

**CITY OF NORTH BAY VILLAGE, FLORIDA**

**BASIC FINANCIAL STATEMENTS  
AND OTHER SCHEDULES**

**SEPTEMBER 30, 2005**

**CITY OF NORTH BAY VILLAGE, FLORIDA  
 BASIC FINANCIAL STATEMENTS  
 AND OTHER SCHEDULES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2005**

**TABLE OF CONTENTS**

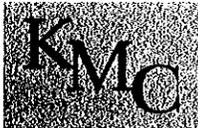
	<u>PAGES</u>
<b>FINANCIAL SECTION:</b>	
Independent Auditors' Report	1-2
Management's Discussion and Analysis (Not Covered by Independent Auditors' Report)	3-7
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet – Governmental Funds	10
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	11
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – General Fund	14
Statement of Net Assets – Proprietary Funds	15
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds	16
Statement of Cash Flows – Proprietary Funds	17-18
Notes to Basic Financial Statements	19-33
<b>OTHER SUPPLEMENTAL INFORMATION:</b>	
Combining Financial Statements:	
Combining Balance Sheet – Nonmajor Governmental Funds	34
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	35
Schedule of Revenues and Expenditures - Budget to Actual - General Fund	36-38

CITY OF NORTH BAY VILLAGE, FLORIDA  
BASIC FINANCIAL STATEMENTS  
AND OTHER SCHEDULES  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

TABLE OF CONTENTS  
(CONTINUED)

	<u>PAGES</u>
<b>OTHER REPORTS OF INDEPENDENT AUDITORS</b>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	39-40
Independent Auditors' Report to City Management	41-42
Schedule of Findings	43-44

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**



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**INDEPENDENT AUDITORS' REPORT**

To the Honorable Mayor, City Commission and City Manager  
City of North Bay Village, Florida  
North Bay Village, Florida

We have audited the accompanying basic financial statements of the governmental activities, business-type activities, the General Fund and the aggregate remaining fund information of City of North Bay Village, Florida (the "City") as of and for the year ended September 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of North Bay Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, the General Fund and the aggregate remaining fund information of the City of North Bay Village, Florida as of and for the year ended September 30, 2005, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 16, 2005, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion thereon.

City of North Bay Village, Florida

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of North Bay Village, Florida's basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole.

*Keefe, McCullough & Co., LLP*  
KEEFE, MCCULLOUGH & CO., LLP

Fort Lauderdale, Florida  
December 16, 2005

**CITY OF NORTH BAY VILLAGE, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
September 30, 2005

As management of the City of North Bay Village, Florida (the "City"), we offer readers of the City's basic financial statements this narrative overview and analysis of the financial activity of the City for the year ended September 30, 2005. This discussion is to be read in conjunction with the City's financial statements, which immediately follow the discussion.

**FINANCIAL HIGHLIGHTS**

The following are the highlights of financial activity for the fiscal year ended September 30, 2005:

- The City's net assets which is total assets less liabilities, were \$ 6,407,026 Governmental net assets were \$ 4,442,067 and business-type net assets were \$ 1,964,959.
- Governmental activities revenues were \$ 7,832,528. The expenses of governmental activities were \$ 6,213,042, including a transfer out of \$ 250,000.
- Business-type activities revenue was \$ 3,562,828, including a transfer in of \$ 250,000 and net results amounted to \$ 385,651.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to 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, which consist of the following two 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 decreased 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 the City's net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

The government-wide financial statements can be found on pages 8 and 9 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 has two fund types: government and proprietary.

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 balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

**CITY OF NORTH BAY VILLAGE, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(CONTINUED)**  
September 30, 2005

**Fund Financial Statements** (continued)

Proprietary funds (beginning on page 15) are comprised of the enterprise funds which are the equivalent of business-type activities in the government-wide statements. These include the Utility Fund and the Drainage Fund.

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, the reader may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balances provide reconciliations to facilitate this comparison between governmental funds and governmental activities.

The governmental fund financial statements can be found on pages 10 through 13 of this report.

**Notes to Basic Financial Statements**

The notes provide additional information that is essential for 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 19 through 33 of the report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The City's combined net assets totaled \$ 6,407,026 as of September 30, 2005. Governmental Activities net assets totaled \$ 4,442,067, and Business-type Activities net assets totaled \$ 1,964,959. The following table presents a condensed Statement of Net Assets as compared to the prior year:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
CURRENT AND OTHER ASSETS	\$ 4,557,062	\$ 3,031,328	\$ 1,004,059	\$ 928,011	\$ 5,561,121	\$ 3,959,339
CAPITAL ASSETS (NET)	<u>1,634,456</u>	<u>1,554,663</u>	<u>3,480,244</u>	<u>3,514,572</u>	<u>5,114,700</u>	<u>5,069,235</u>
Total assets	<u>6,191,518</u>	<u>4,585,991</u>	<u>4,484,303</u>	<u>4,442,583</u>	<u>10,675,821</u>	<u>9,028,574</u>
LONG-TERM DEBT	1,242,270	1,022,219	1,473,005	936,629	2,715,275	1,958,848
OTHER LIABILITIES	<u>507,181</u>	<u>741,191</u>	<u>1,046,339</u>	<u>1,926,646</u>	<u>1,553,520</u>	<u>2,667,837</u>
Total liabilities	<u>1,749,451</u>	<u>1,763,410</u>	<u>2,519,344</u>	<u>2,863,275</u>	<u>4,268,795</u>	<u>4,626,685</u>
NET ASSETS:						
Invested in capital assets, net of debt	1,022,444	813,472	1,729,371	1,587,926	2,751,815	2,401,398
Restricted	1,322,097	626,383	--	--	1,322,097	626,383
Unrestricted	<u>2,097,526</u>	<u>1,382,726</u>	<u>235,588</u>	<u>(8,618)</u>	<u>2,333,114</u>	<u>1,374,108</u>
Total net assets	\$ <u>4,442,067</u>	\$ <u>2,822,581</u>	\$ <u>1,964,959</u>	\$ <u>1,579,308</u>	\$ <u>6,407,026</u>	\$ <u>4,401,889</u>

Unrestricted net assets is that portion of net assets that can be used to finance daily operations without constraints established by debt covenants, enabling legislation, or other legal requirements, equaled \$ 2,333,114 on September 30, 2005. Tax revenues increased as property values continue to rise in most sections of the City and new properties are put on tax rolls.

**CITY OF NORTH BAY VILLAGE, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(CONTINUED)**  
September 30, 2005

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)**

Total net assets increased by approximately \$ 2,005,137 in 2005 from \$ 4,401,889 to \$ 6,407,026.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<b>REVENUES:</b>						
<b>Program Revenues:</b>						
Charges for services	\$ 2,717,949	\$ 2,323,139	\$ 3,303,619	\$ 3,459,992	\$ 6,021,568	\$ 5,783,131
<b>General Revenues:</b>						
Property taxes	2,986,983	1,920,506	--	--	2,986,983	1,920,506
Other taxes and fees	1,216,521	1,544,729	--	--	1,216,521	1,544,729
Intergovernmental	636,188	581,097	--	--	636,188	581,097
Other general revenues	<u>274,887</u>	<u>199,967</u>	<u>9,209</u>	<u>4,585</u>	<u>284,096</u>	<u>204,552</u>
Total revenues	<u>7,832,528</u>	<u>6,569,438</u>	<u>3,312,828</u>	<u>3,464,577</u>	<u>11,145,356</u>	<u>10,034,015</u>
<b>PROGRAM EXPENSES:</b>						
General government	1,477,844	1,212,995	--	--	1,477,844	1,212,995
Public safety	3,531,910	3,028,459	--	--	3,531,910	3,028,459
Building, planning and zoning	418,467	175,509	--	--	418,467	175,509
Public works	392,954	404,428	--	--	392,954	404,428
Parks and recreation	96,911	49,269	--	--	96,911	49,269
Interest	44,956	48,030	--	--	44,956	48,030
Utility	--	--	3,103,090	2,935,112	3,103,090	2,935,112
Stormwater utility	--	--	<u>74,087</u>	<u>49,451</u>	<u>74,087</u>	<u>49,451</u>
Total expenses	<u>5,963,042</u>	<u>4,918,690</u>	<u>3,177,177</u>	<u>2,984,563</u>	<u>9,140,219</u>	<u>7,903,253</u>
Increase in net assets before transfers	1,869,486	1,650,748	135,651	480,014	2,005,137	2,130,762
TRANSFERS IN (OUT)	<u>(250,000)</u>	<u>--</u>	<u>250,000</u>	<u>--</u>	<u>--</u>	<u>--</u>
Change in net assets	\$ <u>1,619,486</u>	\$ <u>1,650,748</u>	\$ <u>385,651</u>	\$ <u>480,014</u>	\$ <u>2,005,137</u>	\$ <u>2,130,762</u>

**ANALYSIS OF THE GOVERNMENT FUNDS**

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

The fund financial statements for government funds provide information on the near-term inflows, outflows and balances of spendable resources. In particular, unreserved fund balance may be useful as an indicator of a government's net resources available for spending at the end of the fiscal year. The General Fund's fund balance at September 30, 2005, was \$ 2,826,180 which is unreserved and available for use in fiscal 2006.

