

# FINANCIAL



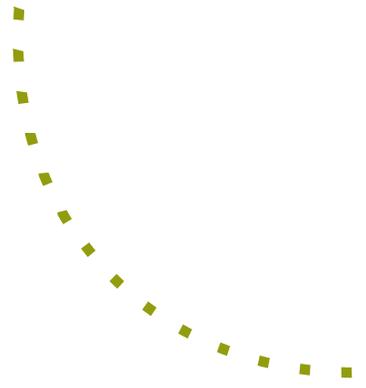
NBA Cares Event at the Joe Celestin Center



Taste of Haiti Event at the MOCA Plaza



Free Salsa Classes at the Griffing Adult Center



**NOTES TO THE FINANCIAL STATEMENTS**

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2013

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies of the City as reflected in the accompanying financial statements for the year ended September 30, 2013, conform to generally accepted accounting principles ("GAAP"), in the United States for local governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. A summary of the City's most significant accounting policies applied in the preparation of the accompanying financial statements are described below:

#### A. Financial Reporting Entity

The financial reporting entity covered by this report includes the City and its component units. The reporting entity has been defined in accordance with the criteria set forth in GASB Statement No. 14, *The Financial Reporting Entity*, GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *Financial Reporting Entity-Omnibus*. Organizations are included if they are financially accountable to the City. The City is financially accountable if it appoints a voting majority of the organization's governing board and is able to impose its will on that organization, or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City. Inclusion is determined on the basis of the City's ability to exercise significant influence in the operational or financial relationship with the City. Blended component units, although legally separate entities, are in substance, part of the government's operations, therefore, data for these units are combined with data of the City.

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

The North Miami Community Redevelopment Agency (CRA) was created on June 7, 2005, in accordance with Chapter 163.356, Florida Statutes, to establish and carryout redevelopment objectives in economically deprived areas of the City. The CRA, whose board members are the same as the City Council's, provides services that exclusively benefit the City. The CRA is fiscally dependent on the City because the City Council approves the CRA's budget, levies taxes, and must approve any debt issuances. The CRA has a September 30<sup>th</sup> year-end.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2013

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

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

##### *Blended Component Unit (Continued)*

Complete financial statements for the CRA can be obtained by writing to: Director, North Miami Community Redevelopment Agency, 615 N.E. 124 Street, North Miami, Florida 33161.

##### *Discretely Presented Component Unit*

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

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

##### **Related Entities**

The following related entities are the more significant of those that do not meet the criteria for component units and are not included in the City's financial statements. City officials have either appointed the initial board or continue to appoint members to the boards of the following organizations, but the City's accountability for these organizations do not extend beyond making appointments:

***Museum of Contemporary Art ("MOCA")*** - MOCA is a not-for-profit organization established by City Ordinance in 1980 to provide cultural benefits to the City. The museum is operated and managed by a board of trustees. In 2008, the City entered into a management agreement with the organization and its board of trustees under which the City partially funds certain operating costs in its annual budget.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2013

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

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

##### Related Entities (Continued)

**North Miami Educational Foundation Inc. (“the Foundation”)** – The Foundation is a not-for-profit organization incorporated in 2012. The original purpose of the Foundation is to provide financial assistance to at-risk students and economically disadvantaged residents in their pursuit of education. The founding board of nine members was selected by the City Council. The City awarded an initial contribution of \$350,000 to establish an endowment fund. The funds are held by an investment firm and earnings are used to fund the mission of the Foundation.

#### B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City and its component unit. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on user fees and charges to recover their costs and capital renewal.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. The City does not currently employ an indirect cost allocation system. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining non-major governmental funds are aggregated and reported as total non-major governmental funds.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2013

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available.

Revenues are considered to be *available* when they are collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, and postemployment benefits other than pensions, are recorded only when payment is due.

Property taxes, franchise fees and other taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and are recognized as revenues of the current fiscal period. Revenues for expenditure-driven grants are recognized when the qualifying expenditures are incurred. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

The *Landfill Closure Fund* accounts for the costs of remediation and closure of the former Munisport landfill site.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2013

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

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

*(Continued)*

The *CRA Component Unit Fund*, a component unit of the City, receives incremental City and Miami-Dade County tax revenues to finance redevelopment projects by carrying out public initiatives that stimulate rehabilitation or development in the CRA area.

The City reports the following major proprietary funds:

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

The *Solid Waste Services Fund* accounts for the City's sanitation operations inclusive of garbage, trash and recycling. Additionally, it includes animal control, graffiti control and sanitation code enforcement. Activities of the fund were outsourced during the fiscal year. Assets were sold and operations and residual fund balance transferred to governmental activities

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

Additionally, the City reports the following fund types:

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

The *Pension Trust Funds* (Clair T. Singerman Plan and Police Pension Plan) are used to account for the City's two single-employer defined benefit pension plans covering substantially all of its current employees and retirees of these funds.

#### *Reconciliation of Government-Wide and Fund Financial Statements*

A summary reconciliation of the difference between total fund balances as reflected on the governmental funds balance sheet and total net position for governmental activities as shown on the government-wide statement of net position is presented in an accompanying

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2013

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

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

(Continued)

schedule to the governmental funds balance sheet. The asset and liability elements which comprise the reconciliation difference, stem from governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. A summary reconciliation of the difference between net changes in fund balances as reflected on the governmental funds statement of revenues, expenditures, and changes in fund balances and change in net position for governmental activities as shown on the government-wide statement of activities is presented in accompanying schedule to the governmental funds statement of revenues, expenditures, and changes in fund balances. The revenue and expense elements which comprise the reconciliation difference stem from governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

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

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing goods and services in connection with a proprietary fund's ongoing operations.

The principal operating revenues of the City's water and sewer, stormwater utility funds and of the City's internal service funds are charges to customers for services. Operating expenses

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2013

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

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

*(Continued)*

for enterprise funds and internal service funds include the costs of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### **D. Assets, Liabilities, and Net Position or Fund Balance**

##### **1. Cash, Equity in Pooled Cash and Investments**

The City's cash and cash equivalents include cash on hand, time and demand deposits, and short-term investments consisting primarily of a collateralized interest on public funds checking account and investments with the State Board of Administration Investment Pool. The City pools cash from most of its funds for accounting and investments purposes. This gives the ability to maximize earnings potential from large idle cash. The relationship of an individual fund to the pooled cash account is similar to that of a demand deposit account. Individual funds can withdraw cash from the account as needed and therefore all equity that it has in the pooled cash is highly liquid. When both restricted and unrestricted resources are available for use for the same purpose the City uses restricted resources first, then unrestricted resources when they are needed.

Resources of all funds, with the exception of the pension trust funds and certain other cash and investment accounts which are maintained in accordance with legal requirements, have been combined into a pooled cash and investment system for the purpose of maximizing earnings. Interest earned on pooled cash and investments is allocated based upon equity balances of the respective funds. The average interest rate earned on investments was approximately 0.79% for fiscal year 2013.

The nature of investments is governed by the provisions of Florida Statutes Section 218.415. Under this statute authorized investments are limited, unless otherwise authorized by law or ordinance, to the State Board of Administration Investment Pool, money market funds, direct or unconditionally guaranteed obligations of the United States Government, obligations of certain governmental agencies, interest bearing time deposits or savings accounts.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2013

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

#### **D. Assets, Liabilities, and Net Position or Fund Balance (Continued)**

##### **1. Cash, Equity in Pooled Cash and Investments (Continued)**

All investments, except the Florida PRIME administered by the State Board of Administration), are reported at fair value. The Florida PRIME is recorded at the value of the pool shares (2a-7 like pool), which is fair value.

