

**City of North Miami, Florida**



**COMPREHENSIVE ANNUAL FINANCIAL  
REPORT**

**FISCAL YEAR ENDED  
SEPTEMBER 30, 2013**

**Prepared by the Finance Department**



June 30, 2014

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

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, 2013. 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 ensure the reliability of financial records. Because the cost of internal controls should not exceed the benefits, the objective 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, HCT Certified Public Accountants and Consultants, LLC. The firm has issued an unmodified (“clean”) opinion on the City’s financial statements for the year ending on September 30, 2013. The independent auditor’s report is located at the beginning of the financial report section.

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 state financial assistance, findings and recommendations, and auditor’s reports on the internal controls and compliance with applicable laws and regulations, are included in the compliance section.

In accordance with Governmental Accounting Standards Board (“GASB”) Statement No. 34 *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments*, as amended, Generally Accepted Accounting Principles (“GAAP”), require that management provide a narrative, introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A 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 GOVERNMENT**

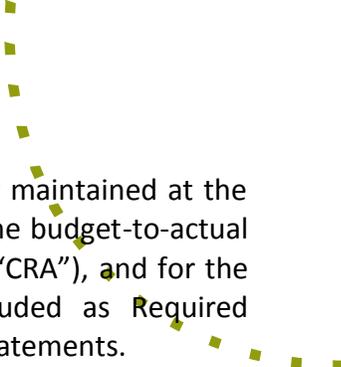
The City of North Miami was incorporated on February 5, 1926, and is located in northeastern Miami-Dade County, Florida. The City of North Miami is the sixth largest City in Miami-Dade County, and the forty-first largest in the State. It encompasses 9.5 square miles in area and has a population of approximately 60,000 residents.

The City operates under a Council-Manager form of government. The Mayor is elected at-large on a non-partisan basis for a two-year term. The other members of the Council are elected in each of the four districts for a term of four years. 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 City Attorney. The City Manager is the City’s Chief Executive Officer and is responsible for the daily operations of the City and for implementing policies adopted by the City Council. The City Manager is also charged with the hiring of department heads and with preparing 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, sanitation, housing, economic and community development, education through its library, recreation and cultural services. In addition, the City also operates water and sewer utility, and storm water 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 of North Miami is financially accountable, or the nature and significance of the relationship between the City and the entity was such that exclusion would cause the City's financial statements to be misleading or incomplete. The North Miami Community Redevelopment Agency (CRA) which was created in June 2005, in accordance with Chapter 163.356, Florida Statutes, is a blended component unit. Additional information on component units and related entities can be found in Note 1 in 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. 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, the Community Redevelopment Agency (“CRA”), 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.

## **FACTORS AFFECTING FINANCIAL CONDITION**

### **Local Economy**

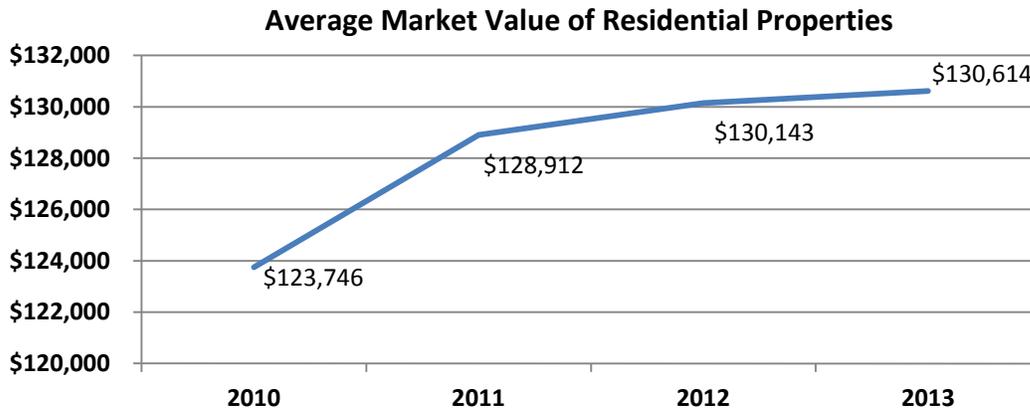
The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of North Miami operates. North Miami is strategically located between Fort Lauderdale and Miami. It is served by an excellent 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 residents are primarily 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, from shopping centers to specialty stores, gourmet restaurants, artist studios, as well as the film, video and recording industries.