**CITY OF NORTH BAY VILLAGE, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(CONTINUED)**  
September 30, 2005

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital assets**

The City's capital assets, less accumulated depreciation, for its governmental and business-type activities as of September 30, 2005, amounts to \$ 1,634,456 and \$ 3,480,244, respectively and consist of land, buildings and improvements, vehicles and machinery and equipment. A more detailed table can be found on pages 27 and 28 of the notes to the basic financial statements.

**Debt**

The City had debt totaling approximately \$ 2.36 million at September 30, 2005. Total debt outstanding at the end of the prior fiscal year was approximately \$ 2.67 million. The decrease of \$ .31 million is attributable to the retirement of principal.

	Outstanding Debt September 30, 2005		
	Governmental Activities	Business-type Activities	Totals
General obligation bonds (backed by the City)	\$ 550,000	\$ --	\$ 550,000
Capital leases	62,012	78,226	140,238
Loans	--	1,672,647	1,672,647
Total	\$ 612,012	\$ 1,750,873	\$ 2,362,885

**GENERAL FUND BUDGETARY HIGHLIGHTS**

General Fund revenues were \$ 666,687 more than budget and expenditures were \$ 222,237 less than budget. Revenues were greater than budget as a result of building permits exceeding expectations by approximately \$ 985,000 as well as increases in property tax revenues. Expenditures were below budget primarily as a result of the City's expenditure of building, planning, and zoning funds.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The City's main revenues are from a combination of tax receipts from ad-valorem property taxes, revenue sharing with the state on sales, gasoline and communications services taxes, franchise fees and building permit fees. The budget for fiscal 2006 is based on our best expectations of revenue totals from these and other smaller sources and expenses based on prior years' history and known increases for the 2005 fiscal year.

**CITY OF NORTH BAY VILLAGE, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(CONTINUED)**  
September 30, 2005

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (continued)**

Facts, decisions or conditions that are expected to have a significant effect on the financial position or results of operations of the City in fiscal year 2006 include the following:

The adopted budget for fiscal year 2006 totals \$ 9,922,695, including utility funds, a decrease of 9.67% over the fiscal 2005 budget and 7.5% over the actual expenses for fiscal 2005.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of City of North Bay Village, Florida's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Robert Lange, Finance Director, City of North Bay Village, Florida, 7903 East Drive, North Bay Village, Florida 33141.

**BASIC  
FINANCIAL STATEMENTS**

**CITY OF NORTH BAY VILLAGE, FLORIDA**  
**STATEMENT OF NET ASSETS**  
September 30, 2005

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 2,389,415	\$ 921,077	\$ 3,310,492
Accounts receivable, net of allowances	121,857	592,585	714,442
Internal balances	723,693	(723,693)	--
Deferred charges	--	12,286	12,286
Restricted cash	1,322,097	201,804	1,523,901
Capital assets:			
Non-depreciable	629,515	--	629,515
Depreciable (net)	<u>1,004,941</u>	<u>3,480,244</u>	<u>4,485,185</u>
Total assets	<u>6,191,518</u>	<u>4,484,303</u>	<u>10,675,821</u>
<b>LIABILITIES:</b>			
Accounts payable and accrued expenses	316,873	479,797	796,670
Unearned revenue	60,221	--	60,221
Liabilities payable from restricted assets:			
Deposits	--	201,804	201,804
Noncurrent liabilities:			
Due within one year:			
Compensated absences payable	--	86,870	86,870
Current portion of debt	130,087	277,868	407,955
Due in more than one year:			
Compensated absences payable	760,345	--	760,345
Long-term debt	<u>481,925</u>	<u>1,473,005</u>	<u>1,954,930</u>
Total liabilities	<u>1,749,451</u>	<u>2,519,344</u>	<u>4,268,795</u>
<b>NET ASSETS (DEFICIT):</b>			
Invested in capital assets, net of related debt	1,022,444	1,729,371	2,751,815
Restricted	1,322,097	--	1,322,097
Unrestricted (deficit)	<u>2,097,526</u>	<u>235,588</u>	<u>2,333,114</u>
Total net assets (deficit)	<u>\$ 4,442,067</u>	<u>\$ 1,964,959</u>	<u>\$ 6,407,026</u>

The accompanying notes to basic financial statements are an integral part of these statements.

**CITY OF NORTH BAY VILLAGE, FLORIDA**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended September 30, 2005

FUNCTIONS/PROGRAM ACTIVITIES: Primary government:	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services, Fees, Fines and Forfeitures	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
		\$	\$	\$	\$	\$	\$
Governmental activities:							
General government	1,477,844	30,800	--	--	(1,447,044)	--	(1,447,044)
Public safety	3,531,910	757,518	--	--	(2,774,392)	--	(2,774,392)
Building, planning and zoning	418,467	1,652,437	--	--	1,233,970	--	1,233,970
Public works	392,954	--	--	--	(392,954)	--	(392,954)
Parks and recreation	96,911	277,194	--	--	180,283	--	180,283
Interest expense	44,956	--	--	--	(44,956)	--	(44,956)
Total governmental activities	5,963,042	2,717,949	--	--	(3,245,093)	--	(3,245,093)
Business-type activities:							
Utility fund	3,103,090	3,194,147	--	--	--	91,057	91,057
Stormwater utility fund	74,087	109,472	--	--	--	35,385	35,385
Total business-type activities	3,177,177	3,303,619	--	--	--	126,442	126,442
Total primary government	9,140,219	6,021,568	--	--	(3,245,093)	126,442	(3,118,651)

General revenues:			
Taxes:			
Ad valorem taxes	2,986,983		2,986,983
Franchise fees	345,905		345,905
Utility service taxes	560,730		560,730
Transportation surtax	193,777		193,777
Local option tax	116,109		116,109
State revenue sharing	196,795		196,795
Local ½ cent sales tax	409,496		409,496
Other intergovernmental	29,897		29,897
Interest income	97,767	9,209	106,976
Miscellaneous	177,120		177,120
Transfers in (out)	(250,000)		--
Total general revenues and transfers	4,864,579	259,209	5,123,788
Change in net assets	1,619,486	385,651	2,005,137
NET ASSETS AT BEGINNING OF YEAR	2,822,581	1,579,308	4,401,889
NET ASSETS AT END OF YEAR	4,442,067	1,964,959	6,407,026

The accompanying notes to basic financial statements are an integral part of these statements.

**CITY OF NORTH BAY VILLAGE, FLORIDA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
September 30, 2005

	Major Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Park Impact Fund	Federal Forfeiture Fund		
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 2,389,415	\$ --	\$ --	\$ --	\$ 2,389,415
Receivables:					
Intergovernmental	75,317	--	--	--	75,317
Other	--	--	--	46,540	46,540
Due from other funds	870,766	48,865	24,705	--	944,336
Restricted cash and cash equivalents	<u>  --</u>	<u>497,386</u>	<u>556,013</u>	<u>268,698</u>	<u>1,322,097</u>
<b>Total assets</b>	<b><u>\$ 3,335,498</u></b>	<b><u>\$ 546,251</u></b>	<b><u>\$ 580,718</u></b>	<b><u>\$ 315,238</u></b>	<b><u>\$ 4,777,705</u></b>
 <b>LIABILITIES AND FUND BALANCES:</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 306,865	\$ --	\$ 5,295	\$ 4,713	\$ 316,873
Due to other funds	142,232	--	--	78,411	220,643
Deferred revenue	<u>60,221</u>	<u>  --</u>	<u>  --</u>	<u>  --</u>	<u>60,221</u>
<b>Total liabilities</b>	<b><u>509,318</u></b>	<b><u>  --</u></b>	<b><u>5,295</u></b>	<b><u>83,124</u></b>	<b><u>597,737</u></b>
Fund balances (deficit):					
Reserved for:					
Transportation	--	--	--	210,213	210,213
Park improvements	--	546,251	--	--	546,251
Law enforcement	--	--	575,423	29,617	605,040
Unreserved (deficit)	<u>2,826,180</u>	<u>  --</u>	<u>  --</u>	<u>(7,716)</u>	<u>2,818,464</u>
<b>Total fund balances (deficit)</b>	<b><u>2,826,180</u></b>	<b><u>546,251</u></b>	<b><u>575,423</u></b>	<b><u>232,114</u></b>	<b><u>4,179,968</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 3,335,498</u></b>	<b><u>\$ 546,251</u></b>	<b><u>\$ 580,718</u></b>	<b><u>\$ 315,238</u></b>	<b><u>\$ 4,777,705</u></b>

The accompanying notes to basic financial statements are an integral part of these statements.