Cash and cash equivalents, for purposes of the statement of cash flows, include cash and investments which are defined as short-term, highly liquid investments with original maturities of three months or less.

##### **2. Interfund Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds (i.e., amounts owed for goods/services rendered to a particular fund by another fund in the reporting entity) are reported as "due to/from other funds" (current portion) or "interfund receivables/payables" (non-current portion). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and other receivables are reported at original amount, net of an allowance for doubtful receivables. Management determines the allowance based on historic experience.

##### **3. Inventories and Prepays**

Inventories consist principally of materials and supplies held for consumption and are recorded at cost for governmental funds and lower of average cost or market for proprietary funds. In the governmental funds, the cost of inventories are recorded as expenditures at the time of purchase, while in the proprietary funds, the cost of inventories are recorded as expenses when consumed.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2013

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

#### **D. Assets, Liabilities, and Net Position or Fund Balance (Continued)**

##### **3. Inventories and Prepays (Continued)**

Certain payments to vendors reflect cost applicable to the future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

In the governmental funds, reported inventories and prepaid items are offset by non-spendable fund balance which indicates that they do not constitute available spendable resources.

##### **4. Restricted Assets**

In December 2004, the City received a grant of \$31 million from Miami-Dade County for remediation and closure of the City's former landfill site. These funds were placed in escrow and are restricted for funding the costs of the environmental cleanup.

##### **5. Capital Assets**

Capital assets, which include land, buildings, machinery, equipment and infrastructure assets (e.g., utility lines, roads, bridges, sidewalks, and similar items), regardless of their acquisition date, are reported at cost or estimated historical cost in the applicable governmental or business-type activities columns in the government-wide financial statements. Donated capital assets are recorded at their estimated fair value at the date of donation. The capitalization thresholds are \$1,000 for equipment and \$5,000 for land, buildings, and infrastructure. The City's capitalization threshold for intangible assets is \$30,000 for software and \$75,000 for easements. The costs of normal maintenance and repairs that do not increase the capacity or efficiency of the asset or materially extend asset lives are not capitalized.

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

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2013

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

#### D. Assets, Liabilities, and Net Position or Fund Balance (Continued)

##### 5. Capital Assets (Continued)

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	20
Public domain infrastructure	10-50
Intangibles	5-25
System infrastructure	5-50
Vehicles, and other outdoor equipment	3-10
Office equipment	5-10
Computer equipment	3-4
Library books	5

##### 6. Compensated Absences

It is the City's policy to permit employees to accumulate, within certain limits, earned but unused vacation time and sick leave, which will be paid to employees upon separation from City's service. All vacation and sick leave pay is accrued when incurred in the government-wide, and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, due to employee resignation or retirement.

##### 7. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line amortization method. The result of using this method does not differ significantly from the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In addition, the difference between the reacquisition price

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2013

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

#### **D. Assets, Liabilities, and Net Position or Fund Balance (Continued)**

##### **7. Long-Term Obligations (Continued)**

(new debt) and the net carrying value of the old debt on refunded debt transactions is deferred and amortized as a component of interest expense using the bonds outstanding method over the shorter of the remaining life of the old debt or the life of the new debt. The deferred amount is offset against the new liability.

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

##### **8. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Material estimates that are particularly susceptible to significant change in the near term relate to: 1) the determination of the actuarially accrued liability for unpaid claims which is prepared based on certain assumptions pertaining to interest rates, and inflation rates, etc. 2) the estimated liability for remediation and closure of the former Munisport landfill site, and (3) the actuarially determined liability for post-employment benefits other than pensions. Although these estimates (as well as all estimates) are based on management's knowledge of current events and actions may undertake in the future, they may ultimately differ from actual results.

##### **9. Deferred Outflows/Inflows of Resources**

The Statement of Net position includes a separate section for Deferred Outflows of resources. This represents the usage of net position applicable to future periods and will be recognized as expenditures in the future period to which it applies. Currently the only item in this category is Deferred Charge on Refunding reported on the Government-wide Statement of Net Position. The deferred charge on refunding is the difference

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2013

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

#### D. Assets, Liabilities, and Net Position or Fund Balance (Continued)

##### 9. Deferred Outflows/Inflows of Resources (Continued)

between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the life of the refunding debt.

The statement of Net Position also includes a separate section for Deferred Inflows of Resources. This represents the acquisition of net position applicable to future periods and will be recognized as revenue in the future period to which it applies. Currently the only item in this category is Unavailable Revenue, which is reported only in the Governmental Funds Balance Sheet under the modified accrual basis of accounting.

##### 10. Net Position/Fund Balance

###### *Net Position (deficit)*

Net position (deficit) is the result of assets less liabilities and deferred inflows of resources. Net position in the government-wide and proprietary funds statement of net positions is displayed in three categories:

- 1) Invested in capital assets, net of related debt
- 2) Restricted
- 3) Unrestricted

Net investment in capital assets, net of related debt, consists of capital assets reduced by accumulated depreciation and by any outstanding debt incurred to acquire, construct, or improve those assets, excluding unexpended proceeds. Restricted net position is that portion of net position that has been restricted for general use by external parties (creditors, grantors, contributors, or laws or regulations of other governments) or imposed by law through constitutional provisions. Unrestricted net position consist of all net position that do not meet the definition of either of the other two components.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2013

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

#### D. Assets, Liabilities, and Net Position or Fund Balance (Continued)

##### 10. Net Position/Fund Balance (Continued)

###### *Fund balance*

Governmental funds financial statements report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is legally bound to honor the specific purposes for which amounts in fund balance may be spent.

Fund balances are displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

*Nonspendable fund balances* include amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts), or (2) legally or contractually required to remain intact (e.g. endowment).

*Restricted fund balances* include amounts that are restricted for specific purposes either by: (a) constraints imposed by external providers (such as grantors, creditors, bondholders, contributors, or laws or regulations of other governments), or (2) imposed by constitutional provisions.

*Committed fund balances* include amounts that can only be used for specific purposes pursuant to constraints imposed by City Council, the City's highest level of decision-making authority, set in place prior to the end of the period. Such amounts cannot be changed unless the City Council takes the same action to remove or change the constraint.

*Assigned fund balances* include amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Assignments of fund balances are made by City management based upon the direction of City Council.

*Unassigned fund balances* include amounts that have not been restricted, committed or assigned.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2013

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

#### D. Assets, Liabilities, and Net Position or Fund Balance (Continued)

##### 10. Net Position/Fund Balance (Continued)

###### *Fund balance (Continued)*

The City reports the following governmental fund balance classifications:

- 1) Non-spendable fund balances
- 2) Restricted fund balances
- 3) Committed
- 4) Assigned
- 5) Unassigned fund balances

###### *Net Deficit*

A net deficit of \$2,625,051 exists in the General Risk Management Fund due to the balance of two known recorded claims that exceed the sovereign immunity cap. A claims bill was approved in the Florida Legislature for the first claim and a "claims bill" has been filed for the second claim. Claims liabilities have been recorded in the fund for these potential obligations. Beginning with the 2012 budget, the City committed to funding the deficit over a 5 year period in addition to funding current operations.

### NOTE 2. Cash, Cash Requirements and Investments

#### ***Deposits***

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

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2013

### **NOTE 2. Cash, Cash Requirements and Investments (Continued)**

#### ***Investments***

As required by Florida Statutes, the City has adopted a written investment policy, which may, from time to time, be amended by the City. Investments are made in accordance with provisions of the Florida Statutes and the City's Bylaws. The City is authorized to invest in obligations of the U.S. Treasury, its agencies, instrumentalities and the State Board of Administration (SBA) Investment Pool. The SBA administers the Florida PRIME and the Surplus Trust Fund (Fund B), both of which are governed by Ch. 19-7 of the Florida Administrative Code and Chapters 218 and 215 of the Florida Statutes. These rules provide guidance and establish the policies and general operating procedures for the administration of the Florida PRIME and Fund B. The Florida PRIME is not a registrant with the Securities and Exchange Commission (SEC); however, the Board has adopted operating procedures consistent with the requirements for 2a-7 fund, which permits money market funds to use amortized cost to maintain a constant net asset value (NAV) of \$1 per share.

