes	-	-	-	-	-	-	-	-	-	-	-	1,461,825	-	1,461,825
Fines and forfeitures	-	-	-	-	-	-	125,660	-	-	-	-	-	-	125,660
Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (including interest)	-	89,862	-	37	94,489	255	8,526	4	20	156,541	1,841	-	61,256	412,831
Total revenues	<u>225,077</u>	<u>2,363,173</u>	<u>-</u>	<u>12,996</u>	<u>447,882</u>	<u>255</u>	<u>134,186</u>	<u>4</u>	<u>20</u>	<u>2,147,133</u>	<u>138,224</u>	<u>1,461,825</u>	<u>268,235</u>	<u>7,199,010</u>
Expenditures:														
Current:														
Public safety	-	-	-	16,003	-	-	72,342	-	4,608	-	34,924	-	-	127,877
Transportation	-	-	-	-	-	-	-	-	-	594,670	-	-	-	594,670
Economic environment	60,892	633,172	-	-	14,055	1,574	-	-	-	-	-	-	527,780	1,237,473
Culture/recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grants/aid	163,095	1,644,376	-	-	146,428	-	-	-	-	-	-	-	-	1,953,899
Capital outlay	1,090	85,625	-	-	2,685	-	6,514	-	-	289,909	54,498	-	11,649	451,970
Debt service:														
Principal retirement	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>225,077</u>	<u>2,363,173</u>	<u>-</u>	<u>16,003</u>	<u>163,168</u>	<u>1,574</u>	<u>78,856</u>	<u>-</u>	<u>4,608</u>	<u>884,579</u>	<u>89,422</u>	<u>-</u>	<u>539,429</u>	<u>4,365,889</u>
Excess (deficiency) of revenues over expenditures	-	-	-	(3,007)	284,714	(1,319)	55,330	4	(4,588)	1,262,554	48,802	1,461,825	(271,194)	2,833,121
Other financing sources (uses):														
Transfers in	-	-	-	-	-	3,978	-	-	-	-	-	-	1,461,825	1,465,803
Transfers out	-	-	(6,199)	-	-	-	-	-	-	-	-	(1,461,825)	(1,065,740)	(2,533,764)
Total other financing sources (uses)	-	-	(6,199)	-	-	3,978	-	-	-	-	-	(1,461,825)	396,085	(1,067,961)
Net change in fund balances	-	-	(6,199)	(3,007)	284,714	2,659	55,330	4	(4,588)	1,262,554	48,802	-	124,891	1,765,160
Fund balances, beginning	-	-	6,199	7,267	739,883	6,023	172,488	4,254	4,588	2,927,792	-	-	-	3,868,494
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,260</u>	<u>\$ 1,024,597</u>	<u>\$ 8,682</u>	<u>\$ 227,818</u>	<u>\$ 4,258</u>	<u>\$ -</u>	<u>\$ 4,190,346</u>	<u>\$ 48,802</u>	<u>\$ -</u>	<u>\$ 124,891</u>	<u>\$ 5,633,654</u>

(Continued)

**CITY OF NORTH MIAMI, FLORIDA**

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

(Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Debt Service			Capital Projects							Total Nonmajor Governmental Funds	
	FMLC-Loan General Obligation	Pension Obligation Bonds	Total	City of Progress Capital Improvement	Transportation Gas Tax	Safe Neighborhood Parks	E. May Avil Library	Pepper Park Youth Center	Olympic Training	CRA Component Unit		Total
<b>Revenues:</b>												
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 332,767	\$ 256,662	\$ -	\$ 30,000	\$ -	\$ -	\$ 619,429	\$ 5,818,123
Taxes	415,728	-	415,728	-	-	-	-	-	-	-	-	1,877,553
Fines and forfeitures	-	-	-	-	-	-	-	-	-	-	-	125,660
Contributions	-	-	-	-	-	-	-	-	-	28,647	28,647	28,647
Other (including interest)	-	-	-	16,890	37,368	-	2,861	-	60,000	-	117,119	529,950
<b>Total revenues</b>	<u>415,728</u>	<u>-</u>	<u>415,728</u>	<u>16,890</u>	<u>370,135</u>	<u>256,662</u>	<u>2,861</u>	<u>30,000</u>	<u>60,000</u>	<u>28,647</u>	<u>765,195</u>	<u>8,379,933</u>
<b>Expenditures:</b>												
<b>Current:</b>												
Public safety	-	-	-	-	-	-	-	-	-	-	-	127,877
Transportation	-	-	-	-	-	-	-	-	-	-	-	594,670
Economic environment	-	-	-	-	-	-	-	-	-	335,640	335,640	1,573,113
Culture/recreation	-	-	-	-	-	-	-	-	60,000	-	60,000	60,000
Grants/aid	-	-	-	-	-	-	-	-	-	-	-	1,953,899
Capital outlay	-	-	-	-	54,712	256,662	-	30,000	-	-	341,374	793,344
<b>Debt service:</b>												
Principal retirement	310,000	175,000	485,000	-	-	-	-	-	-	-	-	485,000
Interest and fiscal charges	115,730	1,023,748	1,139,478	-	-	-	-	-	-	-	-	1,139,478
<b>Total expenditures</b>	<u>425,730</u>	<u>1,198,748</u>	<u>1,624,478</u>	<u>-</u>	<u>54,712</u>	<u>256,662</u>	<u>-</u>	<u>30,000</u>	<u>60,000</u>	<u>335,640</u>	<u>737,014</u>	<u>6,727,381</u>
Excess (deficiency) of revenues over expenditures	(10,002)	(1,198,748)	(1,208,750)	16,890	315,423	-	2,861	-	-	(306,993)	28,181	1,652,552
<b>Other financing sources (uses):</b>												
Transfers in	-	1,198,748	1,198,748	-	-	-	32,097	-	-	1,065,740	1,097,837	3,762,388
Transfers out	-	-	-	(499,486)	-	-	-	-	-	-	(499,486)	(3,033,250)
<b>Total other financing     sources (uses)</b>	<u>-</u>	<u>1,198,748</u>	<u>1,198,748</u>	<u>(499,486)</u>	<u>-</u>	<u>-</u>	<u>32,097</u>	<u>-</u>	<u>-</u>	<u>1,065,740</u>	<u>598,351</u>	<u>729,138</u>
Net change in fund balances	(10,002)	-	(10,002)	(482,596)	315,423	-	34,958	-	-	758,747	626,532	2,381,690
Fund balances, beginning	8,437	-	8,437	482,596	900,650	-	17,234	-	-	-	1,400,480	5,277,411
Fund balances, ending	\$ (1,565)	\$ -	\$ (1,565)	\$ -	\$ 1,216,073	\$ -	\$ 52,192	\$ -	\$ -	\$ 758,747	\$ 2,027,012	\$ 7,659,101

**CITY OF NORTH MIAMI, FLORIDA**

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS  
NONMAJOR GOVERNMENTAL FUNDS  
FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Special Revenue											
	CDBG Entitlement				Biscayne Boulevard Improvement				Justice Assistance Grant			
	(1) Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final			Original	Final			Original	Final		
Revenues:												
Intergovernmental	\$ 3,458,756	\$ 3,458,756	\$ 2,273,311	\$ (1,185,445)	\$ -	\$ -	\$ -	\$ -	\$ 96,020	\$ 96,020	\$ 136,383	\$ 40,363
Taxes	-	-	-	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-	-	-	-	-
Other (including interest)	-	-	89,862	89,862	-	-	-	-	-	-	1,841	1,841
Total revenues	<u>3,458,756</u>	<u>3,458,756</u>	<u>2,363,173</u>	<u>(1,095,583)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>96,020</u>	<u>96,020</u>	<u>138,224</u>	<u>42,204</u>
Expenditures:												
Current:												
Public safety	-	-	-	-	-	-	-	-	-	23,270	34,924	(11,654)
Transportation	-	-	-	-	-	-	-	-	-	-	-	-
Economic environment	505,900	741,667	612,994	128,673	-	-	-	-	-	-	-	-
Culture/recreation	-	-	-	-	-	-	-	-	-	-	-	-
Grants/aid	2,911,964	2,553,580	1,933,010	620,570	-	-	-	-	-	-	-	-
Capital outlay	9,000	131,617	149,730	(18,113)	-	-	-	-	-	72,750	54,498	18,252
Debt service:												
Principal retirement	-	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>3,426,864</u>	<u>3,426,864</u>	<u>2,695,734</u>	<u>731,130</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>96,020</u>	<u>89,422</u>	<u>6,598</u>
Excess (deficiency) of revenues over expenditures	<u>31,892</u>	<u>31,892</u>	<u>(332,561)</u>	<u>(364,453)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>96,020</u>	<u>-</u>	<u>48,802</u>	<u>48,802</u>
Other financing sources (uses):												
Transfers in	-	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(6,190)	(6,190)	(6,199)	(9)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,190)</u>	<u>(6,190)</u>	<u>(6,199)</u>	<u>(9)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ 31,892</u>	<u>\$ 31,892</u>	<u>\$ (332,561)</u>	<u>\$ (364,453)</u>	<u>\$ (6,190)</u>	<u>\$ (6,190)</u>	<u>\$ (6,199)</u>	<u>\$ (9)</u>	<u>\$ 96,020</u>	<u>\$ -</u>	<u>\$ 48,802</u>	<u>\$ 48,802</u>
Appropriated beginning fund balance	<u>\$ -</u>	<u>\$ -</u>			<u>\$ 6,190</u>	<u>\$ 6,190</u>			<u>\$ -</u>	<u>\$ -</u>		

(Continued)

(1) \$31,892 budgeted as reserve for employee benefits and future appropriation

**CITY OF NORTH MIAMI, FLORIDA**

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS  
NONMAJOR GOVERNMENTAL FUNDS  
(Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Special Revenue															
	Police Training				Local Housing Assistance (SHIP)				Half Cent Transportation Surtax				Home Investment Partnership			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget-Positive (Negative)	(2)		Actual Amounts	Variance with Final Budget-Positive (Negative)	(3)		Actual Amounts	Variance with Final Budget-Positive (Negative)	(4)		Actual Amounts	Variance with Final Budget-Positive (Negative)
	Original	Final			Budgeted Amounts	Final			Budgeted Amounts	Final			Budgeted Amounts	Final		
Revenues:																
Intergovernmental	\$ 10,000	\$ 10,000	\$ 12,959	\$ 2,959	\$ 282,637	\$ 282,637	\$ 353,393	\$ 70,756	\$ 1,800,000	\$ 1,800,000	\$ 1,990,592	\$ 190,592	\$ 1,697,074	\$ 1,697,074	\$ 225,077	\$ (1,471,997)
Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (including interest)	15	15	37	22	4,000	4,000	94,489	90,489	47,500	69,912	156,541	86,629	-	-	-	-
Total revenues	10,015	10,015	12,996	2,981	286,637	286,637	447,882	161,245	1,847,500	1,869,912	2,147,133	277,221	1,697,074	1,697,074	225,077	(1,471,997)
Expenditures:																
Current:																
Public safety	16,014	16,014	16,004	10	-	-	-	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	950,253	972,665	678,613	294,052	-	-	-	-
Economic environment	-	-	-	-	22,637	19,937	14,141	5,796	-	-	-	-	203,492	203,492	64,767	138,725
Culture/recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grants/aid	-	-	-	-	745,372	745,372	169,381	575,991	-	-	-	-	1,462,082	1,462,082	215,132	1,246,950
Capital outlay	-	-	-	-	-	2,700	2,685	15	1,530,960	1,556,950	362,797	1,194,153	1,500	1,500	1,090	410
Debt service:																
Principal retirement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	16,014	16,014	16,004	10	768,009	768,009	186,207	581,802	2,481,213	2,529,615	1,041,410	1,488,205	1,667,074	1,667,074	280,989	1,386,085
Excess (deficiency) of revenues over expenditures	(5,999)	(5,999)	(3,008)	2,991	(481,372)	(481,372)	261,675	743,047	(633,713)	(659,703)	1,105,723	1,765,426	30,000	30,000	(55,912)	(85,912)
Other financing sources (uses):																
Transfers in	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net change in fund balance	\$ (5,999)	\$ (5,999)	\$ (3,008)	\$ 2,991	\$ (481,372)	\$ (481,372)	\$ 261,675	\$ 743,047	\$ (633,713)	\$ (659,703)	\$ 1,105,723	\$ 1,765,426	\$ 30,000	\$ 30,000	\$ (55,912)	\$ (85,912)
Appropriated beginning fund balance	\$ 5,999	\$ 5,999			\$ 645,309	\$ 645,309			\$ 2,452,961	\$ 2,452,961			\$ -	\$ -		

(Continued)

- (2) \$163,937 budgeted as reserve for future appropriation.
- (3) \$1,793,258 budgeted as reserve for future appropriation.
- (4) \$30,000 budgeted as reserve for future appropriation.