**CITY OF NORTH BAY VILLAGE, FLORIDA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
September 30, 2005

**AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS ARE DIFFERENT BECAUSE:**

Total fund balance of governmental funds in the balance sheet, Page 10		\$ 4,179,968
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds:		
The cost of capital assets is	\$ 3,936,910	
Accumulated depreciation is	<u>(2,302,454)</u>	1,634,456
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds as follows:		
Notes payable	612,012	
Compensated absences payable	<u>760,345</u>	<u>(1,372,357)</u>
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES, PAGE 8</b>		<b>\$ <u>4,442,067</u></b>

The accompanying notes to basic financial statements are an integral part of these statements.

**CITY OF NORTH BAY VILLAGE, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
September 30, 2005

	<u>Major Funds</u>			<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Park Impact Fund</u>	<u>Federal Forfeiture Funds</u>		
<b>REVENUES:</b>					
Taxes	\$ 3,185,548	\$ --	\$ --	\$ 324,566	\$ 3,510,114
Licenses and permits	1,610,424	--	--	--	1,610,424
Intergovernmental revenue	983,673	--	--	--	983,673
Fines and forfeitures	32,570	--	643,397	29,511	705,478
Impact fees	--	264,546	--	--	264,546
Charges for services	137,501	--	--	--	137,501
Franchise fees	345,905	--	--	--	345,905
Interest income	91,656	--	2,676	3,435	97,767
Miscellaneous revenues	177,120	--	--	--	177,120
<b>Total revenues</b>	<u>6,564,397</u>	<u>264,546</u>	<u>646,073</u>	<u>357,512</u>	<u>7,832,528</u>
<b>EXPENDITURES:</b>					
Current operating:					
General government	1,410,878	--	--	--	1,410,878
Public safety	3,191,550	--	19,843	52,128	3,263,521
Building, planning and zoning	300,270	--	--	--	300,270
Public works	378,783	--	--	--	378,783
Parks and recreation	84,385	--	--	--	84,385
Capital outlay	23,233	--	58,749	202,306	284,288
Debt service:					
Principal payments	34,179	--	--	95,000	129,179
Interest and other fiscal charges	2,195	--	--	42,761	44,956
<b>Total expenditures</b>	<u>5,425,473</u>	<u>--</u>	<u>78,592</u>	<u>392,195</u>	<u>5,896,260</u>
Excess (deficiency) of revenue over (under) expenditures	1,138,924	264,546	567,481	(34,683)	1,936,268
<b>OTHER FINANCING SOURCES (USES):</b>					
Operating transfers out	(250,000)	--	--	--	(250,000)
<b>Total other financing sources (uses)</b>	<u>(250,000)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(250,000)</u>
<b>Net change in fund balance</b>	888,924	264,546	567,481	(34,683)	1,686,268
<b>Fund balance at beginning of year</b>	<u>1,937,256</u>	<u>281,705</u>	<u>7,942</u>	<u>266,797</u>	<u>2,493,700</u>
<b>Fund balance at end of year</b>	<u>\$ 2,826,180</u>	<u>\$ 546,251</u>	<u>\$ 575,423</u>	<u>\$ 232,114</u>	<u>\$ 4,179,968</u>

The accompanying notes to basic financial statements are an integral part of these statements.

**CITY OF NORTH BAY VILLAGE, FLORIDA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2005**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS, PAGE 12 \$ 1,686,268

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital assets	\$ 284,288	
Less current year depreciation expense	<u>(204,498)</u>	79,790

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceed debt proceeds.

Principal payments	129,179	
Compensated absences payable	<u>(275,751)</u>	<u>(146,572)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES, PAGE 9 \$ 1,619,486

The accompanying notes to basic financial statements are an integral part of these statements

**CITY OF NORTH BAY VILLAGE, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**

For the Year Ended September 30, 2005

	<u>Budgeted Amounts Original and Final</u>	<u>Actual Amounts</u>	<u>Variance</u>
<b>REVENUES:</b>			
Taxes	\$ 3,222,268	\$ 3,185,548	\$ (36,720)
Franchise fees	461,700	345,905	(115,795)
Licenses and permits	649,000	1,610,424	961,424
Intergovernmental revenue	901,452	983,673	82,221
Charges for services	39,590	137,501	97,911
Fines and forfeitures	41,700	32,570	(9,130)
Interest income	10,000	91,656	81,656
Miscellaneous revenues	<u>572,000</u>	<u>177,120</u>	<u>(394,880)</u>
Total revenues	<u>5,897,710</u>	<u>6,564,397</u>	<u>666,687</u>
<b>EXPENDITURES:</b>			
Current			
General government	1,457,508	1,422,614	34,894
Public safety	3,280,312	3,235,063	45,249
Building, planning and zoning	479,047	304,628	174,419
Public works	366,443	378,783	(12,340)
Parks and recreation	<u>64,400</u>	<u>84,385</u>	<u>(19,985)</u>
Total expenditures	<u>5,647,710</u>	<u>5,425,473</u>	<u>222,237</u>
Excess of revenue over expenditures	250,000	1,138,924	888,924
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>(250,000)</u>	<u>(250,000)</u>	<u>--</u>
Total other financing sources (uses)	<u>(250,000)</u>	<u>(250,000)</u>	<u>--</u>
Net change in fund balances	--	888,924	888,924
<b>FUND BALANCE - BEGINNING</b>	<u>--</u>	<u>1,937,256</u>	<u>1,937,256</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ --</u>	<u>\$ 2,826,180</u>	<u>\$ 2,826,180</u>

The accompanying notes to basic financial statements are an integral part of these statements.

**CITY OF NORTH BAY VILLAGE, FLORIDA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
September 30, 2005

	Business-Type Activities Enterprise Funds Major Funds		Total
	Utility Fund	Stormwater Utility Fund	
<b>ASSETS:</b>			
Current assets:			
Cash and cash equivalents	\$ 878,399	\$ 42,678	\$ 921,077
Customer accounts receivable	586,678	5,907	592,585
Due from other funds	855,148	116,427	971,575
Restricted cash	201,804	--	201,804
Total current assets	2,522,029	165,012	2,687,041
Noncurrent assets:			
Deferred charges	12,286	--	12,286
Capital assets, net	3,001,985	478,259	3,480,244
Total noncurrent assets	3,014,271	478,259	3,492,530
Total assets	\$ 5,536,300	\$ 643,271	\$ 6,179,571
<b>LIABILITIES:</b>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 479,167	\$ 630	\$ 479,797
Due to other funds	1,528,818	166,450	1,695,268
Loan Payable	188,159	62,029	250,188
Installment loans payable	27,680	--	27,680
Accrued compensated absences	86,870	--	86,870
Total current liabilities	2,310,694	229,109	2,539,803
Current liabilities payable from restricted assets:			
Customer deposits	201,804	--	201,804
Long-term liabilities:			
Loan payable, net of current portion	1,409,263	13,196	1,422,459
Installment loans payable, net of current portion	50,546	--	50,546
Total long-term liabilities	1,459,809	13,196	1,473,005
Total liabilities	3,972,307	242,305	4,214,612
<b>NET ASSETS (DEFICIT):</b>			
Invested in capital assets, net of related debt	1,326,337	403,034	1,729,371
Unrestricted net assets (deficit)	237,656	(2,068)	235,588
Total net assets (deficit)	1,563,993	400,966	1,964,959
Total liabilities and net assets (deficit)	\$ 5,536,300	\$ 643,271	\$ 6,179,571

The accompanying notes to basic financial statements are an integral part of these statements

**CITY OF NORTH BAY VILLAGE, FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
For the Year Ended September 30, 2005

	Business-Type Activities Enterprise Funds Major Funds		Total
	Utility Fund	Stormwater Utility Fund	
<b>OPERATING REVENUES:</b>			
Sanitation charges	\$ 1,182,616	\$ --	\$ 1,182,616
Sewer charges	845,438	--	845,438
Metered water charges	730,235	--	730,235
Service fees and late penalties	435,858	6,133	441,991
Stormwater user fees	--	103,339	103,339
	<u>3,194,147</u>	<u>109,472</u>	<u>3,303,619</u>
<b>OPERATING EXPENSES:</b>			
Sewerage disposal fees	917,479	--	917,479
Payroll and related expenses	885,197	29,468	914,665
Solid waste disposal and recycling services	320,014	--	320,014
Water purchases	305,077	--	305,077
Materials, supplies, repairs and other	385,099	10,582	395,681
Provision for depreciation and amortization	240,697	28,399	269,096
	<u>3,053,563</u>	<u>68,449</u>	<u>3,122,012</u>
Total operating expenses			
Operating income	<u>140,584</u>	<u>41,023</u>	<u>181,607</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Interest income	9,209	--	9,209
Interest expense	(49,527)	(5,638)	(55,165)
	<u>(40,318)</u>	<u>(5,638)</u>	<u>(45,956)</u>
Total nonoperating revenues (expenses)			
Income before transfers	<u>100,266</u>	<u>35,385</u>	<u>135,651</u>
<b>TRANSFERS IN (OUT)</b>			
Transfers in	<u>250,000</u>	<u>--</u>	<u>250,000</u>
Total transfers in (out)	<u>250,000</u>	<u>--</u>	<u>250,000</u>
Change in net assets	350,266	35,385	385,651
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>1,213,727</u>	<u>365,581</u>	<u>1,579,308</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 1,563,993</u>	<u>\$ 400,966</u>	<u>\$ 1,964,959</u>