The fair value of the position in the Florida PRIME is equal to the value of the pool shares. The Fund B is accounted for as a fluctuating NAV pool. As of September 30, 2013, the fair value factor for Fund B was \$.9489 per share. The Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to the Florida PRIME, consistent with the pro rata allocation of pool shareholders of record at the creation of Fund B. One hundred percent of such distributions from Fund B are available as liquid balances within the Florida PRIME. The investments in the Florida PRIME and Fund B are not insured by the FDIC or any other governmental agency.

The pension trust funds are authorized to invest in common stocks, and corporate bonds rated "BBB" or better by Standard & Poor's or "Baa" or better by Moody's bond ratings.

As of September 30, 2013, the City's deposit and investment balances, including balances for the City's blended component unit, and the two City-sponsored employee pension plans (reported as fiduciary funds) were as follows:

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2013

### NOTE 2. Cash, Cash Requirements and Investments (Continued)

#### *Investments (Continued)*

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>
Pooled Cash and Investments:		
SBA (State Investment Pool):		
Florida PRIME	52 days	\$ 6,210,504
Fund B	7-9 years	<u>31,208</u>
Total investments		6,241,712
Cash		<u>35,261,648</u>
Total pooled cash and investments		41,503,360
Non-Pooled Cash and Investments:		
North Miami CRA		3,452,493
Cash and certificates of deposit		<u>20,205,597</u>
Total Cash and Investments		<u>\$ 65,161,450</u>

<u>Pension Investments</u>	<u>Fair Value</u>	<u>Less than 1 Year</u>	<u>1 to 5 Years</u>	<u>6 to 10 Years</u>	<u>10 or More Years</u>
U.S. Treasuries	\$ 13,113,989	\$ 1,769,359	\$ 8,589,941	\$ 890,133	\$ 1,864,556
U.S. Agency Obligations	2,227,960		188,321	669,263	1,370,376
Corporate bonds	27,552,718	1,703,811	13,629,440	11,642,134	577,333
Common stocks	73,053,329	-	-	-	73,053,329
Real Estate funds	6,230,410	1,557,602	1,557,603	1,557,602	1,557,603
Bond index funds	3,569,402	-	-	3,569,402	-
Index funds	<u>9,550,192</u>	<u>-</u>	<u>-</u>	<u>9,550,192</u>	<u>-</u>
Total Pension Investments	<u>\$ 135,298,000</u>	<u>\$ 5,030,772</u>	<u>\$ 23,965,305</u>	<u>\$ 27,878,726</u>	<u>\$ 78,423,197</u>

#### Interest Rate Risk

The City has an investment policy that limits the maturities on individual investments to no more than five years. The investments at September 30, 2013 meet our investment policy restrictions.

#### Credit Risk

The City has an investment policy that limits investments to the highest ratings by two nationally recognized statistical rating organizations (NRSRO) Standard and Poor's and Moody's Investment Services. Excess funds are sent to the Florida State Board of Administration (SBA) for investment. The Florida PRIME is rated AAAM by Standard and

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2013

### **NOTE 2. Cash, Cash Requirements and Investments (Continued)**

#### ***Investments*** (Continued)

Poors. The Fund B is not rated by a NRSRO. The City's Pension Plan's corporate bonds and agency bonds were all rated "A" or better under Standard & Poor's ratings and at least "A" under Moody's ratings.

#### Concentration Credit Risk

The City's investment policy limits its investments to no more than 15% in any one issuer. This includes certificates of deposit, U.S. Federal Agencies, and federal instrumentalities. The maximum limit for total investments varies from 35% to 60%. The City does not have an issuers limit for the State Board of Administration Trust Funds. GASB 40 requires disclosure when the percent is 5% or more in any one issuer. Neither the City nor the Pension Funds have a single investment in any one issuer that meets this requirement.

#### Custodial Credit Risk

This is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are held by the counterparty. All securities purchased by the City are designated as an asset in the city's name and are held in safekeeping by the City's custodian bank or a third party custodian institution.

#### ***Risks and Uncertainties***

The City's Investments and Pension Plan investments are in a combination of stocks, bonds, government securities and other investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect balances and the amounts reported in the financial statements.

### **NOTE 3. RECEIVABLES**

The City and the Plans, through their respective investment advisors, monitor the investments and the risks associated therewith on a regular basis, which minimizes these risks.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2013

### NOTE 3. RECEIVABLES (Continued)

Receivables as of September 30, 2013 for the City's individual major funds and nonmajor governmental funds, in the aggregate, including the allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Landfill Waste</u>	<u>Nonmajor Governmental</u>	<u>Water and Sewer</u>	<u>Storm- water</u>	<u>Total</u>
Receivables:						
Customer accounts	1,230,367	-	-	11,490,072	1,125,650	13,846,089
Property taxes	207,190	-	-	-	-	207,190
Franchise and utility	1,090,517	-	-	-	-	1,090,517
Intergovernmental	435,408	-	1,813,154	1,151,396	-	3,399,958
Other	<u>1,356,840</u>	<u>37,780</u>	<u>10,532</u>	<u>-</u>	<u>9,713</u>	<u>1,414,865</u>
Gross receivables	4,320,322	37,780	1,823,686	12,641,468	1,135,363	19,958,619
Less allowance for uncollectibles	<u>(626,956)</u>	<u>-</u>	<u>-</u>	<u>(75,155)</u>	<u>(9,232)</u>	<u>(711,343)</u>
Net total receivables	<u><u>3,693,366</u></u>	<u><u>37,780</u></u>	<u><u>1,823,686</u></u>	<u><u>12,566,313</u></u>	<u><u>1,126,131</u></u>	<u><u>19,247,276</u></u>

### NOTE 4. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

The following comprise deferred outflows/inflows of resources:

Unavailable revenue	\$5,068,167
Lease payment	\$4,467,882

### NOTE 5. PROPERTY TAXES

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

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2013

### NOTE 5. PROPERTY TAXES (Continued)

bills and collects all property taxes for the City, and sells tax certificates for delinquent taxes.

The net assessed value of property, as established by the Miami-Dade County Property Appraiser, at January 1, 2013 upon which the 2012-13 levy was based, was approximately \$2.0 billion. The City is permitted by Article 7, Section 9 of the Florida Constitution to levy taxes up to \$10 per \$1,000 of assessed value for general governmental services other than the payment of principal and interest on general obligation long-term debt. For the year ended September 30, 2013, the tax rate to finance General Fund operations was \$8.10 per \$1,000 of assessed value. Property taxes receivable representing collections within 60 days subsequent to September 30 for billings through the fiscal year then ended amounted to approximately \$194,756 for the General Fund.