**CITY OF NORTH MIAMI, FLORIDA**

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS  
NONMAJOR GOVERNMENTAL FUNDS  
(Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Special Revenue															
	Downtown Incentives				Law Enforcement				Federal Forfeiture				Law Enforcement Block Grant			
	(5)		Variance with Final Budget-Positive (Negative)	(6)		Variance with Final Budget-Positive (Negative)	(7)		Variance with Final Budget-Positive (Negative)	(8)		Variance with Final Budget-Positive (Negative)				
	Budgeted Original	Final		Budgeted Original	Final		Budgeted Original	Final		Budgeted Original	Final					
Revenues:																
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Fines and forfeitures	-	-	-	-	-	-	125,660	125,660	-	-	-	-	-	-	-	
Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other (including interest)	-	-	255	255	3,000	3,000	8,526	5,526	-	-	4	4	2,150	2,150	20	
Total revenues	-	-	255	255	3,000	3,000	134,186	131,186	-	-	4	4	2,150	2,150	20	
Expenditures:																
Current:																
Public safety	-	-	-	-	-	115,247	72,671	42,576	-	0	-	-	-	13,862	3,702	
Transportation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Economic environment	-	1,574	1,574	-	-	-	-	-	-	-	-	-	-	-	-	
Culture/recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Grants/aid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Capital outlay	-	-	-	-	-	6,514	6,514	-	-	-	-	-	-	-	-	
Debt service:																
Principal retirement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total expenditures	-	1,574	1,574	-	-	121,761	79,185	42,576	-	-	-	-	-	13,862	3,702	
Excess (deficiency) of revenues over expenditures	-	(1,574)	(1,319)	255	3,000	(118,761)	55,001	173,762	-	-	4	4	2,150	(11,712)	(3,682)	
Other financing sources (uses):																
Transfers in	3,978	3,978	3,978	-	-	-	-	-	-	-	-	-	-	-	-	
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total other financing sources (uses)	3,978	3,978	3,978	-	-	-	-	-	-	-	-	-	-	-	-	
Net change in fund balance	\$ 3,978	\$ 2,404	\$ 2,659	\$ 255	\$ 3,000	\$ (118,761)	\$ 55,001	\$ 173,762	\$ -	\$ -	\$ 4	\$ 4	\$ 2,150	\$ (11,712)	\$ (3,682)	
Appropriated beginning fund balance	\$ 6,022	\$ 6,022			\$ 170,517	\$ 170,517			\$ 6,851	\$ 6,851			\$ 16,660	\$ 16,660		

(Continued)

- (5) \$8,426 budgeted as reserve for future appropriations
- (6) \$51,756 budgeted as reserve for future appropriations
- (7) \$6,851 budgeted as reserve for future appropriation
- (8) \$4,948 budgeted as reserve for future appropriation

**CITY OF NORTH MIAMI, FLORIDA**

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS  
NONMAJOR GOVERNMENTAL FUNDS  
(Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Special Revenue							
	CRA Funded Projects				CRA Component Unit			
	(9)		Actual Amounts	Variance with Final Budget- Positive (Negative)	(10)		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Budgeted Original	Budgeted Final			Budgeted Original	Budgeted Final		
Revenues:								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 1,664,472	\$ 1,668,804	\$ 1,668,804	\$ -
Taxes	2,470,828	2,470,828	1,461,825	(1,009,003)	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-
Other (including interest)	-	-	-	-	-	-	61,256	61,256
Total revenues	<u>2,470,828</u>	<u>2,470,828</u>	<u>1,461,825</u>	<u>(1,009,003)</u>	<u>1,664,472</u>	<u>1,668,804</u>	<u>1,730,060</u>	<u>61,256</u>
Expenditures:								
Current:								
Public safety	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-
Economic environment	-	-	-	-	768,699	585,064	531,180	53,884
Culture/recreation	-	-	-	-	-	-	-	-
Grants/aid	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	18,000	18,000	11,649	6,351
Debt service:								
Principal retirement	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>786,699</u>	<u>603,064</u>	<u>542,829</u>	<u>60,235</u>
Excess (deficiency) of revenues over expenditures	<u>2,470,828</u>	<u>2,470,828</u>	<u>1,461,825</u>	<u>(1,009,003)</u>	<u>877,773</u>	<u>1,065,740</u>	<u>1,187,231</u>	<u>121,491</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	400,000	-	-	-
Transfers out	-	-	(1,461,825)	(1,461,825)	(2,677,773)	(1,065,740)	(1,065,740)	-
Proceeds from advance	-	-	-	-	1,400,000	250,000	218,500	(31,500)
Repayments on advance	-	-	-	-	-	-	(218,500)	(218,500)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,461,825)</u>	<u>(1,461,825)</u>	<u>(877,773)</u>	<u>(815,740)</u>	<u>(1,065,740)</u>	<u>(250,000)</u>
Net change in fund balance	<u>\$ 2,470,828</u>	<u>\$ 2,470,828</u>	<u>\$ -</u>	<u>\$ (2,470,828)</u>	<u>\$ -</u>	<u>\$ 250,000</u>	<u>\$ 121,491</u>	<u>\$ (128,509)</u>
Appropriated beginning fund balance	<u>\$ -</u>	<u>\$ -</u>			<u>\$ -</u>	<u>\$ -</u>		

(Continued)

(9) \$2,470,828 budgeted as reserve for future appropriation

(10) \$250,000 budgeted as reserve for future appropriation

**CITY OF NORTH MIAMI, FLORIDA**

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS

NONMAJOR GOVERNMENTAL FUNDS

(Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Debt Service							
	FMLC - Loan General Obligation				Pension Obligation Bonds			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget-Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget-Positive (Negative)
	Original	Final			Original	Final		
Revenues:								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	417,903	417,903	415,728	(2,175)	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-
Other (including interest)	-	-	-	-	-	-	-	-
Total revenues	<u>417,903</u>	<u>417,903</u>	<u>415,728</u>	<u>(2,175)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:								
Current:								
Public Safety	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-
Economic environment	-	-	-	-	-	-	-	-
Culture/recreation	-	-	-	-	-	-	-	-
Grants/aid	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Debt service:								
Principal retirement	310,000	310,000	310,000	-	175,000	175,000	175,000	-
Interest and fiscal charges	116,105	116,105	115,730	375	1,024,053	1,024,053	1,023,748	305
Total expenditures	<u>426,105</u>	<u>426,105</u>	<u>425,730</u>	<u>375</u>	<u>1,199,053</u>	<u>1,199,053</u>	<u>1,198,748</u>	<u>305</u>
Excess (deficiency) of revenues over expenditures	<u>(8,202)</u>	<u>(8,202)</u>	<u>(10,002)</u>	<u>(1,800)</u>	<u>(1,199,053)</u>	<u>(1,199,053)</u>	<u>(1,198,748)</u>	<u>305</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	1,199,053	1,199,053	1,198,748	(305)
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,199,053</u>	<u>1,199,053</u>	<u>1,198,748</u>	<u>(305)</u>
Net change in fund balance	<u>\$ (8,202)</u>	<u>\$ (8,202)</u>	<u>\$ (10,002)</u>	<u>\$ (1,800)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Appropriated beginning fund balance	<u>\$ 8,202</u>	<u>\$ 8,202</u>			<u>\$ -</u>	<u>\$ -</u>		

(Continued)

**CITY OF NORTH MIAMI, FLORIDA**

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS  
NONMAJOR GOVERNMENTAL FUNDS  
(Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Capital Projects															
	Safe Neighborhood Parks				City of Progress Capital Improvement				E. May Avil Library				Transportation Gas Tax			
	(11)		Actual Amounts	Variance with Final Budget- Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)	(12)		Actual Amounts	Variance with Final Budget- Positive (Negative)	(13)		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final			Original	Final			Original	Final			Original	Final		
Revenues:																
Intergovernmental	\$ 376,200	\$ 376,200	\$ 256,662	\$ (119,538)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 330,000	\$ 330,000	\$ 332,767	\$ 2,767
Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (including interest)	-	-	-	-	-	-	16,890	16,890	1,050	1,050	2,862	1,812	8,800	8,800	37,368	28,568
Total revenues	<u>376,200</u>	<u>376,200</u>	<u>256,662</u>	<u>(119,538)</u>	<u>-</u>	<u>-</u>	<u>16,890</u>	<u>16,890</u>	<u>1,050</u>	<u>1,050</u>	<u>2,862</u>	<u>1,812</u>	<u>338,800</u>	<u>338,800</u>	<u>370,135</u>	<u>31,335</u>
Expenditures:																
Current:																
Public safety	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Economic environment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Culture/recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grants/aid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	376,200	376,200	256,662	(119,538)	-	-	-	-	-	-	-	-	798,488	798,488	610,144	188,344
Debt service:																
Principal retirement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>376,200</u>	<u>376,200</u>	<u>256,662</u>	<u>(119,538)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>798,488</u>	<u>798,488</u>	<u>610,144</u>	<u>188,344</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,890</u>	<u>16,890</u>	<u>1,050</u>	<u>1,050</u>	<u>2,862</u>	<u>1,812</u>	<u>(459,688)</u>	<u>(459,688)</u>	<u>(240,009)</u>	<u>219,679</u>
Other financing sources (uses):																
Transfers in	-	-	-	-	-	-	-	-	32,097	32,097	32,097	-	-	-	-	-
Transfers out	-	-	-	-	(480,970)	(480,970)	(499,487)	(18,517)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(480,970)</u>	<u>(480,970)</u>	<u>(499,487)</u>	<u>(18,517)</u>	<u>32,097</u>	<u>32,097</u>	<u>32,097</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (480,970)</u>	<u>\$ (480,970)</u>	<u>\$ (482,597)</u>	<u>\$ (1,627)</u>	<u>\$ 33,147</u>	<u>\$ 33,147</u>	<u>\$ 34,959</u>	<u>\$ 1,812</u>	<u>\$ (459,688)</u>	<u>\$ (459,688)</u>	<u>\$ (240,009)</u>	<u>\$ 219,679</u>
Appropriated beginning fund balance	<u>\$ 1,275</u>	<u>\$ 1,275</u>			<u>\$ 480,970</u>	<u>\$ 480,970</u>			<u>\$ 17,145</u>	<u>\$ 17,145</u>			<u>\$ 856,832</u>	<u>\$ 856,832</u>		

(Continued)

- (11) \$1,275 budgeted as reserve for future appropriation.
- (12) \$50,292 budgeted as reserve for future appropriation.
- (13) \$397,144 budgeted as reserve for future appropriation.

**CITY OF NORTH MIAMI, FLORIDA**

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS  
NONMAJOR GOVERNMENTAL FUNDS  
(Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Capital Projects											
	<u>Pepper Park Youth Center</u>				<u>Olympic Training Facilities</u>				<u>CRA Component Unit</u>			
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget-Positive (Negative)</u>	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget-Positive (Negative)</u>	<u>(14) Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget-Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>			<u>Original</u>	<u>Final</u>			<u>Original</u>	<u>Final</u>		
Revenues:												
Intergovernmental	\$ -	\$ 513,000	\$ 30,000	\$ (483,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-	-	-	-	-
Other (including interest)	-	-	-	-	-	-	60,000	60,000	-	-	-	-
Total revenues	-	513,000	30,000	(483,000)	-	-	60,000	60,000	-	-	-	-
Expenditures:												
Current:												
Public safety	-	-	-	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-	-	-	-
Economic environment	-	-	-	-	-	-	-	-	461,000	863,740	495,058	368,682
Culture/recreation	-	-	-	-	-	-	60,000	(60,000)	-	-	-	-
Grants/aid	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	513,000	262,000	251,000	-	-	-	-	1,900,000	450,000	75,320	374,680
Debt service:												
Principal retirement	-	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	52,000	-	52,000
Total expenditures	-	513,000	262,000	251,000	-	-	60,000	(60,000)	2,361,000	1,365,740	570,378	795,362
Excess (deficiency) of revenues over expenditures	-	-	(232,000)	(232,000)	-	-	-	-	(2,361,000)	(1,365,740)	(570,378)	795,362
Other financing sources (uses):												
Transfers in	-	-	-	-	-	-	-	-	2,677,773	1,065,740	1,065,740	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from line of credit	-	-	-	-	-	-	-	-	-	300,000	-	(300,000)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	2,677,773	1,365,740	1,065,740	(300,000)
Net change in fund balance	\$ -	\$ -	\$ (232,000)	\$ (232,000)	\$ -	\$ -	\$ -	\$ -	\$ 316,773	\$ -	\$ 495,362	\$ 495,362
Appropriated beginning fund balance	\$ -	\$ -			\$ -	\$ -			\$ -	\$ -		

(14) \$316,773 budgeted as reserve for future appropriation.

## **INTERNAL SERVICE FUNDS**

**INTERNAL SERVICE FUNDS** are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government on a cost reimbursement basis.

