



April 29, 2019

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

We are pleased to submit the Comprehensive Annual Financial Report (“CAFR”) for the City of North Miami, Florida, (the “City”) for the fiscal year ended September 30, 2018. The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). This report is published to fulfill the requirements of Chapter 11.45 of the Florida Statutes, and Section 16 of the City Charter which require that City accounts be audited annually by independent auditors.

Management assumes full responsibility for the completeness and reliability of the information contained in this report. The City operates under a comprehensive internal control framework designed to prevent the City’s assets from loss, theft, or misuse, and ensures the reliability of financial records. Considering the cost of internal controls should not exceed the benefits, the objective of this report is to provide reasonable, rather than absolute assurance that the financial statements will be free from material misstatement.

The City’s accounts and financial statements have been audited by RSM US LLP. The firm has issued an unmodified opinion on the City’s financial statements for the year ended September 30, 2018. The independent auditor’s report is located at the beginning of the financial report section on page 1.

As a recipient of federal, state and county grants, the City is also subject to an annual Single Audit in conformity with the provisions of the Federal Single Audit Act and Chapter 10.550 of the Rules of the Auditor General of the State of Florida. The standards governing Single Audit engagements require the independent auditor to report, not only on the fair presentation of the financial statements, but also on the City’s internal controls and compliance with legal requirements, with special emphasis on the administration of federal and state awards. Information related to the Single Audit, including the Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State Financial Assistance and Local Awards, findings and recommendations, and auditor’s reports on the internal controls and compliance with applicable laws and regulations are included in the compliance section.

The management’s discussion and analysis (“MD&A”) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter and should be read in conjunction with it. The City of North Miami’s MD&A can be found in the section immediately following the report of the independent Certified Public Accountants.

PROFILE OF THE CITY

The City is located in the Northeastern region Miami-Dade County, Florida. The City of North Miami is the sixth largest City in Miami-Dade County, and the forty-first largest in the State. It encompasses 9.5 square miles in area and has a population of approximately 65,000 residents.

The City was incorporated on February 5, 1926 and has been governed by a council-manager form of government. All powers of the City are vested by an elected Council. The Council consists of four Council members and a Mayor. City elections are held on the second Tuesday in May of each odd-numbered year on a non-partisan basis. At each election, each member of the Council is elected for four-year terms and limited to serving no more than two consecutive terms. Thus, the terms are alternated so that there are always at least two experienced members on the Council. The Mayor is elected at-large for a two-year term. Furthermore, on the second Tuesday in May, of odd-numbered years on a non-partisan basis, the City Clerk is elected to hold office for a term of four years and is limited to serving no more than two consecutive terms.

The Council is responsible for enacting ordinances, resolutions, and regulations governing the City, as well as appointing members of the various advisory boards, the City Manager and the City Attorney. The City Manager is the City's Chief Executive Officer, and as such, is responsible for the daily operations of the City, implementing policies adopted by the City Council and oversight of the employment function. The City Manager is also charged with preparing and submitting the annual budget and capital improvement plan to the City Council.

The City provides a full range of municipal services: general government, public safety, streets and public works, housing, economic and community development, education through its library, recreation and cultural services. In addition, the City also operates water and sewer, and stormwater utilities as enterprise activities.

The financial reporting entity covered in this report includes all the funds of the City and its component units. Component units are legally separate entities for which the City is financially accountable, or the nature and significance of the relationship between the City and the entity is such that exclusion would cause the City's financial statements to be misleading or incomplete. The North Miami Community Redevelopment Agency ("CRA") which was created in June 2005, in accordance with Chapter 163.356, Florida Statutes, is a blended component unit. The Museum of Contemporary Art ("MOCA") is a not-for-profit organization established by City Ordinance in 1980 to fundraise on behalf of the Museum, this entity met the criteria to be classified as a blended component unit of the City for the current fiscal year. Additional information on component units and related entities can be found in Note 1 of the notes to the Basic Financial Statements section.