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

Interfund balances as of September 30, 2013 consisted of the following:

#### *Due to/from Other Funds*

	Due From				Total
	General Fund	CRA	Nonmajor Governmental	Internal Service	
<u>Due to:</u>					
General fund	\$ -	\$ 1,295,979	\$ 21,729	\$ 150,340	\$ 1,468,048
CRA	1,295,979	-	-	-	1,295,979
Nonmajor governmental	21,729	-	-	-	21,729
Water and sewer	-	-	-	128,129	128,129
Internal service	137,993	-	-	-	137,993
Total	<u>\$ 1,455,701</u>	<u>\$ 1,295,979</u>	<u>\$ 21,729</u>	<u>\$ 278,469</u>	<u>\$ 3,051,878</u>

#### *Interfund Transfers*

Interfund transfers for the year ended September 30, 2013, consisted of the following:

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2013

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

#### *Interfund Transfers (Continued)*

	General Fund	Debt Service	Nonmajor Governmental	Total
<u>Transfers out:</u>				
General fund	\$ -	\$ 1,539,334	154,802	\$ 1,694,136
Nonmajor governmental	20,000	-	-	20,000
Water and sewer	212,400	167,850	-	380,250
Stormwater utility	-	27,524	-	27,524
Solid waste	3,409,600	-	-	3,409,600
Internal service	-	53,668	-	53,668
Total	<u>\$3,642,000</u>	<u>\$ 1,788,376</u>	<u>\$ 154,802</u>	<u>\$ 5,585,178</u>

The solid waste net position was transferred to the governmental activities as the operation was outsourced.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfers to debt service are made to fund the principal and interest payment on the provision obligation note. The transfer to the nonmajor funds relates to reimbursement to federal programs. The \$3,409,600 is the portion relating to the transfer of monetary and other current financial assets from the disposition of the solid waste operations, the remaining balance is made up of other non-current assets that are not reported in the governmental funds statements.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2013

### NOTE 7. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 19,270,482	\$ 2,589,488	\$ -	\$ 21,859,970
Construction in progress	11,412,059	981,551	(6,089,187)	6,304,423
Total capital assets, not being depreciated	30,682,541	3,571,039	(6,089,187)	28,164,393
Capital assets, being depreciated:				
Land improvements	14,992,810	1,054,275	-	16,047,085
Building and improvements	16,666,606	704,595	-	17,371,201
Infrastructure	41,066,249	6,309,624	-	47,375,873
Machinery and equipment	17,093,937	704,827	(1,015,003)	16,783,761
Library Books	2,064,550	12,828	-	2,077,378
Total capital assets, being depreciated	91,884,152	8,786,149	(1,015,003)	99,655,298
Less accumulated depreciation for:				
Land improvements	(13,252,469)	(276,676)	-	(13,529,145)
Building and improvements	(5,892,851)	(501,091)	-	(6,393,942)
Infrastructure	(22,718,864)	(1,121,231)	-	(23,840,095)
Machinery and equipment	(14,715,877)	(971,595)	1,014,081	(14,673,391)
Library Books	(2,033,007)	(18,524)	-	(2,051,531)
Total accumulated depreciation	(58,613,068)	(2,889,117)	1,014,081	(60,488,104)
Total capital assets, being depreciated, net	33,271,084	5,897,032	(922)	39,167,194
Governmental activities capital assets, net	<u>\$ 63,953,625</u>	<u>\$ 9,468,071</u>	<u>\$ (6,090,109)</u>	<u>\$ 67,331,587</u>

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2013

### NOTE 7. CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	653,081	-	-	653,081
Construction in progress	1,757,174	-	(283,144)	1,474,030
Total capital assets, not being depreciated	2,410,255	-	(283,144)	2,127,111
Capital assets, being depreciated:				
Land improvements	148,360	5,851	-	154,211
Building and improvements	1,203,556	632,309	-	1,835,865
Infrastructure	68,819,919	2,887,754	-	71,707,673
Machinery and equipment depreciated	6,080,621	335,296	(1,703,100)	4,712,817
	76,252,456	3,861,210	(1,703,100)	78,410,566
Less accumulated depreciation for:				
Land improvements	(108,057)	(4,841)	-	(112,898)
Building and improvements	(577,368)	(38,332)	-	(615,700)
Infrastructure	(32,449,082)	(1,573,929)	-	(34,023,011)
Machinery and equipment	(4,618,960)	(326,069)	1,574,700	(3,370,329)
Total accumulated depreciation	(37,753,467)	(1,943,171)	1,574,700	(38,121,938)
Total capital assets, being depreciated, net	38,498,989	1,918,039	(128,400)	40,288,628
Business-type activities capital assets, net	\$ 40,909,244	\$ 1,918,039	\$ (411,544)	\$ 42,415,739

Depreciation expense was charged as function/programs of the primary government and its component unit as follows:

<b>Governmental activities:</b>	
General government	\$ 432,708
Public safety	683,559
Transportation	704,396
Economic environment	32,481
Physical environment	9,827
Culture and recreation	932,262
Subtotal	2,795,233
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of assets	
	93,884
Total depreciation expense – governmental activities	\$ 2,889,117
<b>Business-type activities:</b>	
Water and sewer	\$ 1,545,595
Stormwater	397,576
Total depreciation expense – business-type activities	\$ 1,943,171

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2013

### NOTE 8. LONG-TERM LIABILITIES

#### *Governmental Activities*

The following is a summary of changes in long-term liabilities of the City for governmental activities for the year ended September 30, 2013:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due in one</u>
<b>Governmental Activities</b>					
Bonds, note and lease payable:					
Pension obligation note	\$ 17,150,000	\$ -	\$ (545,000)	\$ 16,605,000	585,000
Capital lease obligation	864,702	-	(207,390)	657,312	215,604
	<u>18,014,702</u>	<u>-</u>	<u>(752,390)</u>	<u>17,262,312</u>	<u>800,604</u>
Unamortized bond discount and deferred amount on refunding	(1,401,585)	-	54,723	(1,346,862)	-
Total debt payable	<u>16,613,117</u>	<u>-</u>	<u>(697,667)</u>	<u>15,915,450</u>	<u>800,604</u>
Other liabilities:					
Compensated absences	6,957,523	1,262,042	(1,807,062)	6,412,503	198,695
Other post employment obligation	4,885,784	1,364,009	(184,978)	6,064,815	
Landfill closure	45,468,203	-	(30,362,446)	15,105,757	
Claims payable	3,910,103	579,800	(226,052)	4,263,851	1,150,000
Other	294,628	141,236		435,864	-
Total Other long-term liabilities	<u>\$ 61,516,241</u>	<u>3,347,087</u>	<u>(32,580,538)</u>	<u>32,282,790</u>	<u>1,348,695</u>
<b>Total long-term liabilities</b>	<b><u>\$ 78,129,358</u></b>	<b><u>3,347,087</u></b>	<b><u>(33,278,205)</u></b>	<b><u>48,198,240</u></b>	<b><u>2,149,299</u></b>

#### **Note Payable**

On February 1, 2010, the City issued City of North Miami Promissory Note, Series 2010, in the amount of \$17,685,000 for the purpose of current refunding of the City's outstanding Taxable Special Obligation Refunding Bonds (Pension), Series 2002, and to pay a termination fee due with respect to a related interest rate swap. The interest rate on the Note is 7.25% per annum. The difference between the reacquisition price (new debt) and the carrying value of the refunded debt is being deferred and amortized over the life of the new debt. Debt service on this note is funded by non-ad valorem revenues budgeted and appropriated by the City on an annual basis.

Principal and interest is payable through July 1, 2029:

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2013

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

#### *Governmental Activities (Continued)*

#### **Note Payable (Continued)**

2010 Taxable Promissory Note (Pension)	Principal	Interest	Total
Fiscal year ended September 30:			
2014	\$ 585,000	\$ 1,203,862	\$ 1,788,862
2015	625,000	1,161,450	1,786,450
2016	670,000	1,116,138	1,786,138
2017	720,000	1,067,562	1,787,562
2018-2022	4,455,000	4,475,787	8,930,787
2023-2027	6,330,000	2,608,189	8,938,189
2028-2029	3,220,000	354,163	3,574,163
	<u>16,605,000</u>	<u>11,987,151</u>	<u>28,592,151</u>
Deferred amount on refunding	(1,346,863)	-	(1,346,863)
Total	<u>\$ 15,258,137</u>	<u>\$ 11,987,151</u>	<u>\$ 27,245,288</u>

#### Compensated Absences

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

The estimated liability is measured using rates in effect at the balance sheet date; benefits are computed at current salary rates at the time of payment. Upon separation from City service, vacation leave is paid at 100% and sick leave is paid at 25% to 100% depending on years of service. The General Fund has primarily been used in prior years to liquidate the liability for compensated absences.