**GENERAL RISK MANAGEMENT** – This fund is used to account for the cost of insuring the City in the areas of property and casualty liability, public officials' and law enforcement officers' liability and workers' compensation. Departments of the City are assessed a charge based upon the funding needs of the fund.

**FLEET MANAGEMENT** – This fund is used to account for the costs and funding of providing motor vehicles and heavy equipment to other departments.

# CITY OF NORTH MIAMI, FLORIDA

## INTERNAL SERVICE FUNDS COMBINING STATEMENT OF NET ASSETS

SEPTEMBER 30, 2006

<u>ASSETS</u>	<u>General Risk Management</u>	<u>Fleet Management</u>	<u>Totals</u>
Current:			
Cash and cash equivalents	\$ 1,171,306	\$ 1,318,546	\$ 2,489,852
Investments	3,000,000	400,000	3,400,000
Receivables	18,517	43,674	62,191
Due from other funds	463,324	-	463,324
Inventories and supplies	-	45,433	45,433
Other assets	37,208	-	37,208
Total current assets	4,690,355	1,807,653	6,498,008
Non-current:			
Advances to other funds	-	83,030	83,030
Capital assets:			
Buildings	-	93,274	93,274
Land improvements	-	561,817	561,817
Equipment	20,977	12,314,610	12,335,587
Accumulated depreciation	(2,188)	(9,022,393)	(9,024,581)
Total non-current assets	18,789	4,030,338	4,049,127
Total assets	4,709,144	5,837,991	10,547,135
 <u>LIABILITIES</u>			
Current liabilities:			
Accounts payable and accrued liabilities	16,267	163,539	179,806
Due to other government units	-	5,966	5,966
Due to other funds	604,216	18,720	622,936
Unearned revenue	-	4,720	4,720
Total current liabilities	620,483	192,945	813,428
Non-current:			
Compensated absences	61,117	421,818	482,935
Estimated claims payable	4,027,544	-	4,027,544
Total non-current liabilities	4,088,661	421,818	4,510,479
Total liabilities	4,709,144	614,763	5,323,907
 <u>NET ASSETS</u>			
Net assets:			
Invested in capital assets	18,789	3,947,308	3,966,097
Unrestricted	(18,789)	1,275,920	1,257,131
Total net assets	\$ -	\$ 5,223,228	\$ 5,223,228

# CITY OF NORTH MIAMI, FLORIDA

## INTERNAL SERVICE FUNDS

### COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>General Risk Management</u>	<u>Fleet Management</u>	<u>Totals</u>
Operating revenues:			
Motor vehicle charges	\$ -	\$ 3,348,852	\$ 3,348,852
Other charges for services	<u>2,380,622</u>	<u>40,952</u>	<u>2,421,574</u>
Total operating revenues	<u>2,380,622</u>	<u>3,389,804</u>	<u>5,770,426</u>
Operating expenses:			
Personal services	270,662	1,322,876	1,593,538
Claims	1,299,216	-	1,299,216
Materials, supplies, services and other operating expenses	946,543	1,540,733	2,487,276
Depreciation	<u>729</u>	<u>1,177,245</u>	<u>1,177,974</u>
Total operating expenses	<u>2,517,150</u>	<u>4,040,854</u>	<u>6,558,004</u>
Operating loss	<u>(136,528)</u>	<u>(651,050)</u>	<u>(787,578)</u>
Non-operating revenues (expenses):			
Interest income	144,269	67,319	211,588
Grants	1,169	334,813	335,982
Disaster expenses	-	(18,734)	(18,734)
Miscellaneous	<u>2,478</u>	<u>171,542</u>	<u>174,020</u>
Total non-operating revenues (expenses)	<u>147,916</u>	<u>554,940</u>	<u>702,856</u>
Income (loss) before contributions and transfers	11,388	(96,110)	(84,722)
Capital contributions	-	77,875	77,875
Transfers out	<u>(11,388)</u>	<u>(55,142)</u>	<u>(66,530)</u>
Net Income (loss)	-	(73,377)	(73,377)
Net assets, beginning	<u>-</u>	<u>5,296,605</u>	<u>5,296,605</u>
Net assets, ending	<u>\$ -</u>	<u>\$ 5,223,228</u>	<u>\$ 5,223,228</u>

# CITY OF NORTH MIAMI, FLORIDA

## INTERNAL SERVICE FUNDS COMBINING STATEMENT OF CASH FLOWS FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>General Risk Management</u>	<u>Fleet Management</u>	<u>Totals</u>
Cash flows from operating activities:			
Cash received from customers, including cash deposits	\$ 2,478	\$ 70,591	\$ 73,069
Interfund services provided and used	2,379,713	3,293,563	5,673,276
Gasoline tax refund	-	38,319	38,319
Cash payments to suppliers	(1,009,323)	(1,427,315)	(2,436,638)
Claim payments	(636,986)	-	(636,986)
Cash payments to employees	(260,811)	(1,285,596)	(1,546,407)
Net cash provided by operating activities	<u>475,071</u>	<u>689,562</u>	<u>1,164,633</u>
Cash flows from non-capital financing activities:			
Repayment of interfund loans	-	39,663	39,663
Grant proceeds	1,448	454,149	455,597
Transfers to other funds	(11,388)	(55,142)	(66,530)
Net cash provided (used) by non-capital financing activities	<u>(9,940)</u>	<u>438,670</u>	<u>428,730</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	(18,059)	(1,093,895)	(1,111,954)
Net cash used by capital and related financing activities	<u>(18,059)</u>	<u>(1,093,895)</u>	<u>(1,111,954)</u>
Cash flows from investing activities:			
Proceeds from sale of investments	2,175,000	1,100,000	3,275,000
Purchase of investments	(2,900,000)	-	(2,900,000)
Interest received	131,130	69,825	200,955
Net cash provided (used) by investing activities	<u>(593,870)</u>	<u>1,169,825</u>	<u>575,955</u>
Net increase (decrease) in cash and cash equivalents	(146,798)	1,204,162	1,057,364
Cash and cash equivalents, beginning	<u>1,318,104</u>	<u>114,384</u>	<u>1,432,488</u>
Cash and cash equivalents, ending	<u>\$ 1,171,306</u>	<u>\$ 1,318,546</u>	<u>\$ 2,489,852</u>

# CITY OF NORTH MIAMI, FLORIDA

## INTERNAL SERVICE FUNDS COMBINING STATEMENT OF CASH FLOWS (Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2006

	General Risk <u>Management</u>	Fleet <u>Management</u>	<u>Totals</u>
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	\$ (136,528)	\$ (651,050)	\$ (787,578)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation	729	1,177,245	1,177,974
Other income	2,478	62,721	65,199
Changes in operating assets and liabilities:			
(Increase) decrease in:			
Miscellaneous receivables	-	(13,497)	(13,497)
Inventories	-	1,923	1,923
Due from other funds	4,680	-	4,680
Other assets	(24,680)	705	(23,975)
Increase (decrease) in:			
Accounts payable	(41,220)	54,799	13,579
Accrued liabilities	(25)	1,342	1,317
Estimated claims payable	662,230	-	662,230
Compensated absences	9,786	51,673	61,459
Due to other funds	(2,469)	-	(2,469)
Due to other government units	-	3,091	3,091
Accrued payroll deductions	90	610	700
Total adjustments	<u>611,599</u>	<u>1,340,612</u>	<u>1,952,211</u>
Net cash provided by operating activities	<u>\$ 475,071</u>	<u>\$ 689,562</u>	<u>\$ 1,164,633</u>

Note: All short-term investments are reported at cost, which approximates fair value, therefore, there is no change in the fair value of investments.

## **PENSION TRUST FUNDS**

**THE CTS AND NORTH MIAMI POLICE PENSION PLANS**— These funds are used to account for the accumulation of resources to be used for retirement benefits to City employees. Resources are contributed by employees (at rates fixed by law) and by the City (at amounts determined by actuarial valuations).

# CITY OF NORTH MIAMI, FLORIDA

## PENSION TRUST FUNDS COMBINING STATEMENT OF FIDUCIARY NET ASSETS

SEPTEMBER 30, 2006

<u>ASSETS</u>	<u>CTS</u> <u>Plan</u>	<u>748</u> <u>Plan</u>	<u>Totals</u>
Cash and short-term investments	\$ 1,102,476	\$ 1,247,149	\$ 2,349,625
Investments, at fair value:			
U.S. Treasury bonds and notes	6,441,314	5,060,984	11,502,298
U.S. Agency obligations	4,315,967	-	4,315,967
Corporate bonds	10,323,607	5,840,840	16,164,447
Common stock	36,833,618	15,875,224	52,708,842
Total investments	<u>57,914,506</u>	<u>26,777,048</u>	<u>84,691,554</u>
Receivables:			
Plan member contributions	21,805	10,962	32,767
Miami-Dade County	687,821	-	687,821
CNM Police Share Plan	18,902	205,694	224,596
Receivable from broker on investments sold	763,754	178,536	942,290
Accrued interest	207,928	142,548	350,476
Accrued dividends	34,206	18,952	53,158
Total receivables	<u>1,734,416</u>	<u>556,692</u>	<u>2,291,108</u>
 Total assets	 <u>60,751,398</u>	 <u>28,580,889</u>	 <u>89,332,287</u>
 <u>LIABILITIES AND NET ASSETS</u>			
Liabilities:			
Accounts payable and accrued liabilities	36,193	40,448	76,641
Benefits payable	10,862	-	10,862
Payable to broker for investments purchased	784,637	33,685	818,322
Total liabilities	<u>831,692</u>	<u>74,133</u>	<u>905,825</u>
Net assets held in trust for pension benefits	<u>\$59,919,706</u>	<u>\$28,506,756</u>	<u>\$88,426,462</u>

# CITY OF NORTH MIAMI, FLORIDA

## PENSION TRUST FUNDS

### COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>CTS</u> <u>Plan</u>	<u>748</u> <u>Plan</u>	<u>Totals</u>
<b>ADDITIONS</b>			
Contributions:			
Employer	\$ 3,789,262	\$ 1,651,623	\$ 5,440,885
Plan members	1,133,797	592,107	1,725,904
County	650,586	-	650,586
Other (including state contributions)	2,215	88,612	90,827
Total contributions	<u>5,575,860</u>	<u>2,332,342</u>	<u>7,908,202</u>
Investment income:			
Net appreciation in fair value of investments	2,635,356	964,007	3,599,363
Interest	967,527	464,329	1,431,856
Dividends	<u>623,393</u>	<u>267,272</u>	<u>890,665</u>
	4,226,276	1,695,608	5,921,884
Less investment expenses	<u>323,357</u>	<u>125,484</u>	<u>448,841</u>
Net investment income	<u>3,902,919</u>	<u>1,570,124</u>	<u>5,473,043</u>
Total additions	<u>9,478,779</u>	<u>3,902,466</u>	<u>13,381,245</u>
<b>DEDUCTIONS</b>			
Benefits paid directly to participants:			
Disability retirement	82,263	97,899	180,162
Death benefit	-	23,042	23,042
Normal retirement	2,459,165	44,484	2,503,649
Lump sum retirement	1,851,488	116,515	1,968,003
Refunds of contributions	<u>76,440</u>	<u>40,088</u>	<u>116,528</u>
	4,469,356	322,028	4,791,384
Administrative expenses	<u>154,536</u>	<u>117,736</u>	<u>272,272</u>
Total deductions	<u>4,623,892</u>	<u>439,764</u>	<u>5,063,656</u>
Net increase in net assets	4,854,887	3,462,702	8,317,589
Net assets, beginning	<u>55,064,819</u>	<u>25,044,054</u>	<u>80,108,873</u>
Net assets, ending	<u>\$ 59,919,706</u>	<u>\$ 28,506,756</u>	<u>\$ 88,426,462</u>

# CELEBRATING OUR *Birthday*

North Miami Middle School Drum Line



North Miami's own Star Vocalist  
Claudia Sanchez  
(David Lawrence Jr. K-8)



North Miami's Mayor and Council Presented awards to Essay Contest Winners.