The annual budget serves as the foundation for the City's financial planning and control systems. Management's budget request is presented to the City Council by the City Manager. The Council holds public hearings on the proposed budget prior to adopting the final budget and setting the tax rates for the budget year. The City Council is required to hold public hearings on the proposed budget and to adopt the final budget no later than September 30th preceding the beginning of the fiscal year on October 1st.

Budgetary control over expenditures is legally maintained at the fund level except for the General Fund, which is at the departmental level. The budget-to-actual comparisons for the General Fund, CRA, C.D.B.G. Entitlement and for the Landfill Closure Fund, which are major special revenue funds, are included as Required Supplementary Information (“RSI”) following the Notes to the Basic Financial Statements.

Budget-to-actual comparisons are provided in this report for each major individual governmental fund for which an appropriated annual budget has been adopted and all non-major governmental funds with appropriated annual budgets.

The major phases of the budget process are detailed in the notes to the Required Supplementary Information Section of this report.

FACTORS AFFECTING FINANCIAL CONDITION

Local Economy

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates. The City is strategically located between Fort Lauderdale and Miami. It is served by an excellent transportation system making it less than a 30-minute drive from two Florida major international airports. It is also in close proximity to the Port of Miami and Port Everglades, both important gateways to major national and international markets. North Miami’s major communities like Sunkist Grove, Central North Miami, Keystone Point and San Souci are primarily comprised of younger families of multi-ethnic backgrounds, making the City one of the youngest, most culturally diverse cities in South Florida.

The City is home to an increasingly active, growing, and prosperous business community. It holds a variety of shopping centers and specialty retail stores including gourmet, award-winning restaurants. With more than 250 art and entertainment businesses, the City has a rich and thriving arts and entertainment industry with art galleries and studios in its downtown district, and film and audio recording studios located throughout the City. North Miami features more than 70 acres of warehouse and industrial zoned space as well as multiple Class A office buildings.

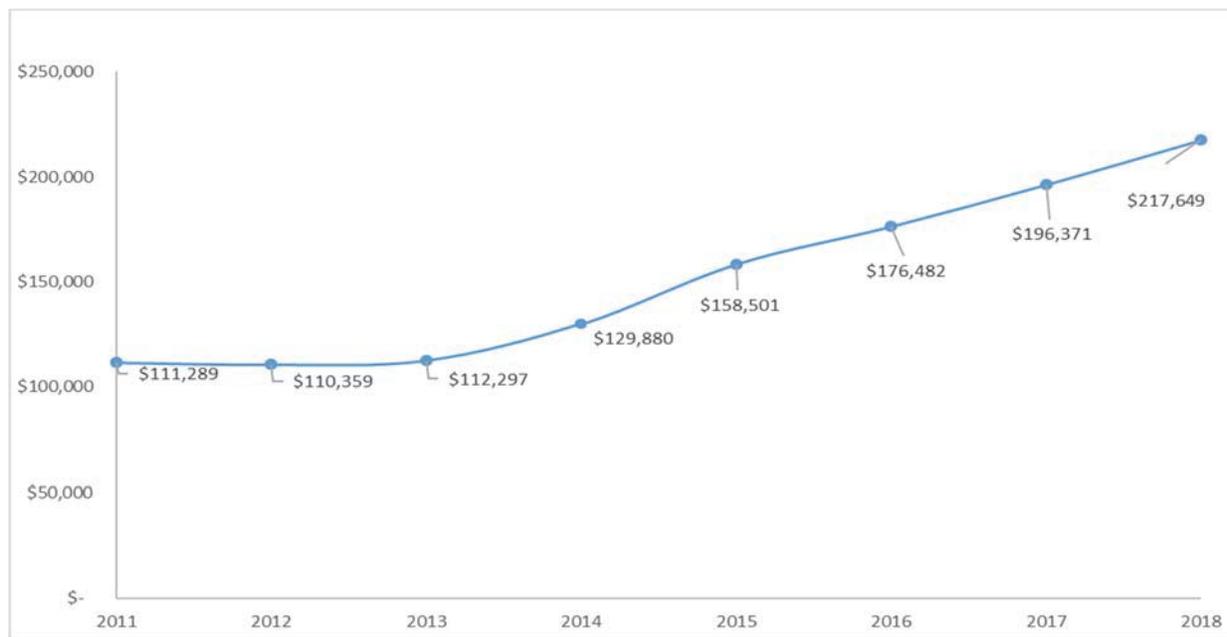
The City’s housing stock includes a mix of single-family homes, from apartment buildings and condominiums, both rental and owner-occupied, to multi-million dollar estates overlooking beautiful Biscayne Bay. Two major four-year universities are located in the City: Florida International University Biscayne Bay Campus, which has one of the top-ranked hospitality management programs in the country; and Johnson and Wales University, a well-known culinary and hospitality management school. The City is served by five elementary schools, two K-8 educational centers, two middle schools, and two senior high schools which are all part of the public school system administered by the Miami-Dade County School Board.