The accompanying notes to basic financial statements are an integral part of these statements

**CITY OF NORTH BAY VILLAGE, FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
September 30, 2005

	Business-Type Activities Enterprise Funds Major Funds		Total
	Utility Fund	Stormwater Utility Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers, users and others	\$ 3,108,046	\$ 105,683	\$ 3,213,729
Cash paid to employees for services	(861,022)	(29,468)	(890,490)
Cash paid to suppliers for good and services	<u>(2,105,700)</u>	<u>(10,562)</u>	<u>(2,116,262)</u>
Net cash provided by operating activities	<u>141,324</u>	<u>65,653</u>	<u>206,977</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers in	<u>250,000</u>	<u>--</u>	<u>250,000</u>
Net cash provided by noncapital financing activities	<u>250,000</u>	<u>--</u>	<u>250,000</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Cash received from loan proceeds	89,996	--	89,996
Loan principal payments	(207,673)	(58,096)	(265,769)
Interest paid	(49,527)	(5,638)	(55,165)
Purchase of capital assets	<u>(234,768)</u>	<u>--</u>	<u>(234,768)</u>
Net cash used in capital and related financing activities	<u>(401,972)</u>	<u>(63,734)</u>	<u>(465,706)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest received	<u>9,209</u>	<u>--</u>	<u>9,209</u>
Net cash provided by investing activities	<u>9,209</u>	<u>--</u>	<u>9,209</u>
Net increase in cash and cash equivalents	<u>(1,439)</u>	<u>1,919</u>	<u>480</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>1,081,642</u>	<u>40,759</u>	<u>1,122,401</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 1,080,203</u>	<u>\$ 42,678</u>	<u>\$ 1,122,881</u>

The accompanying notes to basic financial statements are an integral part of these statements.

CITY OF NORTH BAY VILLAGE, FLORIDA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
(CONTINUED)  
September 30, 2005

	Business-Type Activities Enterprise Funds		<u>Total</u>
	Major Funds		
	<u>Utility Fund</u>	<u>Stormwater Utility Fund</u>	
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating income	\$ 201,811	\$ 41,023	\$ 242,834
Adjustments to reconcile operating income to net cash provided by operating activities:			
Provision for depreciation	240,697	28,399	269,096
(Increase) decrease in customer accounts receivable	(71,782)	(3,789)	(75,571)
Increase (decrease) in accounts payable and accrued liabilities	(215,079)	20	(215,059)
Increase (decrease) in customer deposits	<u>(14,323)</u>	<u>--</u>	<u>(14,323)</u>
Net cash provided by operating activities	\$ <u>141,324</u>	\$ <u>65,653</u>	\$ <u>206,977</u>

The accompanying notes to basic financial statements are an integral part of these statements.

**CITY OF NORTH BAY VILLAGE, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2005

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of City of North Bay Village, Florida (the "City") have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. For the year ended September 30, 2005, the City implemented the recent financial reporting requirements of GASB Statement No. 34 and related pronouncements. The following is a summary of the more significant accounting policies of the City.

**Reporting Entity:**

The City is located in Miami-Dade County, Florida and was incorporated in 1945 as a municipality under the laws of Florida Statute 23427. The City operates under the Commission-Manager form of government, with the legislative function vested in a five member City Commission. The City provides the following services as authorized by its charter; general government, public safety, water and sewer, sanitation, public works, planning and zoning, building inspection, code enforcement, health and social services and cultural and recreation.

The criteria used for including component units consists of identification of legally separate organizations for which the elected officials of the City are financially accountable. This criteria also includes identification of organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete. Based upon this review, there were no potential component units or related organizations of the City.

**Basis of presentation:**

*Government-wide financial statements*

The statement of net assets and statement of activities display information about the reporting government as a whole. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for good or services.

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, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

*Fund financial statements*

The accounts of the City are organized on the basis of funds, each of which is considered and accounted for as a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures. An emphasis is placed on major funds within the governmental category.

The City reports the following major governmental funds:

The General Fund is the principal operating fund of the City and is used to account for all financial transactions except those that are required to be accounted for in another fund.

The Park Impact Fund is used to account for all transactions to improve and maintain the parks throughout the City.

CITY OF NORTH BAY VILLAGE, FLORIDA  
NOTES TO BASIC FINANCIAL STATEMENTS  
September 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Federal Forfeitures Fund is used to account for the use of monies received for law enforcement purposes.

The City reports non-major special revenue funds which are used to account for the proceeds of specific revenue sources.

The City reports the following major proprietary funds:

The Utility Fund accounts for the operation of the City's utility system.

The Stormwater Utility Fund accounts for providing drainage services to the residents of the City.

Measurement focus and basis of accounting:

*Government-wide financial statements*

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all the nonfiduciary activities of the government. Fiduciary funds are excluded from the government-wide financial statements, if applicable. The effect of interfund activity has been removed from these statements.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with a brief explanation to better identify the relationship between the government-wide statements and the fund financial statements.

*Fund financial statements*

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, generally only current assets and current liabilities are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All governmental fund types use the modified accrual basis of accounting under which revenue is recognized in the accounting period in which it becomes susceptible to accrual (i.e., when it becomes both measurable and available). "Measurable" means the amount of the transaction can be determined, and "available" means collectible with the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within sixty days after year end. Other taxes, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and are recognized as revenues of the current fiscal period. All other revenue items such as fines and forfeitures and licenses and permits are considered to be measurable and available only when cash is received by the City.

Expenditures are generally recognized when the related fund liability is incurred except for principal and interest on long-term debt which are recognized as expenditures on the due date.

CITY OF NORTH BAY VILLAGE, FLORIDA  
NOTES TO BASIC FINANCIAL STATEMENTS  
September 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for the proprietary funds include the sale of water and wastewater services for the Utility Fund and user fees for the Stormwater Utility Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Based on the accounting and reporting standards set forth in Government Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting, the City has elected to apply only the accounting and reporting pronouncements used by the Financial Accounting Standards Board prior to November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Governments have the option of following subsequent private sector guidance for business activities and proprietary funds subject to the same limitation. The City has chosen not to follow such guidance. In addition, when both restricted and unrestricted resources are available for use, the City's policy is to use restricted resources first.

Property Taxes:

Property taxes are assessed as of January 1 each year and are first billed (levied) and due the following November 1.

Under Florida law, the assessment of all properties and the collection of all county, municipal, school board and special district property taxes are consolidated in the Offices of the County Property Appraiser and County Tax Collector. The laws for the State regulating tax assessment are also designed to assure a consistent property valuation method statewide. State statutes permit municipalities to levy property taxes at a rate of up to 10 mills (\$10 per \$ 1,000 of assessed taxable valuation). The millage rate assessed by the City for the year ended September 30, 2005, was 5.9250 mills.

The tax levy of the City is established by the City Commission prior to October 1 each year, and the County Property Appraiser incorporates the millage into the total tax levy, which includes Miami-Dade County, Miami-Dade County School Board and various special taxing districts.

All property is reassessed according to its fair market value as of January 1 each year. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the roll meets all of the appropriate requirements of State statutes.

All real and tangible personal property taxes are due and payable on November 1 each year or as soon as practicable thereafter as the assessment roll is certified by the County Property Appraiser. Miami-Dade County mails to each property owner on the assessment roll a notice of the taxes due and Miami-Dade County also collects the taxes for the City. Tax bills are payable upon receipt of such notice from Miami-Dade County, with discounts at the rate of four percent (4%) if paid in November, decreasing by 1% per month with no discount in the month of March of the following calendar year. All unpaid taxes on real and tangible personal property become delinquent on April 1 and liens are placed thereon. Procedures for the collection of delinquent taxes by Miami-Dade County are provided for in the laws of Florida. There were no material delinquent property taxes at September 30, 2005.

**CITY OF NORTH BAY VILLAGE, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2005

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Budget and Budgetary Accounting:**

Annual appropriated budgets are adopted for the General Fund and Debt Service Fund.