North Miami celebrated 80 years by hosting a weekend carnival in the MOCA Plaza

STATISTICAL

## STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
<b>Financial Trends</b>	
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. These schedules include:</i>	<b>93-98</b>
<b>Revenue Capacity</b>	
<i>These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.</i>	<b>99-103</b>
<b>Debt Capacity</b>	
<i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	<b>104-111</b>
<b>Demographic and Economic Information</b>	
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	<b>112-113</b>
<b>Operating Information</b>	
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i>	<b>114-116</b>

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

**CITY OF NORTH MIAMI, FLORIDA**

TABLE 1

NET ASSETS BY COMPONENT  
LAST FIVE FISCAL YEARS  
(accrual basis of accounting)

	FISCAL YEAR				
	2002 <u>(Restated)</u>	2003 <u>(Restated)</u>	2004 <u>(Restated)</u>	2005 <u>(Restated)</u>	2006
Governmental activities:					
Invested in capital assets, net of related debt	\$43,663,216	\$38,193,755	\$46,816,683	\$47,957,153	\$48,559,359
Restricted	2,062,343	818,987	3,848,155	4,756,922	7,474,901
Unrestricted	<u>(13,063,176)</u>	<u>(31,066,777)</u>	<u>(1,583,548)</u>	<u>(2,644,531)</u>	<u>(1,568,424)</u>
Total governmental activities net assets	<u>\$32,662,383</u>	<u>\$ 7,945,965</u>	<u>\$49,081,290</u>	<u>\$50,069,544</u>	<u>\$54,465,836</u>
Business-type activities:					
Invested in capital assets, net of related debt	\$19,354,112	\$22,476,764	\$24,745,687	\$25,313,980	\$26,217,827
Restricted	5,065,640	2,822,907	3,815,508	3,450,170	2,976,542
Unrestricted	<u>2,658,056</u>	<u>820,137</u>	<u>2,626,141</u>	<u>2,552,424</u>	<u>4,168,244</u>
Total business-type activities net assets	<u>\$27,077,808</u>	<u>\$26,119,808</u>	<u>\$31,187,336</u>	<u>\$31,316,574</u>	<u>\$33,362,613</u>
Net assets:					
Invested in capital assets, net of related debt	\$63,017,328	\$60,670,519	\$71,562,370	\$73,271,133	\$74,777,186
Restricted	7,127,983	3,641,894	7,663,663	8,207,092	10,451,443
Unrestricted	<u>(10,405,120)</u>	<u>(30,246,640)</u>	<u>1,042,593</u>	<u>(92,107)</u>	<u>2,599,820</u>
Total net assets	<u>\$59,740,191</u>	<u>\$34,065,773</u>	<u>\$80,268,626</u>	<u>\$81,386,118</u>	<u>\$87,828,449</u>

Note: Accrual basis financial information for the City on an entity-wide basis is available only since fiscal year 2002, the year GASB Statement No 34 was implemented by the City.

CITY OF NORTH MIAMI, FLORIDA

TABLE 2

CHANGES IN NET ASSETS  
LAST FIVE FISCAL YEARS  
(accrual basis of accounting)

	FISCAL YEAR				
	2002 (Restated)	2003 (Restated)	2004 (Restated)	2005 (Restated)	2006
<b>EXPENSES</b>					
Governmental activities:					
General government (3)	\$ 12,594,194	\$ 12,803,193	\$ 14,901,830	\$ 17,521,406	\$ 20,715,616
Public works (1)	761,565	-	-	-	-
Transportation	2,177,758	2,289,964	2,585,706	3,200,028	3,692,943
Public safety (2)(3)	11,748,202	12,716,830	12,956,769	13,445,521	16,094,486
Culture / recreation	5,336,611	5,515,862	5,683,795	5,587,756	6,459,492
Community planning and development (3)	2,725,694	3,343,428	2,338,699	2,429,379	-
Physical environment (4)	849,320	19,580,993	1,046,250	1,342,690	500,111
Economic environment (3)	144,329	1,314,193	48,459	33,175	3,640,625
Interest and fiscal charges	1,085,047	1,365,061	1,316,044	1,296,332	1,234,902
Total governmental activities expenses	<u>37,422,720</u>	<u>58,929,524</u>	<u>40,877,552</u>	<u>44,856,287</u>	<u>52,338,175</u>
Business-type activities:					
Water and sewer	17,291,430	17,952,760	18,412,385	18,586,779	19,962,083
Solid waste (5)	5,440,595	5,291,596	5,599,198	5,878,639	10,346,693
Stormwater	1,474,832	1,510,072	2,161,989	1,817,173	2,010,787
Total business-type activities expenses	<u>24,206,857</u>	<u>24,754,428</u>	<u>26,173,572</u>	<u>26,282,591</u>	<u>32,319,563</u>
Total expenses	<u>\$ 61,629,577</u>	<u>\$ 83,683,952</u>	<u>\$ 67,051,124</u>	<u>\$ 71,138,878</u>	<u>\$ 84,657,738</u>

(Continued)

CITY OF NORTH MIAMI, FLORIDA

TABLE 2  
(Continued)

CHANGES IN NET ASSETS  
(Continued)  
LAST FIVE FISCAL YEARS  
(accrual basis of accounting)

	FISCAL YEAR				
	2002 (Restated)	2003 (Restated)	2004 (Restated)	2005 (Restated)	2006
<b>PROGRAM REVENUES</b>					
Governmental activities:					
Charges for services:					
General government (3)	\$ 5,291,817	\$ 6,434,606	\$ 6,531,127	\$ 6,468,941	\$ 6,823,327
Transportation	16,702	20,765	30,916	29,188	60,952
Public safety (2)(3)	191,821	190,374	227,086	368,822	2,851,889
Culture / recreation	381,177	433,843	436,445	463,990	476,990
Community planning and development (3)	805,917	917,172	1,067,220	1,348,524	-
Operating grants and contributions (6)	10,035,639	11,317,404	41,012,814	12,532,205	16,979,429
Capital grants and contributions	387,567	504,126	1,505,108	541,939	647,721
Total governmental activities program revenues	<u>17,110,640</u>	<u>19,818,290</u>	<u>50,810,716</u>	<u>21,753,609</u>	<u>27,840,308</u>
Business-type activities:					
Charges for services:					
Water and sewer	15,957,226	16,211,044	16,446,720	16,590,647	20,223,027
Solid waste	4,804,527	4,801,765	5,810,394	6,021,664	6,013,293
Stormwater	899,226	914,741	1,837,166	2,020,618	2,146,193
Operating grants and contributions (7)	62,217	-	160,541	502,155	4,110,872
Capital grants and contributions	588,125	401,032	5,022,580	796,671	1,609,815
Total business-type activities program revenues	<u>22,311,321</u>	<u>22,328,582</u>	<u>29,277,401</u>	<u>25,931,755</u>	<u>34,103,200</u>
Total program revenues	<u>\$ 39,421,961</u>	<u>\$ 42,146,872</u>	<u>\$ 80,088,117</u>	<u>\$ 47,685,364</u>	<u>\$ 61,943,508</u>
<b>NET (EXPENSE) REVENUE</b>					
Governmental activities	\$ (20,312,080)	\$ (39,111,234)	\$ 9,933,164	\$ (23,102,678)	\$ (24,497,867)
Business-type activities	<u>(1,895,536)</u>	<u>(2,425,846)</u>	<u>3,103,829</u>	<u>(350,836)</u>	<u>1,783,637</u>
Total (expense) revenue	<u>\$ (22,207,616)</u>	<u>\$ (41,537,080)</u>	<u>\$ 13,036,993</u>	<u>\$ (23,453,514)</u>	<u>\$ (22,714,230)</u>

(Continued)

CITY OF NORTH MIAMI, FLORIDA

TABLE 2  
(Continued)

CHANGES IN NET ASSETS  
(Continued)  
LAST FIVE FISCAL YEARS  
(accrual basis of accounting)

	FISCAL YEAR				
	2002 (Restated)	2003 (Restated)	2004 (Restated)	2005 (Restated)	2006
<b>GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS</b>					
Governmental activities:					
Taxes:					
Property taxes	\$ 11,785,025	\$ 12,575,861	\$ 14,069,703	\$ 15,934,549	\$ 18,896,748
Utility service tax	2,428,414	2,521,258	2,458,734	2,428,733	2,545,881
Communication service tax	2,286,283	1,713,857	1,729,145	1,953,438	2,113,436
Franchise taxes	2,455,206	2,706,832	2,841,720	3,140,507	3,773,867
Unrestricted investment earnings	315,408	196,936	229,920	455,930	925,796
Miscellaneous	307,288	1,468,177	1,384,100	176,478	500,878
Transfers	(635,539)	(446,707)	3,444	1,297	137,553
Total governmental activities	<u>18,942,085</u>	<u>20,736,214</u>	<u>22,716,766</u>	<u>24,090,932</u>	<u>28,894,159</u>
Business-type activities:					
Unrestricted investment earnings	454,614	377,830	193,016	211,381	330,030
Miscellaneous	225,786	684,431	1,774,127	269,990	69,925
Transfers	635,539	446,707	(3,444)	(1,297)	(137,553)
Total business-type activities	<u>1,315,939</u>	<u>1,508,968</u>	<u>1,963,699</u>	<u>480,074</u>	<u>262,402</u>
Total	<u>20,258,024</u>	<u>22,245,182</u>	<u>24,680,465</u>	<u>24,571,006</u>	<u>29,156,561</u>
<b>CHANGE IN NET ASSETS</b>					
Governmental activities	(1,369,995)	(18,375,020)	32,649,930	988,254	4,396,292
Business-type activities	(579,597)	(916,878)	5,067,528	129,238	2,046,039
Total	<u>\$ (1,949,592)</u>	<u>\$ (19,291,898)</u>	<u>\$ 37,717,458</u>	<u>\$ 1,117,492</u>	<u>\$ 6,442,331</u>

- (1) Beginning in fiscal year 2003, public works administration and building maintenance is included under general government.
- (2) In fiscal year 2006, includes police and other public safety. Other public safety previously classified under community planning & development.
- (3) In fiscal year 2006, revenues and expenses previously classified under community planning & development were reclassified to general government, economic environment and public safety.
- (4) In fiscal year 2003, includes recognition of additional \$19.3 million of estimated liability associated with environmental cleanup of former landfill site.
- (5) In fiscal year 2006, includes \$4,341,132 in disaster related expenditures.
- (6) In fiscal year 2004, includes \$31,027,000 in grant proceeds received from Miami-Dade County for remediation and closure of a former landfill site.
- (7) In fiscal year 2006, includes \$3,890,322 in reimbursements for disaster related expenditures.

**CITY OF NORTH MIAMI, FLORIDA**

TABLE 3

FUND BALANCES OF GOVERNMENTAL FUNDS  
LAST FIVE FISCAL YEARS  
(modified accrual basis of accounting)

	FISCAL YEAR				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General fund:					
Reserved	\$ 296,806	\$1,555,380	\$ 750,471	\$ 792,604	\$ 1,866,535
Unreserved	<u>1,051,186</u>	<u>3,552,376</u>	<u>5,870,488</u>	<u>6,213,651</u>	<u>7,040,481</u>
Total general fund	<u>\$1,347,992</u>	<u>\$5,107,756</u>	<u>\$6,620,959</u>	<u>\$ 7,006,255</u>	<u>\$ 8,907,016</u>
All other governmental funds:					
Reserved	\$ 509,176	\$ 68,733	\$ 267,352	(1) \$26,112,169	(1) \$25,953,329
Unreserved, reported in:					
Special revenue funds	1,852,182	2,262,400	3,030,695	3,511,654	5,158,075
Debt service funds	-	(1,611)	(1,195)	-	(1,565)
Capital projects funds	<u>1,442,232</u>	<u>983,964</u>	<u>1,241,023</u>	<u>1,354,642</u>	<u>1,163,001</u>
Total all other governmental funds	<u>\$3,803,590</u>	<u>\$3,313,486</u>	<u>\$4,537,875</u>	<u>\$30,978,465</u>	<u>\$32,272,840</u>

(1) Includes \$25,517,511 and \$24,613,739, respectively, in proceeds from a \$31,027,000 grant from Miami-Dade County for remediation and closure of a former landfill site.

Note: Due to changes in the City's fund structure with the implementation of GASB Statement No. 34, information is only available since fiscal year 2002.