#### ***Business-type Activities***

The following is a summary of changes in long-term liabilities of the City for business-type activities for the year ended September 30, 2013:

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2013

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

#### *Business-type Activities (Continued)*

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type Activities</b>					
Debt payable:					
Stormwater FMLC loan	\$ 3,430,000	\$ -	\$ (270,000)	\$ 3,160,000	\$ 300,000
Water and sewer revenue bonds series 2005	50,479	-	(50,479)	-	
Water Revolving Loan	95,751	-	-	95,751	
Capital lease obligations	790,674	-	(419,485)	371,189	123,227
	4,366,904	-	(739,964)	3,626,940	423,227
Net unamortized bond premiums and discount	119,681	-	(13,298)	106,383	-
Total debt payable	4,486,585	-	(753,262)	3,733,323	423,227
Other liabilities:					
Compensated absences	875,034	272,222	(102,136)	1,045,120	86,748
Net OPEB liability	839,441	158,435	(229,750)	768,126	-
Total other liabilities	1,714,475	430,657	(331,886)	1,813,246	86,748
Business-type activities	\$ 6,201,060	\$ 430,657	\$ (1,085,148)	\$ 5,546,569	\$ 509,975

### Loan Payable

#### Stormwater Utility Loan

On November 15, 2001, the City entered into a loan agreement with the Florida Municipal Loan Council in the principal amount of \$5,545,000 with interest rates on the loan ranging from 3.25% to 5.25%. The purpose of the loan was to finance the cost of certain stormwater capital improvement projects. The loan proceeds were funded through a Florida Municipal Loan Council bond issuance (FMLC-Series 2001A). The FMLC-Series 2001A bonds were issued at a premium (104.796%).

This debt is subject to arbitrage. The arbitrage rebate requirement requires issuers of tax-exempt debt to rebate to the U.S. Treasury investment income arising from proceeds of tax-exempt debt to the extent that such income results from investment yield in excess of the bond yield. As a result of continued low interest rates, at September 30, 2013, the City did not have an arbitrage liability.

#### Debt Service Requirements to Maturity

Principal and interest are payable through November 1, 2021.

The Stormwater Utility FMLC Loan-Series 2001A consist of the following at September 30, 2013:

**CITY OF NORTH MIAMI, FLORIDA**

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2013

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

***Business-type Activities*** (Continued)

**Loan Payable** (Continued)

<u>FMLC Loan - 2001A</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ended September 30:			
2014	300,000	152,343	452,343
2015	300,000	136,987	436,987
2016	315,000	120,844	435,844
2017	330,000	103,913	433,913
2018	350,000	86,063	436,063
2019-2022	<u>1,565,000</u>	<u>155,762</u>	<u>1,720,762</u>
	3,160,000	755,912	3,915,912
Unamortized premium	<u>106,383</u>	-	<u>106,383</u>
Total	<u>\$ 3,266,383</u>	<u>\$ 755,912</u>	<u>\$4,022,295</u>

**Bonds Payable**

Water and Sewer Revenue Bonds, Series 2005

In November 2005, the City issued Water and Sewer Revenue Bonds, Series 2005, in the principal amount of \$1,200,000 for the purpose of financing improvements to the City's water and sewer system. The Bonds bear interest on the outstanding principal balance at an interest rate equal to 4.05% per annum. The Bonds are for a 7-year term and matured and was paid off December 1, 2012.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2013

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

#### ***Business-type Activities*** (Continued)

##### ***Pledged Revenues***

The City issues debt that is secured by a pledge of specific revenues. Total pledged revenues to repay principal and interest on the debt as of September 30, 2013 are as follows:

<u>Source of Revenue Pledged</u>	<u>Non Ad-Valorem</u>
<b>Governmental Activities:</b>	
Description of debt	Taxable Promissory Note-Series 2010 (Pension)
Purpose of debt	Advance refunding Taxable Special Obligation Bonds -Series 2002
Current revenue pledged	\$59,728,803
Total future revenues pledged (1)	\$28,592,150
Term of commitment	2010-2029
Current year debt service	\$1,788,375
Percentage of debt service to pledged revenues(current year)	2.23%

<u>Source of Revenue Pledged</u>	<u>Non Ad-valorem</u>
<b>Business Type Activities:</b>	
Description of debt	FMLC Loan-Series 2001A (stormwater)
Purpose of debt	Capital improvement projects
Current revenue pledged	\$59,728,803
Total future revenues pledged (1)	\$3,915,911
Term of commitment	2002-2022
Current year debt service	\$436,575
Percentage of debt service to pledged revenues(current year)	0.73%

(1) Total future principal and interest payments. For variable rate debt based on interest rate in effect at

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2013

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

#### *Capital Leases*

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

Future minimum lease payments and the present value of net minimum lease payments as of September 30, 2013 are as follows:

	Governmental Activities	Business-type Activities
	<u>                    </u>	<u>                    </u>
Fiscal year ending September 30:		
2014	\$ 215,604	\$ 123,227
2015	263,326	258,336
2016	<u>194,060</u>	<u>104,252</u>
Total minimum lease payments	672,990	485,815
Less amount representing interest	(15,678)	(114,626)
Present value of net minimum lease payments	<u>\$ 657,312</u>	<u>\$ 371,189</u>

### NOTE 9. OTHER POST EMPLOYMENT BENEFITS

#### *Plan Description*

The City provides an optional single-employer defined benefit post-employment healthcare, dental, and group term life insurance plan to eligible individuals. The plan allows employees and their beneficiaries, at their own cost to continue to obtain health, dental, and life insurance benefits upon retirement.

Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the City and eligible dependents may continue to participate in the City's health, dental, and group term life insurance plan. The City subsidizes the premium rates paid by retirees by allowing them to participate in the plans at reduced or blended group premium rates for both active and retired employees. These rates provide an implicit rate subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan than those of active employees.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2013

### **NOTE 9. OTHER POST EMPLOYMENT BENEFITS (Continued)**

#### ***Plan Description (continued)***

The City also provides an explicit health insurance subsidy with respect to certain retirees or their beneficiaries. The children of police officers who are killed in the line of duty receive a 100% subsidy for their health insurance until age 18 (or age 25) if a full-time student. In 1997, the City offered a one-time Retirement Incentive to employees who had at least twenty years of City service and who were at least 50 years of age. The incentive was City paid group health premiums until age 65. Since October 1997, the City provides paid group health insurance premiums until age 65, for elected officials of the City who have served a minimum of two complete terms of office and their tenure as an elected official commenced after May 1, 1991.

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

In accordance with the October 1, 2005 Police Bargaining Agreement, effective for police officers retiring after January 1, 2007 the City contributes \$200 toward the monthly premium for single coverage through the City's group health insurance. Retired officers who do not elect to remain with the City's group insurance, receive a monthly payment of \$200. The \$200 contribution by the City is payable until the retired member becomes eligible for Medicare.

#### ***Funding Policy and Annual OPEB Cost***

The City does not directly contribute to the plan on behalf of retirees. Retirees and their beneficiaries pay the same group rates that are charged for active employees. The premiums vary depending on the benefits selected and whether the retiree elects single or family coverage. The premium also varies depending on whether the retiree elects coverage under the HMO or POS plan.