The City’s housing stock includes a mix of single-family homes, 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 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 2013 was down to 7.9% from 9% the year before, slightly above the state wide average of 6.90%. All of the growth came in the private sector which has now recovered nearly all the jobs lost during the recession. The employment gains have been lead 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 recover. Although sales of existing home fluctuated, the median sales price of existing single-family home rose around 33% over last year to \$230,000. Sales of existing condominium units followed similar growth and averaged \$180,000.

The single family residential properties group accounts for more than 50% of the City’s housing stock while condominium units represent 36%. The net assessed value of personal and real

property declined by 3% in 2012 as compared to 22% in 2011. These economic factors continue to influence discretionary spending which in turn impacts other revenue sources as well.



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 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, 2013 was 8.1000 mills less than the rolled-back rate of 8.1037 mills.

### **Long-term financial planning**

The completion of the Port of Miami Tunnel scheduled for October 2014 is expected to have a positive impact on the City. As mentioned earlier, the City is strategically located within minutes of this major international gateway. The tunnel, with total funding of \$900 million, will expand the transportation route between the port, the highway system and the roadways. The City and its residents are well positioned to benefit from the anticipated \$17 billion in economic output. The growth expected in the trade and cruise and hospitality sectors will improve local employment and household income.

New construction of single family properties has nearly doubled in fiscal year 2013, increasing by 160% over the prior year. The new homes being developed are mostly located on ocean front properties which tend to have higher value. The commercial construction has also seen some increase with a nursing home expanding its capacity by 35% and a \$5 million new four-story construction among the biggest projects expected to be completed by the end of next fiscal year.

One of the most important indicators of a government's financial strength is its general fund reserves. Adequate reserves are vital to provide for flexibility to respond to a deteriorating economic environment. The lease of the property in the area known as Biscayne Landing in 2012 allowed the City to improve its financial position following the housing crisis and recession. Conservative spending and the strong growth foreseen in the trade and tourism sectors are factors expected to have a continued positive impact on the City's financial position.

## MAJOR INITIATIVES

The City retained Keith & Schnars, P.A to develop architectural and urban design guidelines for its downtown district and its major corridors. The final Master Plan includes a series of recommendations outlining strategies needed to spur redevelopment, promote economic growth and transform the physical image of the downtown area. As part of the next steps, the City has developed an Action Plan along with an advisory board made of citizens, experts, and other stakeholders. The Action Plan serves as a guide for prioritizing and budgeting for the implementation of the recommended strategies and capital projects over time. These projects will eventually be incorporated into the City's Capital Improvement and Financing Plan for the next 10 years. The plan is a very ambitious vision that could potentially reshape the City in the medium to long term future. The City is currently discussing financial incentives with potential commercial developers and existing real estate owners that could spur a public-private partnership project to catalyze the redevelopment.

The City is currently evaluating bids for the renovation of the E. May Library. The project addresses mandated improvements following the 40 year recertification report, also includes reconfiguration of internal space, furniture replacement, new ceilings, carpeting and floors, interior and exterior lighting, exterior seating and beautification of the external space. A total of \$1.5 million is earmarked to fund the library renovation and construction is expected to last until the end of the 2014. The new layout includes additional meeting rooms, a state of the art children and young adult section, a technology genius bar, a modern style atrium and a mixed purpose area.

## AWARDS AND ACKNOWLEDGEMENTS

The preparation of this report would not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department and the Management and Budget Office.

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the City of North Miami, Florida for its annual budget for the fiscal beginning 2013.

Respectfully submitted,



Camelia Colin Siguineau, CPA  
Director of Finance