The City follows these procedures in establishing the budgetary data reflected in the Statement of Revenues and Expenditures - Budget and Actual - General Fund:

- a. The City Manager submits to the City Commission a proposed operating budget for the ensuing fiscal year. The operating budget includes proposed revenues and expenditures with an explanation regarding each expenditure that is not of a routine nature.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to October 1, the budget is legally enacted through passage of an ordinance.
- d. The City Commission, by motion, may make supplemental appropriations for the year up to the amount of revenues in excess of those estimated. However, there were no supplemental appropriations in fiscal year 2005.
- e. Formal budgetary integration is employed as a management control device during the year for the General Fund and Debt Service Fund.
- f. Budgets for the General Fund and Debt Service Fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
- g. The City Manager is authorized to transfer part or all of an unencumbered appropriation balance within departments within a fund; however, any revisions that alter the total appropriations of any department or fund must be approved by the City Commission. The classification detail at which expenditures may not legally exceed appropriations is at the department level.
- h. Unencumbered appropriations lapse at fiscal year end. Unencumbered amounts are reappropriated in the following year's budget.
- i. Budgeted amounts are as originally adopted or as amended. Individual type amendments were not material in relation to the original appropriations.

**Cash and cash equivalents:**

For purposes of the proprietary funds statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

Cash and cash equivalents include cash on hand, demand deposits, investments in money market funds and investments maintained with the State Board of Administration Investment Pool. Investments in the State Board Administration Investment Pool (2A-7 Pool) are reported at the fair

CITY OF NORTH BAY VILLAGE, FLORIDA  
NOTES TO BASIC FINANCIAL STATEMENTS  
September 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

value of its position in the pool, which is the same as the value of the pool shares. Income from investments is recorded when earned.

Accounts receivable:

Accounts receivable consist of amounts due for services. No allowance for doubtful accounts has been provided for in the accompanying financial statements.

Accounts payable:

Accounts payable consists of amounts due for operating goods and services.

Investments:

Investments are stated at their fair value.

Capital assets:

Capital assets which include land, buildings and improvements, machinery and equipment and vehicles are reported in the governmental activities column in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$ 1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the government are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	30 years
Machinery, vehicles and equipments	5 years

Compensated absences:

City employees are granted vacation, sick and compensatory leave in varying amounts based on length of service. Upon separation in good standing, employees receive full reimbursement for accumulated vacation and compensatory hours as well as reimbursement for sick hours at a rate of one hour of pay for every two hours accumulated.

The liability due beyond one year for these compensated absences is recorded as long-term debt in the government-wide statement of net assets. The current portion of this obligation is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

Long-term obligations:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. The long-term debt consists primarily of notes and accrued compensated absences payable.

CITY OF NORTH BAY VILLAGE, FLORIDA  
NOTES TO BASIC FINANCIAL STATEMENTS  
September 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In the fund financial statements, debt proceeds are reported as an other financing source. Issue costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Entity classifications:

*Government-wide statements*

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets.
- b. Restricted net assets - consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

*Fund statements*

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 represent tentative management plans that are subject to change.

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

Deposits:

Deposits include cash and money market accounts. 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 remaining public depositories would be responsible for covering any resulting losses.

Accordingly, all deposits are deemed as insured or collateralized with securities held by the City or its agent in the City's name.

**CITY OF NORTH BAY VILLAGE, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2005

**NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)**

Cash and investments:

At September 30, 2005, the total carrying amount of the City's cash balances was \$ 1,004,050. The bank balance at local depositories was \$ 946,562.

The State of Florida (the "State") statutes authorize the Town to invest in obligations of the United States Treasury, its agencies, and the Florida State Board of Administration, an investment program operated by the State. Investments held by the Board of Administration are included in a pool of investments whereby specific securities are not held in the City's name. Because the pool is managed by the State of Florida, the City believes this investment is of low risk. Investments are stated at amortized cost, which approximates fair value.

State statutes required that local governmental entities maintain deposits in financial institutions that have been designated a qualified public depository by the State. Such qualified depositories have pledged collateral to a common pool and are subject to additional assessments as determined by the State, in order to fully insure deposits of local governmental entities against loss. All deposits of the City are in financial institutions which qualify as public depositories. The year-end balances are collateralized as follows:

	Carrying Amount	Bank Balance
Collateral pool	\$ 1,004,050	\$ 846,562
Insured by F.D.I.C.	100,000	100,000
	\$ 1,104,050	\$ 946,562

As of September 30, 2005, the City had the following investment:

	Carrying Amount	Fair Value	Maturity Date
State Board of Administration Investment Pool	\$ 3,729,792	\$ 3,729,792	Daily

The City has investments in a collective pool managed by the State of Florida Board of Administration (a 2a7-like pool) and are stated at amortized cost which approximates fair value of the pool shares. These had a carrying amount and approximate fair value of \$ 3,729,792. Because these investments are not evidenced by securities, they are not rated.

Florida Statutes authorize City officials to invest pooled funds in United States bonds and obligations, guaranteed United States agency issues, Florida county, municipal and district general, excise and revenue obligations and Florida bank certificates of deposit. Investments in the Enterprise Funds are allowed to be comprised of United States Treasury State and Local Government Series Securities (SLGS).

**CITY OF NORTH BAY VILLAGE, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2005

**NOTE 3 - RESTRICTED CASH AND CASH EQUIVALENTS**

Restricted cash and cash equivalents consist of police forfeitures, accounted for in the Police Confiscated Property Special Revenue Fund and monies received for transportation and park improvements. These funds are restricted for specific uses. Customer deposits held in the Utility Fund are also restricted.

Police forfeiture funds	\$	656,450
Transportation		168,261
Park improvements		497,386
Water and sewer customer deposits		<u>201,804</u>
	\$	<u>1,523,901</u>

**NOTE 4 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended September 30, 2005, General fund expenditures exceeded appropriations in the following departments:

Public works	\$	12,340
Parks and recreation	\$	19,985

**NOTE 5 - INTERFUND TRANSACTIONS**

Individual interfund receivable and payable balances at September 30, 2005, are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 870,766	\$ 142,232
Park Impact Fund	48,865	--
Special Revenue Fund	24,705	70,695
Debt Service Fund	--	7,716
Utility Fund	855,148	1,528,818
Stormwater Utility Fund	<u>116,427</u>	<u>166,450</u>
Totals	\$ <u>1,915,911</u>	\$ <u>1,915,911</u>

In addition to the above interfund balances used for interim financing, the City transferred \$ 250,000 from the General Fund to the Utility Fund for projects not appropriated in the budget.

**CITY OF NORTH BAY VILLAGE, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2005

**NOTE 6 - CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended September 30, 2005:

	<u>Balance October 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance September 30, 2005</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 629,515	\$ --	\$ --	\$ 629,515
Total capital assets not being depreciated	<u>629,515</u>	<u>--</u>	<u>--</u>	<u>629,515</u>
Capital assets, being depreciated:				
Buildings and improvements	1,367,419	64,894	--	1,432,313
Vehicles	809,075	118,486	--	927,561
Machinery and equipment	<u>846,613</u>	<u>100,908</u>	<u>--</u>	<u>947,521</u>
Total capital assets, being depreciated	<u>3,023,107</u>	<u>284,288</u>	<u>--</u>	<u>3,307,395</u>
Less accumulated depreciation for:				
Buildings and improvements	788,446	49,556	--	838,002
Vehicles	622,587	99,012	--	721,599
Machinery and equipment	<u>686,923</u>	<u>55,930</u>	<u>--</u>	<u>742,853</u>
Total accumulated depreciation	<u>2,097,956</u>	<u>204,498</u>	<u>--</u>	<u>2,302,454</u>
Total capital assets, being depreciated, net	<u>925,151</u>	<u>79,790</u>	<u>--</u>	<u>1,004,941</u>
Governmental activities capital assets, net	\$ <u>1,554,666</u>	\$ <u>79,790</u>	\$ <u>--</u>	\$ <u>1,634,456</u>

Provision for depreciation was charged to functions of the City as follows:

<b>Governmental activities:</b>	
General government	\$ 20,897
Public safety	76,986
Physical environment	91,981
Public works	4,756
Parks and recreation	<u>9,878</u>
Total provision for depreciation - governmental activities	\$ <u>204,498</u>

**CITY OF NORTH BAY VILLAGE, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2005

**NOTE 6 - CAPITAL ASSETS (continued)**

	<u>Balance October 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance September 30, 2005</u>
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Improvements other than buildings	\$ 5,219,518	\$ 229,855	\$ --	\$ 5,449,373
Equipment and vehicles	<u>1,129,564</u>	<u>4,913</u>	<u>--</u>	<u>1,134,477</u>
Total capital assets, being depreciated	<u>6,349,082</u>	<u>234,768</u>	<u>--</u>	<u>6,583,850</u>
Less accumulated depreciation for:				
Improvements other than buildings	1,884,135	195,630	--	2,079,765
Equipment and vehicles	<u>950,375</u>	<u>73,466</u>	<u>--</u>	<u>1,023,841</u>
Total accumulated depreciation	<u>2,834,510</u>	<u>269,096</u>	<u>--</u>	<u>3,103,606</u>
Business-type activities capital assets, net	\$ <u>3,514,572</u>	\$ <u>(34,328)</u>	\$ <u>--</u>	\$ <u>3,480,244</u>

Provision for depreciation was charged to functions of the City as follows:

Business-type activities:	
Utility fund	\$ 240,697
Stormwater utility fund	<u>28,399</u>
Total provision for depreciation - business-type activities	\$ <u>269,096</u>

**NOTE 7 - LONG-TERM DEBT**

**Governmental Funds**

The following is a summary of changes in debt for the City for the year ended September 30, 2005:

	<u>Balance October 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance September 30, 2005</u>	<u>Due Within One Year</u>
General obligation bonds	\$ 645,000	\$ --	\$ 95,000	\$ 550,000	\$ 95,000
Capital leases	96,191		34,179	62,012	35,087
Accrued compensated absences	<u>590,097</u>	<u>289,023</u>	<u>118,775</u>	<u>760,345</u>	<u>--</u>
Governmental activity debt	\$ <u>1,331,288</u>	\$ <u>289,023</u>	\$ <u>247,954</u>	\$ <u>1,372,357</u>	\$ <u>130,087</u>

The City's \$ 1,445,000 General Obligation Bonds Series 1991 provide for annual maturities due on May 1, with semi-annual interest payments due on May 1 and November 1. Interest paid on the bonds ranges from 4.5% to 6.5% depending upon maturity dates. These bonds mature in May 2010.