CITY OF NORTH MIAMI, FLORIDA

TABLE 4

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
LAST FIVE FISCAL YEARS  
(modified accrual basis of accounting)

	FISCAL YEAR				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>REVENUES</b>					
Taxes	\$ 20,229,190	\$ 20,434,363	\$ 21,981,530	\$ 24,351,288	\$ 28,226,082
Licenses and permits	925,688	1,183,969	1,348,970	1,661,473	2,802,746
Intergovernmental (1)	8,943,565	10,330,805	10,400,803	41,582,446	14,026,492
Charges for services	5,139,702	6,027,983	6,002,864	6,029,459	6,542,842
Fines and forfeitures	700,027	766,495	576,905	452,387	461,077
Other (including interest)	594,670	1,915,964	2,141,030	2,465,941	3,623,490
Total revenues	<u>36,532,842</u>	<u>40,659,579</u>	<u>42,452,102</u>	<u>76,542,994</u>	<u>55,682,729</u>
<b>EXPENDITURES</b>					
General government (5)	11,930,162	10,701,482	13,550,286	15,786,107	19,378,942
Public works (2)	1,831,985	1,922,398	-	-	-
Public safety (3)(5)	11,545,807	12,146,198	12,195,018	12,723,558	15,250,249
Transportation (4)	-	-	2,405,414	2,719,858	3,140,306
Physical environment	828,989	262,161	176,350	6,102,114	1,841,182
Economic environment (5)	32,189	57,734	13,759	8,546	1,649,040
Grants/aids	900,590	2,856,274	578,845	471,803	2,222,033
Culture/ recreation	5,492,566	6,008,020	5,150,279	4,950,200	5,744,663
Capital outlay	2,701,687	1,579,983	1,805,139	2,089,372	1,495,838
Community planning & development (5)	2,234,281	2,202,810	2,138,471	2,316,850	-
Debt service:					
Interest and fiscal charges	1,166,380	1,127,822	1,213,873	1,184,102	1,160,411
Principal retirement	1,300,136	1,348,103	1,416,316	1,440,529	1,334,773
Issuance costs	59,436	422,662	-	-	-
Total expenditures	<u>40,024,208</u>	<u>40,635,647</u>	<u>40,643,750</u>	<u>49,793,039</u>	<u>53,217,437</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,491,366)</u>	<u>23,932</u>	<u>1,808,352</u>	<u>26,749,955</u>	<u>2,465,292</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Payment to escrow agent	(3,355,028)	(14,312,338)	-	-	-
Lease proceeds	-	-	-	-	559,512
Debt proceeds	5,014,464	17,189,100	500,000	-	-
Transfers in	2,239,052	3,843,147	1,702,800	1,249,653	4,268,073
Transfers out	<u>(2,153,356)</u>	<u>(3,473,829)</u>	<u>(1,274,509)</u>	<u>(1,174,667)</u>	<u>(4,092,637)</u>
Total other financing sources (uses)	<u>1,745,132</u>	<u>3,246,080</u>	<u>928,291</u>	<u>74,986</u>	<u>734,948</u>
Net change in fund balances	<u>\$ (1,746,234)</u>	<u>\$ 3,270,012</u>	<u>\$ 2,736,643</u>	<u>\$ 26,824,941</u>	<u>\$ 3,200,240</u>
Debt service (excluding issuance costs) as a percentage of noncapital expenditures	6.6%	6.3%	6.8%	5.5%	4.8%

Note: Data not available prior to 2002 due to changes in the City's fund structure with the implementation of Governmental Accounting Statement No. 34 Basic Financial Statements and Management Discussion and Analysis for State and Local Governments.

(1) In fiscal year 2005, includes \$31,027,000 in grant proceeds received from Miami-Dade County for remediation and closure of a former landfill site.

(2) Beginning in fiscal year 2004, public works administration and building maintenance is included under general government.

(3) In fiscal year 2006, includes police and other public safety. Other public safety previously classified under community planning & development.

(4) Prior to fiscal year 2004, transportation (highways & streets) included under public works.

(5) In fiscal year 2006, revenues and expenses previously classified under community planning & development were reclassified to general government, economic environment, and public safety.

# CITY OF NORTH MIAMI, FLORIDA

TABLE 5

## TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS (modified accrual basis of accounting)

Fiscal Year	Property Tax	Franchise Tax	Sales and Use Tax	Utility Service Tax	Communication Services Tax (1)	Total
1997	\$ 10,241,667	\$ 2,297,153	\$ 716,935	\$ 3,261,510	\$ -	\$ 16,517,265
1998	10,631,761	2,347,932	729,794	3,344,450	-	17,053,937
1999	10,716,437	2,396,781	724,000	3,999,564	-	17,836,782
2000	11,123,254	2,510,282	782,723	3,840,332	-	18,256,591
2001	10,946,553	2,954,186	804,771	3,923,039	-	18,628,549
2002	11,785,025	2,455,206	898,208	2,428,414	2,286,283	19,853,136
2003	12,575,861	2,706,832	916,555	2,521,258	1,713,857	20,434,363
2004	14,069,703	2,841,720	882,228	2,458,734	1,729,145	21,981,530
2005	15,934,549	3,140,507	894,061	2,428,733	1,953,438	24,351,288
2006	18,896,748	3,773,867	896,150	2,545,881	2,113,436	28,226,082
Change 1997-2006	84.5%	64.3%	25.0%	(21.9)%	N/A	70.9%

(1) Communication services tax effective October 1, 2001

# CITY OF NORTH MIAMI, FLORIDA

TABLE 6

## ASSESSED VALUE OF ALL TAXABLE PROPERTY (1) LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Centrally Assessed Property</u>	<u>Taxable Gross Total</u>	<u>Real Estate Adjustments</u>	<u>Net Assessed Property Value</u>
1997	\$ 1,071,041,444	\$ 111,019,957	\$ 602,562	\$ 1,182,663,963	\$ 9,204,014	\$ 1,173,459,949
1998	1,097,530,218	111,324,898	608,223	1,209,463,339	9,336,728	1,200,126,611
1999	1,133,445,837	112,171,309	779,442	1,246,396,588	9,302,670	1,237,093,918
2000	1,152,380,189	131,273,575	771,791	1,284,425,555	10,121,113	1,274,304,442
2001	1,189,062,896	115,288,424	805,782	1,305,157,102	9,088,509	1,296,068,593
2002	1,266,127,069	120,578,899	830,144	1,387,536,112	15,469,107	1,372,067,005
2003	1,376,538,211	114,867,426	851,583	1,492,257,220	13,364,987	1,478,892,233
2004	1,574,569,163	109,803,581	849,185	1,685,221,929	18,813,919	1,666,408,010
2005	1,809,777,258	106,472,379	968,486	1,917,218,123	19,523,012	1,897,695,111
2006	2,172,142,450	109,575,441	1,094,458	2,282,812,349	26,930,784	2,255,881,565

Source: Miami-Dade County Property Appraiser

(1) The basis of assessed value is approximately 100% of actual value. For each fiscal year ending September 30, property is valued as of January 1st of the preceding year.

# CITY OF NORTH MIAMI, FLORIDA

TABLE 7

## PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS (PER \$1,000 OF ASSESSED VALUATION) LAST TEN FISCAL YEARS

Fiscal Year	<u>City of North Miami</u>			<u>Miami-Dade County</u>			School District	State	Total Millage
	Operating Millage(1)	Debt Service Millage	Total	Operating Millage	Debt Service Millage	Total			
1997	7.935	1.217	9.152	9.156	0.832	9.988	10.366	0.710	30.216
1998	7.931	1.184	9.115	8.673	1.004	9.677	10.462	0.747	30.001
1999	7.831	1.169	9.000	8.887	0.837	9.724	10.160	0.744	29.628
2000	7.930	1.108	9.038	8.561	0.816	9.377	9.644	0.741	28.800
2001	8.350	0.351	8.701	8.503	0.652	9.155	9.617	0.738	28.211
2002	8.500	0.323	8.823	8.465	0.552	9.017	9.376	0.736	27.952
2003	8.500	0.271	8.771	8.550	0.390	8.940	9.252	0.736	27.699
2004	8.500	0.2575	8.7575	9.130	0.285	9.415	9.100	0.7355	28.008
2005	8.500	0.2322	8.7322	9.040	0.285	9.325	8.687	0.7355	27.480
2006	8.500	0.1927	8.6927	8.925	0.285	9.210	8.438	0.7355	27.076

Source: Miami-Dade County Property Appraiser.

(1) Includes general operations and library. Beginning in fiscal year 2006 also includes North Miami Community Redevelopment Agency (CRA).

**CITY OF NORTH MIAMI, FLORIDA**

TABLE 8

PRINCIPAL PROPERTY TAXPAYERS  
CURRENT YEAR AND NINE YEARS AGO

<u>Taxpayer</u>	<u>2006</u>			<u>1997</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of total City Taxable Assessed Value</u>
Stellar Biscayne	\$ 67,000,000	1	2.97%	\$ -	-	-
King Apartments	46,681,917	2	2.07%	-	-	-
City of North Miami/Biscayne Landings	43,980,197	3	1.95%	-	-	-
Florida Power & Light	31,850,432	4	1.41%	23,541,903	1	2.01%
Alliance LTD Partnership	28,199,542	5	1.25%	-	-	-
West Hialeah Sans Souci LLC	26,500,000	6	1.17%	-	-	-
Ciprox USA	15,752,186	7	0.70%	-	-	-
127th Street Shopping Center, Inc.	15,552,004	8	0.69%	7,523,468	8	0.64%
Causeway Plaza	14,300,000	9	0.63%	-	-	-
Center Court Associates, Ltd.	13,800,000	10	0.61%	15,500,000	4	1.32%
Court Apartments, L.P.	-	-	0.00%	21,000,000	2	1.79%
Bell South Company	-	-	0.00%	19,483,523	3	1.66%
Tropicana Investors, Inc.	-	-	0.00%	11,645,969	5	0.99%
Greenwich Village Associates, Ltd.	-	-	0.00%	9,519,020	6	0.81%
Jerry Lazarus Trust	-	-	0.00%	9,374,000	7	0.80%
North Miami Business Park	-	-	0.00%	7,180,548	9	0.61%
Nathan S. Gummenick	-	-	0.00%	5,600,000	10	0.48%
Totals	<u>\$ 303,616,278</u>		<u>13.46%</u>	<u>\$ 130,368,431</u>		<u>11.11%</u>

Source: Miami-Dade County Property Appraiser

**CITY OF NORTH MIAMI, FLORIDA**

TABLE 9

PROPERTY TAX LEVIES AND COLLECTIONS (1)  
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Total Tax Levy (2)</u>	<u>Current Tax Collected</u>	<u>Percent of Current Taxes Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collections to Total Tax Levy</u>
1997	\$ 10,823,741	\$ 10,182,625	94.08	\$ 59,042	\$ 10,241,667	94.62
1998	11,024,259	10,461,639	94.90	170,122	10,631,761	96.44
1999	11,050,487	10,600,534	95.93	115,903	10,716,437	96.98
2000	11,608,639	10,992,751	94.69	130,503	11,123,254	95.82
2001	11,356,172	10,762,383	94.77	184,170	10,946,553	96.39
2002	12,242,231	11,625,171	94.96	159,854	11,785,025	96.27
2003	13,088,588	12,460,129	95.20	115,732	12,575,861	96.08
2004	14,758,331	13,991,362	94.80	78,341	14,069,703	95.33
2005	16,741,532	15,807,805	94.42	126,744	15,934,549	95.18
2006	19,843,802	18,808,126	94.78	88,622	18,896,748	95.23

Source: Miami-Dade County Property Appraiser and internally generated data.

(1) Includes levies and collections for personal and real properties.

(2) Includes levies for general operations, library, and debt service. Subsequent to 1999, library services are included in general operations. Beginning in fiscal year 2006, total tax levy also includes tax-increment financing for the North Miami Community Redevelopment Agency (CRA).

CITY OF NORTH MIAMI, FLORIDA

TABLE 10

RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities					Business-type Activities			Total Primary Government	Population (1)	Per Capita
	General Obligation Bonds	Capital Improvement Revenue Bonds (1996)	Pension Obligation Bonds	Capital Leases	Notes Payable	Water and Sewer Revenue Bonds	Capital Leases	Loan Payable			
1997	\$6,875,000	\$ 3,634,813	\$11,900,000	\$ -	\$ -	\$6,980,000	\$ -	\$ -	\$29,389,813	50,393	583
1998	5,875,000	2,791,453	11,900,000	-	-	6,595,000	-	-	27,161,453	50,258	540
1999	4,820,000	1,905,952	11,900,000	380,796	-	6,200,000	-	-	25,206,748	50,393	500
2000	3,720,000	976,205	11,900,000	-	1,400,000	5,785,000	-	-	23,781,205	59,880	397
2001	3,500,000	-	11,900,000	-	2,000,000	5,355,000	-	-	22,755,000	59,880	380
2002	3,335,000	-	11,755,000	-	2,679,864	4,905,000	-	5,545,000	28,219,864	59,996	470
2003	3,060,000	-	14,635,000	-	2,306,760	4,440,000	-	5,360,000	29,801,760	60,069	496
2004	2,780,000	-	14,475,000	-	1,830,444	-	-	5,180,000	24,265,444	60,101	404
2005	2,490,000	-	14,305,000	-	849,915	-	1,816,921	4,995,000	24,456,836	60,312	406
2006	2,180,000	-	14,130,000	548,731	-	1,087,770	2,739,112	4,800,000	25,485,613	59,734	427

Note: Details about the City's outstanding debt can be found in Note 8 in the notes to the basic financial statements.

(1) From table 18.