However, the City's actuary, in the actuarial valuation, calculates an offset to the cost of these benefits as an employer contribution, based on the implicit rate subsidy. This offset equals the total age-adjusted premiums paid by the City or its active employees for coverage of the retirees and their dependents for the year net of the retiree's own payments for the year.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2013

### NOTE 9. OTHER POST EMPLOYMENT BENEFITS (Continued)

#### *Annual OPEB Cost*

As of September 30, 2013, there were 130 retirees and eligible dependents receiving postemployment healthcare benefits.

The annual other post employment benefit (OPEB) cost is calculated based on the annual required contribution, of the employer, an amount actuarially determined in accordance with GASB Statement No. 45. The annual required contribution represents a funding level that, if paid on an on-going basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed 10 years.

The annual OPEB cost for the current year and related information is as follows:

Required contribution rates:

Employer	Pay-as-you go
Plan members	N/A
Annual required contribution	\$ 2,388,733
Interest on net OPEB obligation	219,160
Adjustment to annual required contribution	<u>(649,530)</u>
Total annual OPEB cost	1,958,363
Employer contributions	<u>(627,732)</u>
Increase in net OPEB obligation	1,330,631
Net OPEB obligation, beginning of year	<u>5,479,000</u>
Net OPEB obligation, end of year	<u><u>\$ 6,809,631</u></u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year ending September 30, 2013 is listed below:

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2013

### NOTE 9. OTHER POST EMPLOYMENT BENEFITS (Continued)

Fiscal Year	Annual OPEB Cost	Amount Contributed	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 1,691,000	\$ 255,000	15.4%	\$ 1,431,000
2010	\$ 1,659,000	\$ 255,000	15.7%	\$ 2,830,000
2011	\$ 1,629,000	\$ 289,000	17.7%	\$ 4,164,000
2012	\$ 1,610,000	\$ 289,000	18.0%	\$ 5,479,000
2013	\$ 1,958,363	\$ 627,732	32.1%	\$ 6,809,631

### ***Funded Status and Funding Progress***

The funded status of the plan as of September 30, 2013 was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
October 1, 2012	\$ -	\$ 14,742,994	\$ 14,742,994	0.0%	\$ 21,091,456	69.9%

The actuarial valuation for the calculation of OPEB involves estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information is designed to provide multi-year trend information to show whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, the City has not contributed assets to the plan at this time.

### ***Actuarial Methods and Assumptions***

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the plan members to

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2013

### NOTE 9. OTHER POST EMPLOYMENT BENEFITS (Continued)

#### *Actuarial Methods and Assumptions* (Continued)

that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Actuarial valuation date	October 1, 2012
Actuarial cost method	Individual entry age normal cost method
Amortization method	10-year open period, level-dollar payment
Remaining amortization period	10 years
Actuarial assumptions:	
Investment rate of return	4.00% per annum
Includes inflation at	3.00% per annum
Healthcare cost trend rates:	<u>Insurance Premiums</u>
Select rates	7.5% beginning January 1, 2014 graded down to 5.07% in 2022
Ultimate rate	4.00%

### NOTE 10 EMPLOYEE RETIREMENT PLANS

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

##### a. Plan Descriptions

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

On April 3, 1994, the City transferred all general employees which were in the 748 Plan to the CTS Plan, thereby limiting 748 Plan participation to sworn police

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2013

### NOTE 10 EMPLOYEE RETIREMENT PLANS (Continued)

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

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

personnel hired after January 1, 1977. The CTS Plan covers police officers hired before January 1, 1977 and all general employees and former North Miami firefighters.

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

#### Contributions and Funding Policy

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

Employees contribute 9.51% of their base salaries or wages. Interest is credited annually on employees' accumulated contributions at a rate of interest determined at the discretion of the Board of Trustees. The interest rate was .17% for 2013. Employer and State contributions for fiscal year ended September 30, 2013 were 32.60% of covered payroll.

##### CTS Plan

Employees contribute 7.0% of their compensation. Interest is credited annually on employees' accumulated contributions through the prior year-end. The interest rate, determined by the Board of Trustees, was .2% in 2013. Employer contribution for fiscal year ended September 30, 2012 was 34.13% of covered payroll.

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

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2013

### NOTE 10 EMPLOYEE RETIREMENT PLANS (Continued)

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

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

###### *Basis of Accounting*

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

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

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

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

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

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

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2013

### NOTE 10 EMPLOYEE RETIREMENT PLANS (Continued)

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

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

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

Annual required contribution	\$ (4,534,282)
Interest on net pension asset	378,411
Adjustment to annual required contribution	<u>(701,505)</u>
Annual pension cost	(4,857,376)
Contributions made	<u>4,525,712</u>
(Increase) decrease in net pension obligation	(331,664)
Adjustment	<u>(537,318)</u>
	(868,982)
Net pension obligation, beginning of year	<u>5,582,801</u>
Net pension obligation, end of year	<u>\$ 4,713,819</u>

The annual required contribution for the current year was determined as part of the October 1, 2012 actuarial valuation (using the October 1, 2011 covered payroll) and the entry age normal actuarial cost method. The actuarial assumptions included (a) 4.0% investment rate of return and (b) projected salary increases of 5% to 7.5% based on service. Both (a) and (b) included an inflation component of 3%. The asset valuation method includes recognition of 20% of the difference between the expected actuarial value of assets and the market value of assets. The unfunded actuarial accrued liability is being amortized using the level dollar, closed amortization method for Police and Fire and the level percentage of pay, closed amortization method for General employees. The remaining amortization period is 20 years for General employees, 2 years for Police and 2 year for Fire.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2013

### NOTE 10 EMPLOYEE RETIREMENT PLANS (Continued)

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

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

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

Clair T. Singerman Employees Retirement System  
Three-Year Trend Information (Dollar Amounts in Thousands)

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
September 30, 2011	\$ 6,711	\$ 6,356	94.7%	\$ (5,314)
September 30, 2012	\$ 5,916	\$ 5,647	95.5%	\$ (5,045)
September 30, 2013	\$ 4,857	\$ 4,526	93.2%	\$ (4,714)

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

Annual required contribution	\$ (2,871,387)
Interest on net pension asset	26,391
Adjustment to annual required contribution	(41,131)
Annual pension cost	(2,886,127)
Contributions made	2,871,387
Decrease in net pension obligation	(14,740)
Adjustment	(35,318)
	(50,058)
Net pension obligation, beginning of year	349,494
Net pension obligation, end of year	<u>\$ 299,436</u>

The annual required contribution for the current year was determined as part of the October 1, 2012 actuarial valuation (using the October 1, 2011 covered payroll). The actuarial assumptions included (a) 8.50% investment rate of return, and (b) projected salary increases of 3.0% to 9.4% per year depending on service. Both (a) and (b)

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2013

### NOTE 10 EMPLOYEE RETIREMENT PLANS (Continued)

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

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

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

include an inflation component of 3.5%. The asset valuation method includes recognition of 20.0% of the difference between the expected actuarial value of assets and the market value of assets. The Plan uses the entry age normal actuarial cost method. The unfunded actuarial accrued liability is being amortized using the level percentage of pay, closed amortization method. The remaining amortization period is 30 years.