The area’s unemployment rate at the end of fiscal year 2018, was down to approximately 4.6% from 6.4% the year before, slightly above the county average of 4.1%. North Miami has managed to increase job growth since the recession of a decade ago, in line with neighboring communities and the County. Most of the growth came in the private sector which has now recovered and surpassed

all the jobs lost during the recession. The employment gains have been led by strong growth in the trade sector, leisure and hospitality, and education and health services. Miami-Dade County’s overall labor market is expected to continue to show some improvements as the construction and housing sectors post strong signs of growth. Although sales of existing homes fluctuated, the median sales price of an existing single-family home in North Miami was \$258,000 in 2018. Sales of existing condominium units followed similar pattern and averaged \$159,000.

The single-family residential properties group accounts for about 55% of the City’s housing stock, while condominium units represent about 41%. The net assessed value of personal and real property have increased slightly compared to previous years. These economic factors continue to influence discretionary spending which in turn impacts other revenue sources as well. The values have increased by 50% since 2014.

Average Market Value of Residential Properties



Source Miami-Dade County Property Appraiser 2011-2018 Preliminary Average and Median Residential Values

Under Florida State law, Ch. 200.065 (5), F.S., the maximum millage rate that the City can levy is a rolled-back rate based on the amount of taxes which would have been levied in the prior year if the maximum millage rate had been applied and adjusted for the change in per capita income, unless a higher rate is adopted, in which case the maximum is the adopted rate. The City levy for the fiscal year ended September 30, 2018, was 7.5000 mills.

Long-term financial planning

Florida’s GDP is at an all-time high; retail and multifamily markets are the greatest beneficiaries of economic recovery and population growth. Similarly, in North Miami, office and industrial space are trending upwards.

MAJOR INITIATIVES AND OUTLOOK

Downtown Action/Concept Plan

On November 25, 2014, the City adopted resolution 2015-R-115 for the Downtown Action/Concept Plan (“the Plan”) in an effort to chart a course for future downtown development. The adopted Plan includes a series of capital improvement projects as well as recommendations that outline strategies needed to spur redevelopment, promote economic growth and transform the physical image of the City’s downtown area.

The Plan is a two-pronged approach to redevelopment with the Action Plan (Vol. 1) outlining the list of strategies, costs and funding needed to revitalize the downtown and the Concept Plan, (Vol. 2) serving as the visual guide with key spaces identified for capital improvement projects.

The overarching goal of the Plan is to foster the revitalization of the City’s aging downtown, while refurbishing its image and transforming it as a place to live, play, invest and work. The Plan earned the City an Award of Excellence for Best Plan from the American Planning Association.

To date, three of the eight capital projects identified in the Plan have been completed or are nearing completion. In addition, the NE 125 Streetscape improvement project will be breaking ground in mid-2019, leading to a more walkable, pedestrian friendly downtown.