**CITY OF NORTH BAY VILLAGE, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2005

**NOTE 7 - LONG-TERM DEBT**

The City entered into a lease agreement to purchase seven police vehicles in the amount of \$ 137,673, through a capital lease agreement. The lease requires quarterly payments in the amount of \$ 9,093 including interest at 2.63% until April 2007.

Debt service requirements for the above obligations are as follows:

<u>Year ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 130,087	\$ 37,037	\$ 167,124
2007	131,925	29,930	161,855
2008	110,000	22,750	132,750
2009	115,000	15,600	130,600
2010	125,000	8,125	133,125
Thereafter	--	--	--
	<u>\$ 612,012</u>	<u>\$ 113,442</u>	<u>\$ 725,454</u>

**Enterprise Funds**

**Revolving loans payable**

The City has three separate state revolving loan agreements with the Department of Environmental Protection. The loans provide for funding for various sewer improvement projects on a cost reimbursement basis. The City began making semi-annual principal and interest payments on the loans one year subsequent to the completion of the project pursuant to the terms of the individual agreements. The significant terms of the loans are as follows:

Revolving state loan of \$ 380,000 dated September 30, 1993; interest rate of at 2.7%. In October 1994, the City was awarded an additional \$ 188,000 at an interest rate of 3.24% as an amendment to the original loan. The amended loan calls for payments of \$ 18,211 due semi-annually on January 1 and July 1, including interest until July 1, 2014; collateralized by water and sewer revenue. This project was completed in January 1994. \$ 286,927

Revolving state loan of \$ 755,000; payments of \$ 23,507 due semi-annually on March 15 and September 15, including interest of 2.9% until September 15, 2016; collateralized by water and sewer revenues. The project was completed in September 1996. 437,956

Revolving state loan of \$ 455,568 dated March 17, 1995; interest rate of 3.79%. In June 1996, the City was awarded an additional \$ 1,597,000 at an interest rate of 2.7% as an amendment to the original loan. The City makes principal and interest payments of \$ 63,378 semi-annually on March 15 and September 15 until September 15, 2018; collateralized by water and sewer revenues. 872,539

**CITY OF NORTH BAY VILLAGE, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2005

**NOTE 7 - LONG-TERM DEBT (continued)**

**Loan payable**

In February 1996, the City obtained a loan for \$ 500,000 to finance stormwater system drainage improvements. The loan calls for monthly payments of \$ 5,345, including interest of 5.17% until October 15, 2006; collateralized by stormwater utility fees. 75,225

**Capital Leases**

In April 2003, the City entered into a lease agreement for a Mack truck in the amount of \$ 137,469, with an annual interest rate of 3.1%. The lease qualifies as a capital lease for accounting purposes and has therefore been recorded as the value of the future minimum lease payments. The lease term is from April 2003 to April 2008, with lease payments made quarterly in the amount of \$ 7,446. 78,226

\$ 1,750,873

Annual debt service for all proprietary fund long-term debt requirements is as follows:

Year ending	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 277,868	\$ 45,944	\$ 323,812
2007	231,836	37,623	269,459
2008	214,080	31,264	245,344
2009	194,138	25,425	219,563
2010	196,258	19,864	216,122
2011 through 2015	397,934	36,600	434,534
2016 through 2019	238,759	29,694	268,453
Thereafter	--	--	--
Total	\$ <u><u>1,750,873</u></u>	\$ <u><u>226,414</u></u>	\$ <u><u>1,977,287</u></u>

**NOTE 8 - DEFINED CONTRIBUTION PLANS**

Department Heads:

The City previously adopted a defined contribution plan in accordance with Internal Revenue Code Section 401(a). The Plan provides a retirement program for each of the department heads. Covered employees are eligible upon employment with the City. The 401(a) Plan provides for required employer and employee contributions of 8.5% to 10% and 5.5% respectively of employee earnings for the Plan year, respectively. Employer contributions vest ratably over five years based on the hire date. In addition, the Plan allows for loans of up to 50% of the participant's vested balance. Plan amendments must be approved by the City Commission. The City contributed \$ 51,386 for the year ended September 30, 2005. The Plan is held in trust for the exclusive benefit of the participants and their beneficiaries. Consequently, the City has no fiduciary responsibility; therefore, the net assets of the Plan are not included in the City's basic financial statements.

**CITY OF NORTH BAY VILLAGE, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2005

**NOTE 8 - DEFINED CONTRIBUTION PLANS (continued)**

General Employees:

The City previously adopted a defined contribution plan in accordance with Internal Revenue Code Section 401(a). In a prior year, the City terminated City of North Bay Village's Employee Retirement System (Note 9) and the balances for all active employees were rolled over into this new Plan. The Plan provides a retirement program for all general employees. Covered employees are eligible upon employment with the City. The 401(a) Plan provides for required employer and employee contributions of 8.5% and 5.5% of employee earnings for the Plan year, respectively.

Employer contributions vest ratably after three years of service through year seven based on the hire date. In addition, the Plan allows for loans of up to 50% of the participant's vested balance. Plan amendments must be approved by the City Commission. The City contributed \$ 43,117 for the year ended September 30, 2005. The Plan is held in a trust for the exclusive benefit of the participants and their beneficiaries. Consequently, the City has no fiduciary responsibility; therefore, the net assets of the Plan are not included in the City's basic financial statements.

Florida Retirement System Plan:

During the year, the City made an irrevocable election to participate in a state-administered retirement system. Employees of the City who are employed in a full-time or part-time regularly established position participate in the statewide Florida Retirement System (FRS), a multiple-employer, cost-sharing defined benefit plan. All rates, benefits and amendments are established by the State of Florida through its legislative body.

The FRS has various classes of memberships. City employees fall under "Regular Class" the class which covered all City employees who do not qualify for membership in the special risk, senior management service, or elected officers' classes.

FRS members with six years of service are entitled to a retirement benefit. Such benefit, payable monthly for life, is based on the percentage shown below, times the number of years of credited service, times the average of the member's five highest years of earnings.

Special Risk Class - Retirement up to age 55 or 25 years of service:	
Service from 12/1/70 through 9/30/74	2.00%
Service on an after 10/1/74	3.00%
Senior Management Service Class - Retirement up to age 62 or 30 years of service:	
Service on and after 2/1/87	2.00%
Regular Class	
Retirement up to age 62 or 30 years of service	1.60%
Retirement at age 63 or 31 years of service	1.63%
Retirement at age 64 or 32 years of service	1.65%
Retirement at age 65 or 33 years of service	1.68%
Elected Officers' Class	
Retirement up to age 62 or 30 years of service	3.00%

**CITY OF NORTH BAY VILLAGE, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2005

**NOTE 8 - DEFINED CONTRIBUTION PLANS (continued)**

Normal retirement age in the regular, senior management service, and elected officers' classes is 62. In the special risk service class, normal retirement age is 55. If a member is vested but has not reached normal retirement age, early retirement can be taken. The amount of the benefit will be reduced 5% for each year the retirement date precedes normal retirement age.

In addition, eligible FRS members can elect to participate in the Deferred Retirement Option Program (DROP). The DROP allows an employee to retire and defer their monthly retirement benefit to an interest-bearing account, for up to a maximum of 60 months, and to continue employment with the City. When the DROP period ends, the employee must terminate employment. At that time, the employee will receive payment of the accumulated DROP benefits, and direct receipt, thereafter, of the FRS monthly retirement benefit.

Contributions to the FRS are made by the City as a percentage of covered payroll. The required contribution rate in effect at year end was 18.53%. No employee contributions are required. Additionally, the City is required to contribute 12.50% for all DROP participants. At June 30, 2005, the City had approximately 23 employees participating in the FRS. No employees were participating in the DROP.