**CITY OF NORTH MIAMI, FLORIDA**

TABLE 11

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

<u>Fiscal Year</u>	<u>(1) Population*</u>	<u>(2) Assessed Value*</u>	<u>(3) Gross Bonded Debt*</u>	<u>(4) Less Debt Service Fund*</u>	<u>Net Bonded Debt*</u>	<u>Ratio of Net Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
1997	50	\$ 1,173,460	\$ 6,875	\$ 11	\$ 6,864	0.58	\$ 137
1998	50	1,200,127	5,875	21	5,854	0.49	117
1999	50	1,237,094	4,820	32	4,788	0.39	96
2000	60	1,274,304	3,720	14	3,706	0.29	62
2001	60	1,296,069	3,500	10	3,490	0.27	58
2002	60	1,372,067	3,335	37	3,298	0.24	55
2003	60	1,478,892	3,060	-	3,060	0.21	51
2004	60	1,666,408	2,780	-	2,780	0.17	46
2005	60	1,897,695	2,490	8	2,482	0.13	41
2006	60	2,255,882	2,180	-	2,180	0.10	36

\*Amounts expressed in thousands.

Source: City of North Miami Finance Department.

(1) From Table 18.

(2) From Table 6.

(3) Amount does not include special obligation bonds payable. All general obligation bonded debt is expected to be repaid through general governmental resources.

(4) Amount available for repayment of FMLC loan (general obligation debt).

**CITY OF NORTH MIAMI, FLORIDA**

TABLE 12

SCHEDULE OF DIRECT AND OVERLAPPING BONDED DEBT  
GENERAL OBLIGATION BONDS (1)  
(IN THOUSANDS)

SEPTEMBER 30, 2006

<u>Jurisdiction</u>	<u>Taxable Property Value</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable To North Miami</u>	<u>Amount Applicable To North Miami</u>
Direct:				
City of North Miami (1)	\$ 2,255,882	\$ 2,180	100.00%	\$ 2,180
Overlapping:				
Miami-Dade County (2)	212,656,282	478,471	1.06% (4)	5,072
Miami-Dade County Schools (3)	149,948,645	<u>560,574</u>	1.50% (4)	<u>8,409</u>
Total overlapping debt		<u>1,039,045</u>		<u>13,481</u>
Total direct and overlapping debt		<u>\$ 1,041,225</u>		<u>\$ 15,661</u>

(1) Excludes the City of North Miami's special obligation bonds which are not payable from property taxes (see Table 11).

(2) Source: Miami-Dade County Finance Department - Taxable Property Value reflects January 1, 2006 amounts and Net General Obligation Bonded Debt Outstanding figures are as of September 30, 2006.

(3) Source: School Board of Miami-Dade County Division of Accounting - Taxable Property Value reflects September 30, 2005 amounts and Net General Obligation Bonded Debt Outstanding figures are as of June 30, 2006.

(4) Based on the percentage of the County's/School Board's tax roll valuation comprised of real and personal property situated in the City of North Miami.

**CITY OF NORTH MIAMI, FLORIDA**

TABLE 13

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR BONDED DEBT (1)  
TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES\*  
LAST TEN FISCAL YEARS

Fiscal Year	<u>Principal</u>	<u>Interest (2)</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures (7)</u>	Ratio of Debt Service to General Governmental Expenditures
1997	\$ 1,832	\$ 728 (3)	\$2,560	\$ 40,652	6.30
1998	1,843	1,205	3,048	29,839	10.21
1999	1,941	1,300	3,241	32,970	9.83
2000	2,030	1,233 (4)	3,263	35,030	9.31
2001	1,196	1,104	2,300	34,629	6.64
2002	380	1,130 (5)	1,510	39,389	3.83
2003	375	1,518 (6)	1,893	40,081	4.72
2004	440	1,190	1,630	40,564	4.02
2005	460	1,165	1,625	49,566	3.28
2006	485	1,139	1,624	52,480	3.09

\*Amounts expressed in thousands.

- (1) Includes debt service for general obligation and special obligation debt.
- (2) Includes debt issuance and other costs.
- (3) Includes debt issuance costs of approximately \$176,000.
- (4) Includes debt issuance costs of approximately \$27,000.
- (5) Includes debt issuance costs of approximately \$59,436.
- (6) Includes debt issuance costs of \$422,662.
- (7) Does not include expenditures for capital projects funds.

**CITY OF NORTH MIAMI, FLORIDA**

TABLE 14

SCHEDULE OF REVENUE BOND COVERAGE  
 WATER & SEWER ENTERPRISE FUND  
 (IN THOUSANDS)  
 LAST TEN FISCAL YEARS

Fiscal Year	Operating Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements		Total	Coverage
				Principal	Interest (3)		
1997	\$ 14,983	\$ 14,116	\$ 867	\$ 370	\$ 294	\$ 664	1.30
1998	15,355	13,273	2,082	385	278	663	3.14
1999	15,766	14,439	1,327	395	262	657	2.01
2000	17,212	14,374	2,838	415	245	660	4.29
2001	16,236	14,917	1,319	430	228	658	2.00
2002	16,478	15,889	589	450	210	660	0.89
2003	16,458	16,594	(136)	465	191	656	(0.21)
2004 (4)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2005	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2006 (5)	20,506	18,870	1,636	112	40	152	10.76

(1) Total operating revenues, plus interest income and operating grants.

(2) Total operating expenses exclusive of depreciation.

(3) Including fiscal charges.

(4) The 1964 Water & Sewer Bond issue matured 2/1/2004. The 1965 Water & Sewer Bond issue was called for full redemption on 8/1/2004. Both issues were paid. As of 9/30/2004, there were no Water & Sewer Bonds outstanding.

(5) In November 2005, the City issued \$1.2 million in Water & Sewer Revenue Bonds-Series 2005 due December 1, 2012.

CITY OF NORTH MIAMI, FLORIDA

TABLE 15

FISCAL YEAR BUDGETED AND HISTORIC NON-AD VALOREM FUNDS

FISCAL YEAR ENDED SEPTEMBER 30

<u>Sources of Funds</u>	2007 (Budgeted)	2006	2005	2004	2003	2002
General government funds (1):						
Franchise fees (5)	\$ 2,932,800	\$ 3,773,867	\$ 3,140,507	\$ 2,841,720	\$ 2,706,832	\$ 2,455,206
Utility taxes	2,469,750	2,545,881	2,428,733	2,458,734	2,521,258	2,428,414
Communication services tax	1,975,000	2,113,436	1,953,438	1,729,145	1,713,857	2,286,283
Sales and use taxes	829,289	896,150	894,061	882,228	916,555	898,208
Licenses and permits	2,415,100	2,802,746	1,661,473	1,348,970	1,183,969	925,688
Intergovernmental revenues (2)	6,098,700	6,256,227	5,927,926	7,178,033	8,784,087	7,764,497
Charges for services (3)	6,516,689	6,542,842	6,029,459	6,002,864	6,027,983	5,139,702
Fines and forfeitures	283,000	461,077	452,387	576,905	766,495	700,027
Other (6)	7,323,196	1,440,575	645,466	1,898,581	1,887,969	543,291
Total general government non-ad valorem funds	<u>30,843,524</u>	<u>26,832,801</u>	<u>23,133,450</u>	<u>24,917,180</u>	<u>26,509,005</u>	<u>23,141,316</u>
Enterprise funds (4):						
Water and sewer utility	20,540,944	20,223,027	16,590,647	16,446,720	16,211,044	15,957,226
Solid waste services	6,330,575	6,013,293	6,021,664	5,810,394	4,801,765	4,804,527
Stormwater utility	2,299,415	2,146,193	2,020,618	1,837,166	914,741	899,226
Total enterprise funds non-ad valorem funds	<u>29,170,934</u>	<u>28,382,513</u>	<u>24,632,929</u>	<u>24,094,280</u>	<u>21,927,550</u>	<u>21,660,979</u>
Total non-ad valorem funds	<u>\$60,014,458</u>	<u>\$55,215,314</u>	<u>\$47,766,379</u>	<u>\$49,011,460</u>	<u>\$48,436,555</u>	<u>\$44,802,295</u>

(1) Includes general fund, special revenue funds and debt service funds; excludes capital project funds.

(2) Prior to 2005, intergovernmental revenue does not include grants to be paid by Miami-Dade County and certain other revenue restricted for specific use and not available to fund debt service. Beginning in 2005, all intergovernmental revenue restricted for specific use and not available to fund debt service has been excluded from this category.

(3) Includes interfund services provided and used.

(4) Only operating revenues are shown.

(5) Fiscal year 2002 revenue for franchise fees has been restated to reclassify communication services tax revenue to a separate category.

(6) Beginning in 2005, excludes revenues legally restricted for specific use and not available to fund debt service.

**CITY OF NORTH MIAMI, FLORIDA**

TABLE 16

DEBT SERVICE REQUIREMENTS AND COVERAGE  
OUTSTANDING AND PROPOSED  
PAYABLE FROM NON-AD VALOREM FUNDS

Fiscal Year	Outstanding	Pension Obligation Bonds (3)		Total	Total	Non-Ad	Coverage Ratio Percentage
	Debt Service (1)	Principal	Interest		Principal Debt Service	Valorem Funds (2)	
2007	\$ 638,633	\$ 190,000	\$ 1,004,697	\$ 1,194,697	\$ 1,833,330	\$ 60,014,458	32.74
2008	633,536	205,000	990,979	1,195,979	1,829,515	60,014,458	32.80
2009	633,310	225,000	975,845	1,200,845	1,834,155	60,014,458	32.72
2010	636,936	240,000	959,559	1,199,559	1,836,495	60,014,458	32.68
2011	634,936	255,000	942,165	1,197,165	1,832,101	60,014,458	32.76
2012	681,870	275,000	923,712	1,198,712	1,880,582	60,014,458	31.91
2013	436,575	300,000	903,504	1,203,504	1,640,079	60,014,458	36.59
2014	437,344	320,000	881,774	1,201,774	1,639,118	60,014,458	36.61
2015	436,987	345,000	858,492	1,203,492	1,640,479	60,014,458	36.58
2016	435,844	370,000	833,517	1,203,517	1,639,361	60,014,458	36.61
2017	433,912	395,000	806,545	1,201,545	1,635,457	60,014,458	36.70
2018	436,063	425,000	777,852	1,202,852	1,638,915	60,014,458	36.62
2019	432,294	455,000	746,988	1,201,988	1,634,282	60,014,458	36.72
2020	433,569	490,000	713,973	1,203,973	1,637,542	60,014,458	36.65
2021	434,806	525,000	678,276	1,203,276	1,638,082	60,014,458	36.64
2022	435,094	565,000	640,123	1,205,123	1,640,217	60,014,458	36.59
2023	-	605,000	599,090	1,204,090	1,204,090	60,014,458	49.84
2024	-	655,000	555,084	1,210,084	1,210,084	60,014,458	49.60
2025	-	700,000	507,458	1,207,458	1,207,458	60,014,458	49.70
2026	-	755,000	456,541	1,211,541	1,211,541	60,014,458	49.54
2027	-	810,000	401,682	1,211,682	1,211,682	60,014,458	49.53
2028	-	865,000	342,938	1,207,938	1,207,938	60,014,458	49.68
2029	-	930,000	279,998	1,209,998	1,209,998	60,014,458	49.60
2030	-	1,000,000	212,394	1,212,394	1,212,394	60,014,458	49.50
2031	-	1,075,000	139,693	1,214,693	1,214,693	60,014,458	49.41
2032	-	1,155,000	61,559	1,216,559	1,216,559	60,014,458	49.33
	<u>\$ 8,211,709</u>	<u>\$ 14,130,000</u>	<u>\$ 17,194,438</u>	<u>\$ 31,324,438</u>	<u>\$ 39,536,147</u>		

(1) This assumes that total debt service on these bonds is paid from Non-Ad Valorem Funds (See Table 17).

(2) This reflects the budgeted funds available for the fiscal year ending September 30, 2007 from General Government Non-Ad Valorem Funds and Enterprise Funds.

(3) In October 2002, \$14,735,000 in Taxable Special Obligation Refunding Bonds-Series 2002 (Pension) were issued to current refund \$11,755,000 of outstanding Taxable Special Obligation Bonds (Pension) 1997.

**CITY OF NORTH MIAMI, FLORIDA**

TABLE 17

DEBT SERVICE PAYABLE FROM PORTIONS OF THE NON-AD VALOREM FUNDS

<u>Year</u>	FMLC Series 2001A Stormwater Utility Revenue Bonds <u>(1)</u>	Water & Sewer Revenue Bonds Series 2005 <u>(2)</u>	<u>Total</u>
2007	\$ 440,138	\$ 198,495	\$ 638,633
2008	435,800	197,736	633,536
2009	435,575	197,735	633,310
2010	439,200	197,736	636,936
2011	437,200	197,736	634,936
2012-2022	<u>4,787,188</u>	<u>247,170</u>	<u>5,034,358</u>
	<u>\$ 6,975,101</u>	<u>\$ 1,236,608</u>	<u>\$ 8,211,709</u>

(1) In November 2001, the City entered into a loan agreement with the Florida Municipal Loan Council in the principal amount of \$5,545,000. The purpose of the loan is to finance capital improvements to the City's stormwater system. The loan proceeds were funded through a Florida Municipal Loan Council bond issuance (FMLC Revenue Bonds, Series 2001A).