North Miami Police Pension Plan (748 Plan)  
Three-Year Trend Information (Dollar Amounts in Thousands)

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
September 30, 2011	\$ 2,615	\$ 2,595	99.2%	\$ (332)
September 30, 2012	\$ 2,892	\$ 2,874	99.4%	\$ (350)
September 30, 2013	\$ 2,886	\$ 2,871	99.5%	\$ (299)

##### ***Funded Status and Funding Progress***

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2013

### NOTE 10 EMPLOYEE RETIREMENT PLANS (Continued)

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

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

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

Clair T. Singerman Employees Retirement System  
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
October 1, 2012	\$88,127,070	\$103,821,983	\$15,694,913	84.9%	\$12,483,246	125.7%

North Miami Police Pension Plan (748 Plan)  
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
October 1, 2012	\$44,577,607	\$ 65,146,979	\$20,569,372	68.4%	\$ 8,174,358	251.6%

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

##### a. Plan Description

Effective January 2002, the City began participating in the Florida Retirement System (FRS) (Elected Officers' Class), a cost-sharing multiple employer defined benefit pension plan. Benefit provisions are established under Chapter 121, Florida Statutes, which may be amended by the Florida legislature. This Plan provides retirement, disability, and death benefits to elected officials of the City of North Miami and their beneficiaries. The FRS is administered by the State of Florida. Benefits vest after six years of credited service and are computed on the

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2013

### NOTE 10 EMPLOYEE RETIREMENT PLANS (Continued)

#### II. Pension Plan administered by the State of Florida (Continued)

##### a. Plan Description (Continued)

basis of service credit, average final compensation, and the percentage value earned for each year of service credit. The percentage value for service in the Elected Officers' Class is 3% per year of service. FRS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. Copies of the report may be obtained by writing to the Division of Retirement, P.O. Box 9000, Tallahassee, Florida 32315-9000.

##### ***Contributions and Funding Policy***

The FRS funding policy provides for monthly employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll are adequate to accumulate sufficient assets to pay benefits when due. The contribution rate for fiscal year 2013 was 11.14% of covered payroll. The Plan is non-contributory on the part of the members.

The following are the required contributions and the percentage contributed by the City of North Miami for the current year and the preceding two years:

<u>Fiscal Year Ending</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percent Contributed</u>
September 30, 2011	32,033	100.0%
September 30, 2012	30,135	100.0%
September 30, 2013	25,091	100.0%

### NOTE 11. DEFINED CONTRIBUTION PLANS

The City of North Miami Police Officers' Retirement Pension Fund Share Plan (Ord. 592.1.1) (the Plan) was established to provide retirement benefits for police officers of the City of North Miami. These benefits are funded from the State of Florida insurance premium tax monies and are in addition to benefits provided by the City of North Miami's retirement

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2013

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

system. A separate Board of Trustees is responsible for the administration of this Plan. In accordance with GASB Statement No. 24, the City recognized revenues and expenditures in the amount of \$284,141 as on behalf payments for contributions of these premiums into the Plan.

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

The City administers the City of North Miami Department Managers' Pension Plan, an IRS Section 401(a) defined contribution pension plan for those members of the Administrative Staff not eligible to participate in the City's defined benefit pension plan. This Plan is funded through employer contributions consisting of 10% of a participant's compensation. This Plan can only be amended by the City Council. During fiscal year 2013, the City contributed approximately \$42,000 into this Plan, which is administered through a third party administrator.

### **NOTE 12. SELF-INSURANCE**

The City maintains a self-insurance program accounted for in the internal service funds. The General Risk Management fund was established by City Ordinance to account for insurance activities relating to workers' compensation and general liability risks. Charges to departments are based upon amounts determined by management to be necessary to meet the required annual payouts during the fiscal year and to maintain adequate fund reserves. The funding level and estimated claims liability for workers' compensation and general liability for fiscal year 2013 is based on recommended funding requirements for fiscal year 2013 as determined by a self-insurance actuarial review as of September 30, 2013 performed by outside consultants.

The City is exposed to various risks of loss for workers' compensation and general liability. The other exposures include theft, and errors and omissions, for which the City carries commercial insurance. As of September 30, 2013, the City's risk retention for certain types of risk is as follows:

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

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2013

### NOTE 12. SELF-INSURANCE (Continued)

#### Workers' Compensation

All workers' compensation costs are paid from the self-insurance fund, up to \$350,000 self insured retention, with all operating funds of the City assessed a charge based upon the requirements of the self-insurance fund and their relative share of the total risk. As claims are reported they are investigated by claims personnel, and an estimate of liability on a case-by-case basis is established. The estimated liabilities are periodically reviewed and revised as claims develop.

#### General Liability

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

#### Estimated Claims Liability

The estimated claims liability of \$4,812,192 in the General Risk Management fund includes estimates for claims incurred but not reported (IBNR) and allocated loss adjustment expenses (ALAE). The estimates are based on the requirement that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the estimated claims liability are as follows:

	Workers' <u>Compensation</u>	General <u>Liability</u>	2013 General Risk <u>Total</u>	2012 General Risk <u>Total</u>
Estimated claims liability at beginning of year	\$ 2,160,306	\$ 2,959,826	\$ 5,120,132	\$ 4,942,622
Current year claims and changes in estimates (including IBNR)	547,592	32,208	579,800	1,058,482
Claim payments (1)	<u>(700,846)</u>	<u>(186,894)</u>	<u>(887,740)</u>	<u>(880,972)</u>
Estimated claims liability at end of year	<u>\$ 2,007,052</u>	<u>\$ 2,805,140</u>	<u>\$ 4,812,192</u>	<u>\$ 5,120,132</u>

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2013

### **NOTE 12. SELF-INSURANCE (Continued)**

#### **Estimated Claims Liability (Continued)**

The City carries specific excess Workers' Compensation insurance to secure statutory worker's compensation coverage in excess of the self-insured retention. In 2013, there were no significant reductions in insurance coverage from the prior year. During the past five years, there have been no settlements that exceeded insurance coverage. Medical expenses in two cases have exceeded the \$350,000 self insured retention and the City has obtained reimbursement for expenses over and above the self-insured retention. The City continues to seek annual recovery as the cases are ongoing.

### **NOTE 13. ENVIRONMENTAL MATTERS (Munisport/Interama)**

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

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

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

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

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

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2013

### **NOTE 13. ENVIRONMENTAL MATTERS (Munisport/Interama) (Continued)**

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

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

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

A Remediation and Landfill Closure Cost Projection completed in 2013, estimates the cost of remediation and closure at approximately \$13.6 million. This cost estimate is a significant decrease from a previous cost projection of \$23.9 million and is based on the newly proposed groundwater remediation system, the re-evaluated stormwater management system, and the closure-related activities. While this latest method has tentatively been approved by the Miami-Dade County Department of Environmental Resources Management (DERM) and the Florida Department of Environmental Protection (FDEP), the newly proposed groundwater remediation system is at the conceptual level as of September 30, 2013 and uncertainties remain as to the ultimate cost of the remediation and closure. Accordingly, as a conservative measure, management has decided to report the fiscal year 2013 liability at approximately \$15.1 million. This liability is partially funded through a grant from Miami-Dade County to the City in the amount of \$31 million for remediation and closure.

During 2013, the City incurred approximately \$4.2 million in site closure costs, which are reflected in the Landfill Closure fund.

In addition to the remediation and closure of the site, it is estimated that long-term closure care costs will be approximately \$597,475 per year over 30 years, for a projected total cost of approximately \$17.9 million.

#### **(iii) Landfill Closure Escrow Account**

On December 22, 2004, the City received \$31,027,000 in grant funds from Miami-Dade County to be used towards financing the remediation and closure costs of the "Munisport" landfill site. The funds were deposited into the Munisport landfill closure escrow account.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2013

### NOTE 13. ENVIRONMENTAL MATTERS (Munisport/Interama) (Continued)

#### (iii) Landfill Closure Escrow Account (Continued)

The Landfill Closure special revenue fund accounts for the restricted assets activity used to fund landfill closure costs. Within this fund, deposits are made to the fund's restricted assets account for the purpose of complying with the Florida Department of Environmental Protection's escrow requirements of Rule 62-701.630(5)(c), Florida Administrative Code. The rule requires that once the landfill ceases to receive waste, the closure escrow account should be able to fully fund the facility's closing costs.