The contribution requirements of covered payroll and actual contributions made for the last two years were as follows:

	<u>FY 2005</u>	<u>FY 2004</u>
Contribution requirement	\$ 313,627	\$ 44,455
Contributions made (100%)	\$ 313,627	\$ 44,455
Total covered payroll	\$ 1,692,535	\$ 644,275
Percent of contributions to total covered payroll	18.53%	6.9%

The FRS issues an annual report including statements of financial condition, historical and statistical information and an actuarial report. A copy can be obtained from the State of Florida, Division of Retirement, Research, Education and Policy Section, 2639-C North Monroe Street, Tallahassee, Florida 32399-1560.

**NOTE 9 - CONTINGENCIES**

Litigation:

The City has several claims arising in the ordinary course of operations which are pending against the City. 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.

Risk Management:

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the City carries commercial insurance. The amount of settlements for each of the past three fiscal years did not exceed insurance coverage. There were no reductions in insurance coverage from the coverages in the prior year.

**CITY OF NORTH BAY VILLAGE, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2005

**NOTE 9 - CONTINGENCIES (continued)**

**Plan Termination:**

On September 15, 1998, the City adopted Resolution No. 98-17 providing for a final and total distribution of the defined benefit retirement system assets and termination of the Plan. The City terminated the Plan and rolled over all active employee balances into a new 401(a) defined contribution plan for general employees (Note 8). All except seven of the Plan's participants chose to receive lump sum distributions for their retirement benefits. The seven participants opted to continue to receive their monthly benefit payments. During 1999, the City purchased annuity contracts from an insurance company for the those participants. The City remains contingently liable to the seven participants in the case of default by the insurance company.

**Post Retirement Benefits:**

The City does not provide post-retirement benefits to retired employees.

**OTHER  
SUPPLEMENTARY INFORMATION**

**CITY OF NORTH BAY VILLAGE, FLORIDA**  
**COMBINING BALANCE SHEET -**  
**NON MAJOR GOVERNMENTAL FUNDS**  
September 30, 2005

	Special Revenue			Debt Service Fund	Total Nonmajor Governmental Funds
	Transportation Fund	State Forfeiture Fund	Total		
<b>ASSETS:</b>					
Receivables	\$ 46,540	\$ --	\$ 46,540	\$ --	\$ 46,540
Restricted cash and cash equivalents	<u>168,261</u>	<u>100,437</u>	<u>268,698</u>	<u>--</u>	<u>268,698</u>
<b>Total assets</b>	<b>\$ <u>214,801</u></b>	<b>\$ <u>100,437</u></b>	<b>\$ <u>315,238</u></b>	<b>\$ <u>--</u></b>	<b>\$ <u>315,238</u></b>
<b>LIABILITIES:</b>					
Accounts payable and accrued expenses	\$ 4,588	\$ 125	\$ 4,713	\$ --	\$ 4,713
Due to other funds	<u>--</u>	<u>70,695</u>	<u>70,695</u>	<u>7,716</u>	<u>78,411</u>
<b>Total liabilities</b>	<b><u>4,588</u></b>	<b><u>70,820</u></b>	<b><u>75,408</u></b>	<b><u>7,716</u></b>	<b><u>83,124</u></b>
<b>FUND BALANCES (DEFICIT):</b>					
Reserved for transportation	210,213	--	210,213	--	210,213
Reserved for law enforcement	--	29,617	29,617	--	29,617
Unreserved (deficit)	<u>--</u>	<u>--</u>	<u>--</u>	<u>(7,716)</u>	<u>(7,716)</u>
<b>Total fund balances     (deficit)</b>	<b><u>210,213</u></b>	<b><u>29,617</u></b>	<b><u>239,830</u></b>	<b><u>(7,716)</u></b>	<b><u>232,114</u></b>
<b>Total liabilities     and fund balances     (deficit)</b>	<b>\$ <u>214,801</u></b>	<b>\$ <u>100,437</u></b>	<b>\$ <u>315,238</u></b>	<b>\$ <u>--</u></b>	<b>\$ <u>315,238</u></b>

**CITY OF NORTH BAY VILLAGE, FLORIDA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - NON MAJOR GOVERNMENTAL FUNDS**  
**September 30, 2005**

	<u>Special Revenue</u>			Debt Service Fund	Total Nonmajor Governmental Funds
	<u>Transportation Fund</u>	<u>State Forfeiture Fund</u>	<u>Total</u>		
<b>REVENUES:</b>					
Fine and forfeitures	\$ --	\$ 29,511	\$ 29,511	\$ --	\$ 29,511
Taxes	193,777	--	193,777	130,789	324,566
Interest income	--	3,435	3,435	--	3,435
<b>Total revenues</b>	<u>193,777</u>	<u>32,946</u>	<u>226,723</u>	<u>130,789</u>	<u>357,512</u>
<b>EXPENDITURES:</b>					
Public safety	42,967	9,161	52,128	--	52,128
Debt service-principal	--	--	--	95,000	95,000
Debt service-interest	--	--	--	42,761	42,761
Capital outlay	142,570	59,736	202,306	--	202,306
<b>Total expenditures</b>	<u>185,537</u>	<u>68,897</u>	<u>254,434</u>	<u>137,761</u>	<u>392,195</u>
<b>Excess (deficiency) of revenues over expenditures</b>	8,240	(35,951)	(27,711)	(6,972)	(34,683)
Fund balances - beginning	<u>201,973</u>	<u>65,568</u>	<u>267,541</u>	<u>(744)</u>	<u>266,797</u>
Fund balances - ending	\$ <u>210,213</u>	\$ <u>29,617</u>	\$ <u>239,830</u>	\$ <u>(7,716)</u>	\$ <u>232,114</u>

**CITY OF NORTH BAY VILLAGE, FLORIDA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2005**

	<u>Budget Amounts Original and Final</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>			
<b>Taxes:</b>			
Property taxes, including penalties and interest	\$ 2,838,468	\$ 2,856,194	\$ 17,726
Utility services taxes	<u>383,800</u>	<u>329,354</u>	<u>(54,446)</u>
	<u>3,222,268</u>	<u>3,185,548</u>	<u>(36,720)</u>
<b>Licenses and permits:</b>			
City occupational licenses	129,000	104,690	(24,310)
Building permits	<u>520,000</u>	<u>1,505,734</u>	<u>985,734</u>
	<u>649,000</u>	<u>1,610,424</u>	<u>961,424</u>
<b>Franchise Fees:</b>			
Electric franchise fee	320,000	285,868	(34,132)
Water franchise fee	39,800	5,710	(34,090)
Gas franchise fee	25,000	31,076	6,076
US postal service	18,500	17,223	(1,277)
Solid waste franchise fee	6,000	210	(5,790)
Sanitation franchise fee	<u>52,400</u>	<u>5,818</u>	<u>(46,582)</u>
	<u>461,700</u>	<u>345,905</u>	<u>(115,795)</u>
<b>Intergovernmental:</b>			
Local option gas tax	80,000	116,109	36,109
Capital improvements local option	30,000	--	(30,000)
Communication service tax	257,000	231,376	(25,624)
Causeway maintenance	5,300	5,294	(6)
Crime watch	3,000	--	(3,000)
Federal grants	10,000	8,340	(1,660)
State revenue sharing	130,000	196,795	66,795
Alcohol beverage license	6,000	6,263	263
State grants	--	10,000	10,000
Local ½ cent sales tax	<u>380,152</u>	<u>409,496</u>	<u>29,344</u>
	<u>901,452</u>	<u>983,673</u>	<u>82,221</u>
<b>Charges for services:</b>			
Record research and review	4,000	20,423	16,423
Passport fees	2,500	5,700	3,200
State law enforcement program	--	23,955	23,955
Special duty officer	9,000	25,327	16,327
Special duty service fee	1,800	2,618	818
Building inspectors education	--	17,640	17,640
Plans review	17,290	24,374	7,084
Park impact fees	5,000	12,648	7,648
Other charges for services	<u>--</u>	<u>4,816</u>	<u>4,816</u>
	<u>39,590</u>	<u>137,501</u>	<u>97,911</u>
<b>Fines and forfeitures</b>	<u>41,700</u>	<u>32,570</u>	<u>(9,130)</u>
<b>Interest income</b>	<u>10,000</u>	<u>91,656</u>	<u>81,656</u>

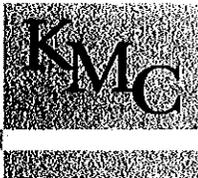
**CITY OF NORTH BAY VILLAGE, FLORIDA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
(continued)  
For the Year Ended September 30, 2005