(2) In November 2005, the City issued \$1.2 million in Water and Sewer Revenue bonds to fund improvements to the City's water and sewer system. The bonds are payable over a 7-year period with the final payment due December 1, 2012.

Source: City of North Miami, Florida Finance Department.

**CITY OF NORTH MIAMI, FLORIDA**

TABLE 18

DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS

Fiscal Year	(1) <u>Population</u>	Personal <u>Income</u>	(2) Per Capita Personal <u>Income</u>	(3) Median <u>Age</u>	(4) School <u>Enrollment</u>	(5) Unemployment Rate <u>Percentage</u>
1997	50,393	N/A	\$ 13,297	N/A	340,904	7.7
1998	50,258	N/A	13,297	N/A	345,861	6.9
1999	50,393	N/A	13,297	N/A	352,595	6.2
2000	59,880	N/A	14,581	32	360,202	5.9
2001	59,880	N/A	14,581	32	368,453	6.8
2002	59,996	N/A	14,581	32	374,725	7.9
2003	60,069	N/A	14,581	32	371,482	7.8
2004	60,101	N/A	14,581	32	369,578	6.6
2005	60,312	N/A	14,581	32	361,550	4.8
2006	59,734	N/A	14,581	32	365,784	5.6

(1) University of Florida, Bureau of Economic & Business Research (Except in 2000 - U.S. Census Bureau, Census 2000).

(2) Data for 1997-1999 and 2000-2006 based on U.S. Census of Population 1990 and 2000 respectively.

(3) U.S. Census Bureau, Census 2000.

(4) Source: Miami-Dade County School Board. Data is for Miami-Dade County.

(5) U.S. Department of Labor, Bureau of Labor Statistics.

N/A-Not Available

CITY OF NORTH MIAMI, FLORIDA

TABLE 19

PRINCIPAL EMPLOYERS  
CURRENT YEAR

<u>Employer</u>	<u>2006</u>			<u>1997</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
50 State Security	1,000	1	N/A	N/A	N/A	N/A
City of North Miami	523	2	N/A	N/A	N/A	N/A
Florida International University	500	3	N/A	N/A	N/A	N/A
Villa Maria Health Care	470	4	N/A	N/A	N/A	N/A
Publix Super Markets	361	5	N/A	N/A	N/A	N/A
Johnson & Wales University	250	6	N/A	N/A	N/A	N/A
World Emblem	200	7	N/A	N/A	N/A	N/A
Comtel, Inc./PBS Channel 2	140	8	N/A	N/A	N/A	N/A
Farrey's Wholesale Hardware	120	9	N/A	N/A	N/A	N/A
Genesis Health Care	100	10	N/A	N/A	N/A	N/A
Total	<u>3,664</u>					

Source: City Economic Development Office

**CITY OF NORTH MIAMI, FLORIDA**

TABLE 20

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION  
LAST TEN FISCAL YEARS

<u>Function</u>	<u>FISCAL YEAR</u>									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Governmental activities:										
General government	111	104	105	106	107	111	111	112	111	116
Public safety	174	176	176	177	179	183	190	190	193	193
Transportation	33	33	33	33	33	33	33	34	34	34
Personnel services	7	7	8	8	8	8	8	8	8	9
Culture and recreation	71	69	71	71	72	71	70	69	71	72
Physical environment	-	-	1	1	1	1	1	1	-	-
Economic environment	5	5	6	6	7	6	8	9	9	9
Business-type activities:										
Water & sewer utility	54	56	56	56	56	56	56	56	56	56
Solid waste	49	45	45	45	37	41	41	39	31	32
Stormwater	<u>6</u>	<u>8</u>	<u>8</u>	<u>8</u>	<u>8</u>	<u>8</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>
Total	<u>510</u>	<u>503</u>	<u>509</u>	<u>511</u>	<u>508</u>	<u>518</u>	<u>528</u>	<u>528</u>	<u>523</u>	<u>531</u>

Source: City Finance Department

**CITY OF NORTH MIAMI, FLORIDA**

TABLE 21

OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS

<u>Function</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Public safety:										
Police:										
Physical arrests	1,764	1,625	1,406	1,562	1,607	1,409	1,770	2,216	2,324	2,305
Traffic citations	15,129	16,892	11,184	9,674	9,065	6,150	9,147	13,203	17,342	17,070
Parking citations	1,566	1,413	1,587	1,385	1,433	1,687	2,371	2,890	2,773	2,942
Number of calls for service	N/A	N/A	41,674	47,335	49,107	49,455	48,281	47,201	46,087	43,235
Fire:										
Number of calls answered	6,243	13,739	13,385	13,033	16,415	13,429	7,742	11,689	12,270	8,158
Culture and recreation:										
Athletic field permits issued (rentals):										
Soccer	N/A	N/A	N/A	N/A	N/A	1	19	47	120	258
Football	N/A	29	34	95						
Baseball	N/A	N/A	N/A	N/A	N/A	24	32	28	42	14
Basketball	N/A	N/A	N/A	N/A	N/A	N/A	1	1	1	1
Membership (yearly):										
Tennis	N/A	N/A	N/A	30	50	61	79	74	64	56
Swim	N/A	N/A	N/A	2	11	17	25	11	15	14
Adult center	N/A	N/A	N/A	49	104	109	170	70	27	52
Afterschool	N/A	N/A	N/A	4	11	50	166	294	126	66
Camp program participants	N/A	N/A	N/A	N/A	1,072	1,091	1,248	1,188	1,188	1,426
Youth athletic participants (all sports)	N/A	N/A	N/A	N/A	2,582	3,015	3,062	2,748	2,192	1,598
Adult participants (all sports)	N/A	N/A	N/A	N/A	553	496	444	497	401	329
Water:										
Daily average treatment in gallons	13,280,000	13,280,000	11,116,244	11,239,040	12,439,000	12,890,000	8,500,000	8,500,000	8,500,000	8,100,000
Average daily consumption in gallons	13,300,000	13,300,000	13,300,000	11,345,200	10,939,550	10,941,077	11,510,000	10,545,000	10,545,000	11,027,500
Solid waste:										
Refuse collected (tons)	N/A	14,400								
Stormwater:										
Equivalent and commercial residential units (ERU's)	N/A	35,290								

N/A - Not available

CITY OF NORTH MIAMI, FLORIDA

TABLE 22

CAPITAL ASSET STATISTICS BY FUNCTION  
LAST TEN FISCAL YEARS

<u>Function</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Public safety:										
Police:										
Stations (including off-site locations)	5	6	3	3	3	2	1	2	2	2
Patrol units	91	91	91	91	91	91	66	66	69	69
Transportation:										
Streets (miles)	135	135	135	136	136	136	136	136	138	136
Street lights (FPL and City owned)	2,642	2,642	2,642	2,677	2,680	2,680	2,680	2,680	2,680	2,680
Culture and recreation:										
Library	1	1	1	1	1	1	1	1	1	1
Museums	1	1	1	1	1	1	1	1	1	1
Parks	16	16	16	16	16	17	17	17	17	16
Park acreage	561	561	561	561	561	561	561	561	561	549
Swimming pools	2	2	2	2	2	2	2	2	2	1
Tennis courts	31	28	28	28	28	28	28	28	28	25
Community centers	5	5	6	6	6	6	6	6	6	5
Water:										
Water mains (miles)	287	301	302	303	303	303	304	306	304	306
Maximum daily capacity in gallons	9,300,000	9,300,000	9,300,000	9,300,000	9,300,000	9,300,000	9,300,000	9,300,000	9,300,000	9,300,000
Daily average treatment in gallons	13,280,000	13,280,000	11,116,244	11,239,040	12,439,000	12,890,000	8,500,000	8,500,000	8,500,000	8,500,000
Fire hydrants	814	827	831	840	844	848	858	868	890	912
Sewage system:										
Miles of storm sewers	21	21	22	23	23	23	23	27	28	28
Miles of sanitary sewers	151	152	152	152	152	152	152	152	153	153
Solid waste:										
Collection trucks	11	11	13	12	12	11	12	12	16	19

Sources: Various city departments.

Note: No capital asset indicators are available for the general government function.

# CELEBRATING OUR *Nation*

The City of North Miami's Annual July 4th Celebration always offers fun activities, entertainment for all ages, patriotic tunes, and spectacular fireworks.



COMPLIANCE

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

Honorable Mayor, City Council and City Manager  
City of North Miami, 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, Florida (the City) as of and for the fiscal year ended September 30, 2006 which collectively comprise of the City's basic financial statements, and have issued our report thereon dated March 2, 2007. We did not audit the financial statements of the North Miami Community Redevelopment Agency special revenue and capital projects funds which represent less than 1% and 1% respectively, of the assets and revenues of the aggregate remaining fund information. Those financial statements were audited by other independent auditors whose reports thereon have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the North Miami Community Redevelopment Agency special revenue and capital projects funds, is based solely on the reports of the other auditors. 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'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.

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Honorable Mayor, City Council and City Manager  
City of North Miami, Florida  
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Compliance and Other Matters

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

We noted other matters that we have reported to management in the schedule of findings and questioned costs accompanying this report.

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

*Rachlin Cohen & Holtz LLP*

Miami, Florida  
March 2, 2007

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, Florida

We have audited the basic 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, Florida (the City) as of and for the year ended September 30, 2006, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 2, 2007. We did not audit the financial statements of the North Miami Community Redevelopment Agency special revenue and capital projects funds which represent less than 1% and 1% respectively, of the assets and revenues of the aggregate remaining fund information. Those financial statements were audited by other independent auditors whose reports thereon have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the North Miami Community Redevelopment Agency special revenue and capital projects funds, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General. We have issued our Report of Independent Certified Public Accountants on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements, Report of Independent Certified Public Accountants on Compliance and Internal Control over Compliance Applicable to each Major Federal Awards Program and State Financial Assistance Project, and the Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 2, 2007, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

The Rules of the Auditor General (Section 10.554(1)(h)1.) require that we address in the management letter, if not already addressed in the auditor's report on compliance and internal controls or schedule of findings and questioned costs, whether or not recommendations made in the preceding annual financial report have been followed. The recommendations made in the preceding annual financial audit report have been addressed.

As required by the Rules of the Auditor General (Section 10.554(1)(h)2.), the scope of our audit included a review of the provisions of Section 218.415., Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City of North Miami complied with Section 218.415, Florida Statutes.

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

The Rules of the Auditor General (Section 10.554(1)(h)3.) require that we address in the management letter any findings and recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, there is one matter reported in the schedule of findings and questioned costs.

The Rules of the Auditor General (Section 10.554(1)(h)4.) require disclosure in the management letter of the following matters if not already addressed in the auditor's reports on compliance and internal controls or schedule of findings and questioned costs and are not clearly inconsequential: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (e. g., the omission of required disclosures from the financial statements); (4) failures to properly record financial transactions; and (5) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of the auditor. Our audit found one matter that is required to be disclosed and is presented in the accompanying schedule of findings and questioned costs.

The Rules of the Auditor General (Section 10.554(1)(h)5.) also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The City of North Miami was created by Chapter 29318, Laws of Florida, 1953. The North Miami Community Redevelopment Agency, the City's blended component unit, was created by the City of North Miami and Miami-Dade County on June 7, 2005 in accordance with Chapter 163, Florida Statutes.

As required by the Rules of the Auditor General (Section 10.554(1)(h)6a.), a statement must be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes. In connection with our audit, we determined that the City, did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

As required by the Rules of the Auditor General (Section 10.554(1)(h)6b.), we determined that the annual financial report for the City of North Miami for the fiscal year ended September 30, 2006, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2006.

As required by the Rules of the Auditor General (Sections 10.554(h)6c. and 10.556(7)), we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. The assessment was done as of the fiscal year end. There were no findings that identified deteriorating financial conditions.

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  
March 2, 2007

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

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

Compliance

We have audited the compliance of the City of North Miami, Florida (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, and the requirements described in the Executive Office of the Governor's State projects compliance supplement, that are applicable to each of its major federal awards programs and its state financial assistance projects for the fiscal year ended September 30, 2006. The City's major federal awards programs and its state financial assistance projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs and its state financial assistance projects is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

As described in item 06-2 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding eligibility that is applicable to its State Housing Initiatives Partnership grant program. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

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City of North Miami, Florida  
Page Two

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material aspects with the requirements referred to above that are applicable to each of its major federal programs and its state financial assistance projects for the fiscal year ended September 30, 2006.

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 and state financial assistance projects. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on major federal and or state financial assistance projects programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General.