The following is a schedule of restricted assets and activity of the closure escrow account in the Landfill Closure special revenue fund, presented on a cash basis, as of the year ended September 30, 2013:

Restricted assets:	
Cash in bank (money market fund at City National Bank)	\$ 15,089,043
Total	<u>\$ 15,089,043</u>
Beginning balance, October 1, 2012	\$ 19,253,746
Receipts	-
Interest	53,679
Other	-
(Withdrawals)	<u>(4,218,382)</u>
Ending balance, September 30, 2013	<u>\$ 15,089,043</u>

The schedule of restricted cash activity is only intended to present the activity of restricted assets segregated for the purpose of complying with Rule 62-701.630(5)(c), Florida Administrative Code. The schedule of restricted assets was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting policies. All funds on deposit are restricted for landfill closing.

#### (iv) Long-term Care Escrow Account

The City opened a second escrow account for the purpose of funding the landfill's long term care costs. This account will remain dormant until the time of facility closing where it will be funded in accordance with Rule 62-701.630(5)(c), Florida Administrative Code. Therefore, as of September 30, 2013, the balance in this escrow account is \$0.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2013

### **NOTE 13. ENVIRONMENTAL MATTERS (Munisport/Interama) (Continued)**

#### **(v) Compliance with Rule 62-701.630(5)(c), Florida Administrative Code**

As provided by Rule 62-701.630(5)(c), Florida Administrative Code, the City is required to annually submit to the Florida Department of Environmental Protection an audit of the landfill closure account with a list of all deposits and withdrawals made. For the year ended September 30, 2013, withdrawals of \$4,218,382 were made from the account, and no additional deposits, other than interest received of \$53,678 were made.

#### **(vi) Overall Outlook**

The Development agreement provided for development of the site with the City receiving income from sales of units and from an annual ground lease (see Note 14 Biscayne Landing Lease and Note 17 Subsequent Events). It is the City's opinion that any ultimate loss to the City concerning the environmental matters pertaining to the former Munisport site will be offset by the future use of the land.

### **NOTE 14. NON-COMMITMENT DEBT**

#### ***Debt Outstanding***

#### ***Health Care Facilities Revenue Bonds***

In January 2007, the City issued \$26,257,603 in Health Care Facilities Revenue Bonds (Series 2006A, Subordinate Series 2006B-1, and Subordinate Series 2006B-2) to provide funds to the Affordable Community Housing Trust, a non-profit public benefit corporation operating an independent elderly living facility (Imperial Club) located within the geographic boundaries of Miami-Dade County. The Series 2006B-2 bonds included in the issuance are accretion bonds. The (Series 2006) bonds were issued to currently refund the outstanding City of North Miami Health Care Facilities Revenue Bonds (the Imperial Club Project), Series 1998A and Subordinate Series 1998B and to provide financing for the cost of certain additional capital improvements to the health care facility. The Series 1998C Bonds were not included in the refunding. The amount of debt outstanding as of September 30, 2013 based on the accreted value to date for the Series 2006B-2 bonds is \$28,904,405. In 2013, the City received \$63,582 in annual administrative fees.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2013

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

#### *Debt Outstanding (Continued)*

#### *Educational Facilities Revenue Bonds*

In March 2003, the City issued \$24,485,000 in Educational Facilities Revenue Refunding Bonds (Johnson & Wales University Project) Series 2003A, to refund and defease \$23,640,000 in outstanding City of North Miami Educational Facilities Revenue Bonds-Series 1994A and to pay certain other expenses incurred in connection with the issuance of the 2003A Bonds and the refunding and defeasance of the 1994A Bonds. Johnson & Wales University owns and operates a campus located within the geographic limits of the City of North Miami. The amount of debt outstanding as of September 30, 2013 is \$12,765,000. In 2013, the City received annual administrative fees in the amount of \$19,913.

The City acts solely a lawful conduit in the issuance of the bonds described above and is not liable in any manner.

### NOTE 15. BISCAYNE LANDING LEASE

In 2012, a new agreement was signed for the site know as Munisport (Biscayne Landing). The agreement contemplated development of the site with the City receiving income from the sale of units, and from an annual ground lease. The lease called for a 100-year lease of the site to the developer (Biscayne Landing, LLC), with a 100-year renewal. The development program for Biscayne Landing anticipated building 6,000 residential units over a 10-year period and 434,297 sq ft. of retail/office space. The City was to receive rent on the commercial space based on 50% of the net profits

In Fiscal Year 2013 the City reported basic rents, additional rents and bifurcated lease payments of approximately \$1,578,371.

### NOTE 16. CONTINGENCIES

#### *Lawsuits*

- The City recorded in the risk management fund, in fiscal year 2010, a liability of approximately \$1.6 million relating to a judgment against the City in a lawsuit involving fatal car accident in a City police officer. The City has paid \$200,000

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2013

### NOTE 16. CONTINGENCIES (Continued)

#### *Lawsuits (Continued)*

against this award. However, since the judgment exceeds the statutory sovereign immunity cap, the full amount will be paid by the City once the claims bill is passed by the Florida House and Senate.

- The Florida Supreme Court recently ruled in favor of drivers who brought a class action lawsuit claiming the municipal enacted red-light camera traffic violations were unlawful. The ruling relates to fines based on cameras installed before the Legislature authorized them in July 2010. The City of North Miami is named as a defendant in similar lawsuits, along with American Traffic Solutions (“ATS”), the supplier of the camera equipment and maintenance. But the ruling didn't order an ultimate refund of fines collected by the Cities and the dispute over the mechanism is expected to continue. We estimate that the potential loss ranges between \$200,000 and \$1.2 million. Accordingly, the City has recorded a potential liability at the government-wide level of approximately \$295,000.
- The City is a defendant in several other lawsuits as of September 30, 2013, incidental to its operations, the outcomes of which are uncertain at this time. However, in the opinion of management and legal counsel, the ultimate outcome of such actions will not have a material adverse effect on the financial condition of the City.

#### *Grantor Agencies*

Federal programs in which the City participates were audited in accordance with the provisions of the Federal Single Audit Act, and the U.S. Office of Management and Budget Circular A-133. Pursuant to those provisions, financial assistance programs were tested for compliance with applicable grant requirements. Grantor agencies may subject grant programs to additional compliance tests, which could result in disallowed expenditures. In the opinion of management, future disallowances, if any, of grant program expenditures would not have a material adverse effect on the financial condition of the City.

# CITY OF NORTH MIAMI, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2013

### **NOTE 17. PRIOR PERIOD ADJUSTMENT**

In the prior year land recorded at \$2,589,488, was transferred from the CRA back to the City and was being held as land available for sale. However, the land was not for sale and should have been treated as a non-depreciable capital asset. As a result the land was removed from the fund level, reducing fund balance by the said amount and was reclassified on the statement of net position with no net effect.

### **NOTE 18. SUBSEQUENT EVENTS**

- The Florida Supreme Court recently ruled against some cities in Florida who had enacted ordinances over red-light camera violations. The ruling covered all fines imposed prior to 2010. The City is named as a defendant in this class action lawsuit. We estimated that the potential impact will be between \$250,000 and \$1.2 million.
- In May 2014, the City was awarded a grant of \$500,000 by the State of Florida as capital contribution to the renovation of the library. This brings the funding available to \$1.5 million.

Management has evaluated subsequent events to determine if events or transactions occurring through June 30, 2014, the date the financial statements were available to be issued, require potential adjustments to, or disclosure in the financial statements.