	Budget Amounts Original and Final	Actual	Variance
Miscellaneous revenues:			
Reimbursement - management	\$ 145,000	\$ 101,845	\$ (43,155)
Other miscellaneous revenue	37,000	75,275	38,275
Appropriation of fund balance	390,000	--	(390,000)
	<u>572,000</u>	<u>177,120</u>	<u>(394,880)</u>
 Total revenues	 <u>5,897,710</u>	 <u>6,564,397</u>	 <u>666,687</u>
 Expenditures:			
General government:			
City Commission:			
Personal services	13,636	13,544	92
Operating expenditure	31,700	40,862	(9,162)
	<u>45,336</u>	<u>54,406</u>	<u>(9,070)</u>
 City Manager:			
Personal services	189,979	357,784	(167,805)
Operating expenditure	19,970	19,120	850
Capital outlay	--	6,138	(6,138)
	<u>209,949</u>	<u>383,042</u>	<u>(173,093)</u>
 City Clerk:			
Personal services	77,445	79,078	(1,633)
Operating expenditure	53,100	37,683	15,417
	<u>130,545</u>	<u>116,761</u>	<u>13,784</u>
 Finance:			
Personal services	98,389	105,545	(7,156)
Operating expenditure	89,660	55,667	33,993
Capital outlay	35,000	1,539	33,461
	<u>223,049</u>	<u>162,751</u>	<u>60,298</u>
 City Attorney:			
Operating expenditure	160,000	124,244	35,756
	<u>160,000</u>	<u>124,244</u>	<u>35,756</u>
 Nondepartmental:			
Personal services	62,353	30,465	31,888
Operating expenditure	626,276	546,887	79,389
Capital outlay	--	4,058	(4,058)
	<u>688,629</u>	<u>581,410</u>	<u>107,219</u>
 Total general government	 <u>1,457,508</u>	 <u>1,422,614</u>	 <u>34,894</u>

**CITY OF NORTH BAY VILLAGE, FLORIDA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
(continued)  
For the Year Ended September 30, 2005

	Budget Amounts Original and Final	Actual	Variance
Public safety:			
Personal services	3,001,167	2,923,035	78,132
Operating expenditure	225,660	268,515	(42,855)
Capital outlay	17,112	7,140	9,972
Debt service	<u>36,373</u>	<u>36,373</u>	<u>---</u>
Total public safety	<u>3,280,312</u>	<u>3,235,063</u>	<u>45,249</u>
Public works:			
Personal services	123,941	143,193	(19,252)
Operating expenditure	225,502	235,590	(10,088)
Capital outlay	<u>17,000</u>	<u>---</u>	<u>17,000</u>
Total public works	<u>366,443</u>	<u>378,783</u>	<u>(12,340)</u>
Building, planning and zoning			
Personal services	300,097	259,128	40,969
Operating expenditure	25,450	41,142	(15,692)
Capital outlay	<u>153,500</u>	<u>4,358</u>	<u>149,142</u>
Total building, planning and zoning	<u>479,047</u>	<u>304,628</u>	<u>174,419</u>
Parks and recreation:			
Personal services	4,000	8,661	(4,661)
Operating expenditure	<u>60,400</u>	<u>75,724</u>	<u>(15,324)</u>
Total parks and recreation	<u>64,400</u>	<u>84,385</u>	<u>(19,985)</u>
Total expenditures	<u>5,647,710</u>	<u>5,425,473</u>	<u>222,237</u>
Excess of revenue over under expenditures	250,000	1,138,924	888,924
OTHER SOURCES (USES)			
TRANSFER IN (OUT)	<u>(250,000)</u>	<u>(250,000)</u>	<u>---</u>
Net change in fund balance	\$ <u>    --</u>	\$ <u>888,924</u>	\$ <u>888,924</u>

**OTHER REPORTS  
OF INDEPENDENT AUDITORS**



**KEEFE, McCULLOUGH & CO., LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

JOHN R. KEEFE, C.P.A.  
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**INDEPENDENT AUDITORS' REPORT 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 Commission and City Manager  
City of North Bay Village, Florida

We have audited the basic financial statements of governmental activities, the business-type activities, the General Fund, and the aggregate remaining fund information of City of North Bay Village, Florida (the "City"), as of and for the year ended September 30, 2005, and have issued our report thereon dated December 16, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion 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 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.

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 basic 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.

City of North Bay Village, Florida

However, we noted other matters involving the internal control over financial reporting that we have reported to management in the accompanying schedule of findings.

This report is intended solely for the information and use of Management, members of the City Commission and applicable regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Keefe, McCullough & Co., LLP*  
KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida  
December 16, 2005



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**INDEPENDENT AUDITORS' REPORT TO CITY MANAGEMENT**

Honorable Mayor, City Commission and City Manager  
City of North Bay Village, Florida

We have audited the basic financial statements of City of North Bay Village, Florida as of and for the year ended September 30, 2005, and have issued our report thereon dated December 16, 2005.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. We have also issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with Government Auditing Standards. That report, and the referenced findings, should be considered in conjunction with this report to City management.

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 required 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 reports on compliance and internal controls or schedule of findings and questioned costs, whether or not recommendations made in the preceding annual financial audit report have been followed. The status of recommendations made in the preceding annual financial audit report have been reported under Part II Prior Year Findings and Recommendation in the accompanying schedule of findings.

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 Bay Village, Florida complied with Section 218.415, Florida Statutes.

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, we reported findings in the accompanying schedule of findings.

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

City of North Bay Village, Florida

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 disclosed no matters required to be disclosed by Rules of Auditor General (Section 10.554(1)(h)4.).

Rules of Auditor General (Section 10.554(1)(h)5.) also required 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. This information has been disclosed in Note 1 to the basic financial statements.

As required by the Rules of Auditor General (Section 10.554(1)(h)6.a.), 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 of North Bay Village, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

As required by the Rules of Auditor General (Section 10.554(1)(h)6.b.), we determined that the annual financial report for the City of North Bay Village, Florida for the fiscal year ended September 30, 2005, filed with the Florida Department of Financial Services pursuant to Section 218.321(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2005.

As required by the Rules of Auditor General (Section 10.554(1)(h)6.c. and 10.556(7)), we applied financial 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.

This management letter is intended solely for information of the City of North Bay Village, Florida and management, and the State of Florida Office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

  
KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida  
December 16, 2005

CITY OF NORTH BAY VILLAGE, FLORIDA  
SCHEDULE OF FINDINGS  
For the Year Ended September 30, 2005

**PART I. CURRENT YEAR COMMENTS AND RECOMMENDATIONS**

**00-1 Bank Reconciliations**

*Condition*

The City has checks on the outstanding checklist that are more than one year old. To aid in the preparation of bank reconciliations and to reflect an accurate cash balance in the financial statements, all checks outstanding more than one year should be investigated and written off.

*Recommendation*

It was recommended that the lists of outstanding checks be reviewed regularly and that all checks not returned by the banks within a reasonable period of time be investigated.

*Management's Response*

Management has incorporated procedures to investigate all checks that are over 120 days outstanding to assess disposition.

**PART II. PRIOR YEAR COMMENTS AND RECOMMENDATIONS -  
NOT IMPLEMENTED IN THE CURRENT YEAR**

**00-3. General Fixed Assets**

*Condition*

During the testing of fixed assets, it was noted that the City does not perform an annual physical inventory of fixed assets. Such physical counts will help detect the loss or unauthorized use of valuable property.

*Recommendation*

It was recommended that the City perform a complete physical inventory of all of the City's fixed assets and that all items be properly tagged and recorded once the count is performed.

*Management's Response*

The City plans to initiate a reporting system to encompass inventory procedures over fixed asset inventory

**99-1 Utility Fund Reserve**

*Condition*

During the testing of the Utility Fund, it was noted that the City did not transfer sufficient funds to the reserve account for the current year. In 1997, the City estimated that costs for future improvements of the City's water laterals would be approximately \$ 150,000 and established a reserve to fund the repairs over the next three to five years. As of September 30, 2003, no funds have been reserved for future repairs. At the current rate the City's goal of accumulating \$ 150,000 for repairs within the next five years will not be accomplished.

CITY OF NORTH BAY VILLAGE, FLORIDA  
SCHEDULE OF FINDINGS

(continued)

For the Year Ended September 30, 2005

*Recommendation*

We recommend that the City budget and plan for the upcoming costs of repairing or replacing the water laterals by increasing its reserves over the next five years.

*Management's Response*

The City has budgeted the fiscal year ended September 30, 2005 and again in the fiscal year ended September 30, 2006 \$ 50,000 in contingency for any major repairs and maintenance and will debt finance any needed capital improvements. In addition, the City is completing rate studies on utility billing and, based on results, may be able to fund the reserve accounts.

**99-4. General**

*Condition*

The City does not have a formal written accounting and personnel policies and procedures manual. Written procedures, instructions and assignments of duties will prevent or reduce misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records.

*Recommendation*

It was recommended that the City develop a written policies and procedures manual to assist in the continued cross training of its staff.

*Management's Response*

Management will ensure that a policy and procedures manual be prepared in conjunction with the implementation of the new financial reporting system.