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 or state financial assistance projects 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 specific legislative or regulatory bodies 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  
March 2, 2007

**CITY OF NORTH MIAMI, FLORIDA**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

FISCAL YEAR ENDED SEPTEMBER 30, 2006

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<b><i>U.S. Department of Housing and Urban Development</i></b>			
Community Development Block Grant	14.218	B-05-MC-12-0039	\$ 114,669
Community Development Block Grant	14.218	B-04-MC-12-0039	1,503,000
Community Development Block Grant	14.218	B-03-MC-12-0039	<u>745,504</u>
			2,363,173
Home Investment Partnership	14.239	M-03-MC-12-0231	<u>225,077</u>
<b><i>Total U.S. Department of Housing and Urban Development</i></b>			<u>2,588,250</u>
<b><i>U.S. Department of Justice</i></b>			
Community Oriented Policing Services	16.710	2004SHWX0003	92,874
Community Oriented Policing Services	16.711	2002UMX0339	84,624
Local Law Enforcement Block Grant	16.592	04LBBX0336	4,608
Bulletproof Vest Partnership Grant-03	16.607	N/A	2,711
Solving Cold Cases with DNA	16.560	2005-DN-BX-K012	<u>115,663</u>
Subtotal Direct Programs			300,480
Pass-Through Program from:			
State of Florida Office of the Attorney General - Victim's Intervention Program Grant	16.575	V5136	41,713
Byrne Memorial Justice Assistance Grant	16.738	2006-DJ-BX-0245	2,017
Byrne Memorial Justice Assistance Grant	16.738	2005-DJ-BX-0559	87,405
Florida Strategy Interoperability Network Grant	16.007	MAS5906-43	44,250
State of Florida Department of Community Affairs - Urban Areas Security Initiative	16.007	04DS-1S-11-23-02-199	<u>1,546</u>
<b><i>Total U.S. Department of Justice</i></b>			<u>477,411</u>
<b><i>U.S. Department of Homeland Security</i></b>			
Federal Emergency Management Agency			
Pass-Through Program from:			
State of Florida Department of Community Affairs - FEMA 1345 Stormwater Drainage Project	97.309	01-RM-L5-11-23-02-032	287,381
FEMA Hurricane Relief - Wilma	97.036	06-WL-&K-11-23-02-584	5,104,267
FEMA Hurricane Relief - Katrina	97.036	06-KF-B&-11-23-02-599	<u>14,976</u>
<b><i>Total U.S. Department of Homeland Security</i></b>			<u>5,406,624</u>
<b><i>National Endowment for Humanities Institute of Museum of Library Services</i></b>			
Pass-Through Program from:			
Florida Department of State Teen Poetry Workshop Grant	45.310	05-LSTA-E-08	<u>11,092</u>
<b><i>Total Expenditures of Federal Awards</i></b>			<u>\$ 8,483,377</u>

(Continued)

See notes to the schedule of expenditures of federal awards and state financial assistance.

**CITY OF NORTH MIAMI, FLORIDA**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

(Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2006

<u>State Grantor/Pass-Through Grantor/Program Title</u>	<u>State CSFA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>State Expenditures</u>
<b><i>State of Florida Department of Environmental Regulation</i></b>			
Pass-Through from Florida Department of Transportation:			
Keep North Miami Beautiful-2006	N/A	N/A	\$ 19,150
Keep North Miami Beautiful-2005	N/A	N/A	<u>16,610</u>
<b><i>Total State of Florida Department of Environmental Regulation</i></b>			<u>35,760</u>
<b><i>State of Florida Department of State</i></b>			
State Aid to Libraries Grant	45.030	N/A	<u>29,887</u>
<b><i>State of Florida Department of Environmental Protection</i></b>			
Gravity Sewer System Improvement Grant	37.039	LP0213	<u>75,313</u>
<b><i>State of Florida Department of Transportation</i></b>			
Transit Circulator System Implementation	55.022	AN542	<u>274,592</u>
<b><i>State of Florida Housing Finance Agency</i></b>			
State Housing Initiatives Partnership (SHIP)	52.901	N/A	<u>163,168</u>
<b><i>Total Expenditures of State Financial Assistance</i></b>			<u><u>\$ 578,720</u></u>

N/A - Not applicable or available.

See notes to the schedule of expenditures of federal awards and state financial assistance.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

FISCAL YEAR ENDED SEPTEMBER 30, 2006

### NOTE 1. BASIS OF PRESENTATION

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

### NOTE 2. SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the City of North Miami provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grant - Entitlement Grants	14.218	<u>\$ 1,644,376</u>

# CITY OF NORTH MIAMI, FLORIDA

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FISCAL YEAR ENDED SEPTEMBER 30, 2006

### **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, 2005 schedule of findings and questioned costs:

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

- Fraud (see item 05-1)
- Water and Sewer Operations (see item 05-2)

#### ***Federal Awards Findings and Questioned Costs***

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

- Earmarking (see item 05-3)
- Subrecipient Agreements (see item 05-4)
- Subrecipient Monitoring (see item 05-5)
- Period of Availability (see item 05-6)
- Internal Controls over Compliance (see item 05-7)

#### ***State Financial Assistance and Questioned Costs***

There were no state financial assistance findings and questioned costs reported in fiscal year ended September 30, 2005.

**CITY OF NORTH MIAMI, FLORIDA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FISCAL YEAR ENDED SEPTEMBER 30, 2006

**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  no  
Reportable condition(s) identified not considered to be  
material weakness?  yes  none reported  
Noncompliance material to financial statements noted?  yes  no

***Federal Awards Programs and State Financial Assistance Projects***

Internal control over major programs:  
Material weakness(es) identified?  yes  no  
Reportable condition(s) identified not considered to be  
material weakness?  yes  none reported  
Type of auditor's report issued on compliance for major programs: *Qualified Opinion*  
Any audit findings disclosed that are required to be reported  
in accordance with Circular A-133, Section .510(a) and  
Chapter 10.550, Rules of the Auditor General?  yes  no

Identification of major programs:

	<u>Federal CFDA No.</u>
<u>Federal Program</u>	
Community Development Block Grant	14.218
Federal Emergency Management Agency Grant	97.036

	<u>State CSEA No.</u>
<u>State Projects</u>	
State Housing Initiatives Partnership	52.901
Transit Circulator System Implementation Grant	55.022

Dollar threshold used to distinguish between Type A and  
Type B programs: Federal \$300,000  
State \$173,616

Auditee qualified as low risk auditee for federal awards programs?  yes  no

# CITY OF NORTH MIAMI, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### SECTION II – FINANCIAL STATEMENT FINDINGS

#### Noncompliance

##### *06-1 Competitive Bidding Procedures*

##### *Criteria*

The City is required to purchase services, supplies, and equipment exceeding \$7,500 through competitive award procedures as prescribed by the City's policies.

##### *Condition*

We noted during our bid testing of five (5) purchase orders that the City did not renew a contract with one of its vendor's who provides services to the City. The contract had expired September 30, 2005 and the City continued to receive and pay for services throughout the year and did not renew the contract or follow the competitive bid procedures as prescribed by the City's policies or obtain authorization from Council to renew the contract for another year.

##### *Effect*

In addition to not complying with established City policies, when the City does not request proposals from eligible companies, the City runs the risk of overpaying for a service.

##### *Recommendation*

We recommend that the City follow its existing policies and ensure that all contracts that have expired go through the bidding process or if a special situation is approved by City Council.

##### *View of Responsible Officials and Planned Corrective Actions*

In 2003, the City awarded a meter reading and field services contract to a vendor who had successfully been awarded the same contract by a county government through a formal competitive bid process (a/k/a "a piggy-back contract"). The contract was for one year, with two one-year renewal options. The renewal options were exercised in both 2004 and 2005. Unfortunately, when the contract expired on September 30, 2005, neither party addressed the issue of procuring a new agreement, so for the entire fiscal year of 2006 the vendor continued to provide services pursuant to the expired contract, and the City continued to pay for the services based on the rates of the expired contract. Because higher rates had been anticipated in the budget, this; resulted in a favorable variance.

While this isolated oversight is a departure of the City's policy, the resulting effect is that the City saved thousands of dollars. In order to help prevent this from occurring again, the City will request better adherence to Administrative Regulation 1-18, where all multi-year contracts are entered into the City's contract administration system (a/k/a "System Casey"). This current system allows for departments to be notified of contracts needing to be updated or renewed on a periodic and timely basis. Once the new financial software system is implemented, additional and enhanced controls will also be available.

# CITY OF NORTH MIAMI, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

### SECTION IV – STATE FINANCIAL ASSISTANCE AND QUESTIONED COSTS

#### **Noncompliance**

#### ***06-2 Eligibility***

#### **CSFA 52.901 State Housing Initiatives Partnership (SHIP) State of Florida Housing Finance Agency**

#### ***Criteria***

The City is required to ensure that individuals who the City grants or loans SHIP funds meet certain specific eligibility requirements that the SHIP provides for in the grant agreement with the City.

#### ***Condition***

We noted during our compliance testing of the eligibility requirements that the City could not provide support for five of the nine transactions selected for testing. This represents \$85,480 of the \$140,927 selected for testing.

#### ***Questioned Costs***

The questioned costs amount to \$85,480. This represents the total amount of the five (5) transactions for which we could not verify that the individuals met the eligibility requirement.

#### ***Cause***

It appears that the City is not properly maintaining a file documenting compliance with eligibility requirements for all individuals receiving SHIP funds.

#### ***Effect***

This could result in providing funds to an individual who is not eligible and could put the City in jeopardy of losing funds provided by the SHIP program.

#### ***Recommendation***

We recommend that the City prepare a file for each recipient and include in each file the appropriate support for each applicable eligibility requirement and maintain the files in a place that the City can easily locate.

# CITY OF NORTH MIAMI, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### SECTION IV – STATE FINANCIAL ASSISTANCE AND QUESTIONED COSTS (Continued)

#### *View of Responsible Officials and Planned Corrective Actions*

It is stated above that five out of nine SHIP grant/loan transactions selected for eligibility testing could not be supported with proper documentation, and that the cause is from the City not maintaining a file with the eligibility requirements. It should be noted that the City's Housing Division (in the CP&D Department) did maintain such files; unfortunately, these were stolen from the office, as evidenced in the police report dated January 4, 2007.

The Housing Division has been in a temporary location for the past several months, but is slated to move into new offices in 2007. The new location is expected to have suitable space for staff and adequate storage area for the security of files. Additionally, to address the issue of file retention and security, staff will be attending training workshops and Division's procedures manual will be brought up to date.

### SECTION V – NEW PRONOUNCEMENT

#### *Governmental Accounting Standards Board Statement No. 45 – Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions*

As part of the total compensation offered to attract and retain the services of qualified employees, many state and local governmental employers, in addition to pensions, provide other post-employment benefits (OPEB). OPEB includes post-employment healthcare, as well as other forms of post-employment benefits when provided separately from a pension plan. The Governmental Accounting Standards Board has issued Statement No. 45 which establishes standards for the measurement, recognition, and display of OPEB expenses/expenditures and related liabilities (assets), note disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

Post-employment benefits (OPEB) are part of an exchange of salaries and benefits for employee services rendered, and are taken after the employee's services have ended. From an accrual accounting perspective, the cost of OPEB should be associated with the periods in which the exchange occurs, rather than with the periods, often many years later, when benefits are paid or provided. However, in current practice, most OPEB plans are financed on a pay-as-you-go basis, and financial statements generally do not report financial effects of OPEB until the promised benefits are paid. As a result, current financial reporting generally fails to recognize the cost of the benefits in periods when the related services are received by the employer, provide information about the actuarial accrued liabilities for promised benefits associated with past services and whether and to what extent those benefits have been funded and provide information useful in assessing potential demands on the employer's future cash flows. This Statement improves the relevance and usefulness of financial reporting by (a) requiring systematic, accrual basis measurement and recognition of OPEB expense over a period that approximates employees' years of service and (b) providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan.

# CITY OF NORTH MIAMI, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### **SECTION V – NEW PRONOUNCEMENT (Continued)**

OPEB expenditures for governmental funds should be recognized on the modified accrual basis. The amount recognized should be equal to the amount contributed to the plan or expected to be liquidated with expendable available resources. Essentially, there is no change from current practice for governmental funds. However, for government-wide financial statements, the accrual basis must be used.

The accrual method will require the calculations to be made using actuarial computations and will result in the recognition of a present value liability which measures the value of OPEB benefits earned by employees during their tenure with the government and likely to be paid upon retirement. This calculation will result in substantial amounts, due to the current cost of such benefits and their escalating costs. It should also be emphasized that there is no requirement to fund these benefits with current resources. The Statement merely requires the reporting of the value of the benefit primarily in the government-wide financial statements. The computations can be extremely complex and the use of an actuary will invariably be required.

The Statement would permit prospective implementation, that is, employers would be permitted to set the beginning net OPEB obligation at zero as of the beginning of the initial year. Implementation would occur in three phases based on the government's total annual revenues in the first fiscal year ending after June 15, 1999. The definitions and cutoff points for that purpose otherwise would be the same as in GASB's Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. For the City, this Statement is effective for the fiscal year ended September 30, 2008.

#### ***Recommendation***

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