SoLē Mia Project

The first phase of SoLē Mia was completed at the end of 2018. This new massive development is generating greater revenues and economic development for the City than any other project in North Miami. Twin residential towers, known as The Shoreline, were built for approximately \$100 million and are currently leasing to tenants. The Shoreline features 397 units within the two 17-story apartment buildings. In addition, the first phase includes a 156,000 square-foot Costco store which features about 100 jobs. Finally, Warren Henry Automotive Group is finishing construction on its new headquarters that is expected to open in April 2019.



Snapshot of the newly constructed Shoreline residential towers in SoLē Mia

When completed, SoLē Mia will feature approximately 1,400,000 square feet of shopping, chef-driven restaurants, an indoor food hall & fresh market, entertainment venues and office space. Located in North Miami, Turnberry Associates (Soffer’s) and LeFrak’s latest development is destined to become South Florida’s next iconic neighborhood. The 184-acre master-planned community is rising at 15045 Biscayne Boulevard, just south of Aventura and east of Biscayne Boulevard. SoLē Mia Main street will have office space above the retail as well as freestanding office buildings. The commercial space will total 1 million square feet. The office space is estimated at 220,000 square feet

and nearly 4,200 parking spaces are planned. Redefining an entire community, SoLē Mia will be a vibrant hub of cultural and commercial activity that creates jobs, spurs investment, and provides significant benefits to the communities that surround it.



Artist's rendering of the SoLē Mia Project

Chinatown

On February 23, 2016, the North Miami City Council unanimously approved a resolution designating 16 blocks along North West 7th Avenue between North West 119th Street to North West 135th Street as a Chinatown Cultural Arts and Innovation District. Completed in October 2017, the Chinatown Master Plan serves as a design guide to ensure the future growth of the community. The City is actively speaking with investors and developers who are interested in helping to develop the Chinatown neighborhood.



Public Private Partnership

Public Private Partnership

On June 9, 2015, the City Council adopted a resolution supporting Public Private Partnership and recognizing the importance of supporting economic growth with a viable mixed-use development which includes new housing in the central City area, services, and employment opportunities. The administration is working to translate the resolution into action and create the environment needed to increase the City's tax base for the benefit of the entire community.

North Miami Opportunity Zones

On June 14, 2018 the U.S. Department of Treasury certified the designation of 427 census tracts as Opportunity Zones in the State of Florida as part of the passage of the Tax Cuts & Jobs Act of 2017. Of those 427 tracts, 3 Opportunity Zones were located within the City of North Miami in crucial development areas that are poised for investment such as the Chinatown Cultural Arts & Innovation District and the SoLē Mia Master Planned Development. The City is actively working with development stakeholders to secure investment within these Zones, and economic investment is expected to result from the designation and marketing of these Zones and their assets.

AWARDS AND ACKNOWLEDGEMENTS

The successful preparation of this report would not have been possible without the tireless and dedicated efforts of the entire staff of the Finance Department and the valuable contributions of the Management and Budget Office.

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of North Miami for its Comprehensive Annual Financial Report (CAFR) for fiscal year ended September 30, 2017. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

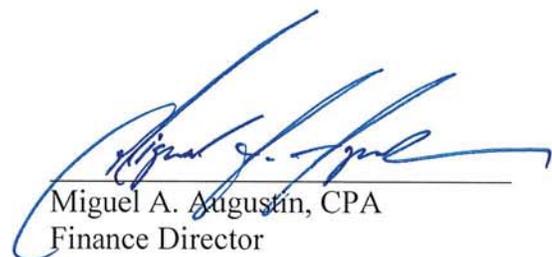
A Certificate of achievements is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievements Program's requirement and we are submitting it to the GFOA to determine its eligibility for another certificate.

The Government Finance Officers Association (GFOA) of the United States and Canada also presented a Distinguished Budget Presentation Award to the City for its annual budget for the fiscal year 2017.

Respectfully submitted,



Larry M. Spring, Jr. CPA
City Manager



Miguel A. Augustin, CPA
Finance Director