

CITY OF NORTH BAY VILLAGE, FLORIDA

**BASIC FINANCIAL STATEMENTS
AND OTHER SCHEDULES**

SEPTEMBER 30, 2006

CITY OF NORTH BAY VILLAGE, FLORIDA
 BASIC FINANCIAL STATEMENTS
 AND OTHER SCHEDULES
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

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CITY OF NORTH BAY VILLAGE, FLORIDA
BASIC FINANCIAL STATEMENTS
AND OTHER SCHEDULES
FOR THE YEAR ENDED SEPTEMBER 30, 2006

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of the governmental activities, business-type activities, the General Fund and the aggregate remaining fund information of City of North Bay Village, Florida (the "City") as of and for the year ended September 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of North Bay Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

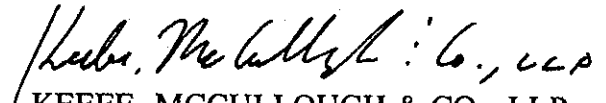
In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, the General Fund and the aggregate remaining fund information of the City of North Bay Village, Florida as of and for the year ended September 30, 2006, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated April 24, 2007, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

City of North Bay Village, Florida

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of North Bay Village, Florida's basic financial statements. The accompanying schedule of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations, and is not a required part of the basic financial statements. The combining nonmajor fund financial statements and the schedules of Expenditures of Federal Awards and Other State Funding have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole.


KEEFE, MCCULLOUGH & CO., LLP

Fort Lauderdale, Florida
April 24, 2007

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

CITY OF NORTH BAY VILLAGE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2006

As management of the City of North Bay Village, Florida (the "City"), we offer readers of the City's basic financial statements this narrative overview and analysis of the financial activity of the City for the year ended September 30, 2006 and 2005. This discussion is to be read in conjunction with the City's financial statements, which immediately follow the discussion.

FINANCIAL HIGHLIGHTS

The following are the highlights of financial activity for the fiscal year ended September 30, 2006:

- The City's net assets, which is total assets less liabilities, were \$ 6,862,650. Governmental net assets were \$ 5,124,617 and business-type net assets were \$ 1,738,033.
- Governmental activities revenues were \$ 7,588,942. The expenses of governmental activities were \$ 6,906,393.
- Business-type activities revenue was \$ 3,944,012, and net results amounted to a deficit of \$ 226,926.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

The government-wide financial statements, which consist of the following two statements, are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business.

The statement of net assets presents information on all the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing the City's net assets changes during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

The government-wide financial statements can be found on pages 8 and 9 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City has two fund types: government and proprietary.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

CITY OF NORTH BAY VILLAGE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
September 30, 2006

Fund Financial Statements (continued)

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balances provide reconciliations to facilitate this comparison between governmental funds and governmental activities.

The governmental fund financial statements can be found on pages 10 through 14 of this report.

Notes to Basic Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 19 through 34 of the report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined net assets totaled \$ 6,862,650 as of September 30, 2006. Governmental activities net assets totaled \$ 5,124,617, and business-type activities net assets totaled \$ 1,738,033. The following table presents a condensed Statement of Net Assets as compared to the prior year:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
CURRENT AND OTHER ASSETS	\$ 4,820,542	\$ 4,557,062	\$ 844,957	\$ 1,004,059	\$ 5,665,499	\$ 5,561,121
CAPITAL ASSETS (NET)	<u>2,164,313</u>	<u>1,634,456</u>	<u>4,170,798</u>	<u>3,480,244</u>	<u>6,335,111</u>	<u>5,114,700</u>
Total assets	<u>6,984,855</u>	<u>6,191,518</u>	<u>5,015,755</u>	<u>4,484,303</u>	<u>12,000,610</u>	<u>10,675,821</u>
LONG-TERM DEBT	1,134,763	1,242,270	1,407,402	1,473,005	2,542,165	2,715,275
OTHER LIABILITIES	<u>725,475</u>	<u>507,181</u>	<u>1,870,320</u>	<u>1,046,339</u>	<u>2,595,795</u>	<u>1,553,520</u>
Total liabilities	<u>1,860,238</u>	<u>1,749,451</u>	<u>3,277,722</u>	<u>2,519,344</u>	<u>5,137,960</u>	<u>4,268,795</u>
NET ASSETS:						
Invested in capital assets, net of debt	1,630,276	1,022,444	2,629,406	1,729,371	4,259,682	2,751,815
Restricted	1,067,322	1,322,097	--	--	1,067,322	1,322,097
Unrestricted (deficit)	<u>2,427,019</u>	<u>2,097,526</u>	<u>(891,373)</u>	<u>235,588</u>	<u>1,535,646</u>	<u>2,333,114</u>
Total net assets	<u>\$ 5,124,617</u>	<u>\$ 4,442,067</u>	<u>\$ 1,738,033</u>	<u>\$ 1,964,959</u>	<u>\$ 6,862,650</u>	<u>\$ 6,407,026</u>

Unrestricted net assets, that portion of net assets that can be used to finance daily operations without constraints established by debt covenants, enabling legislation, or other legal requirements, equaled \$ 1,535,645 on September 30, 2006. Tax revenues increased as property values continue to rise in most sections of the City and new properties are put on tax rolls.

CITY OF NORTH BAY VILLAGE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
September 30, 2006

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Total net assets increased by \$ 455,624 in 2006 from \$ 6,407,026 to \$ 6,862,650.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
REVENUES:						
Program Revenues:						
Charges for services	\$ 1,260,485	\$ 2,717,949	\$ 3,223,085	\$ 3,303,619	\$ 4,483,570	\$ 6,021,568
Operating grants and contributions	551,733	--	--	--	551,733	--
Capital grants and contributions	--	--	698,250	--	698,250	--
General Revenues:						
Property taxes	3,348,938	2,986,983	--	--	3,348,938	2,986,983
Other taxes and fees	1,411,785	1,216,521	--	--	1,411,785	1,216,521
Intergovernmental	650,854	636,188	--	--	650,854	636,188
Other general revenues	<u>365,148</u>	<u>274,887</u>	<u>22,677</u>	<u>9,209</u>	<u>387,825</u>	<u>284,096</u>
Total revenues	<u>7,588,943</u>	<u>7,832,528</u>	<u>3,944,012</u>	<u>3,312,828</u>	<u>11,532,955</u>	<u>11,145,356</u>
PROGRAM EXPENSES:						
General government	1,600,206	1,477,844	--	--	1,600,206	1,477,844
Public safety	3,647,300	3,531,910	--	--	3,647,300	3,531,910
Building, planning and zoning	544,664	418,467	--	--	544,664	418,467
Public works	947,622	392,954	--	--	947,622	392,954
Parks and recreation	128,539	96,911	--	--	128,539	96,911
Interest	38,062	44,956	--	--	38,062	44,956
Utility	--	--	4,096,343	3,103,090	4,096,343	3,103,090
Stormwater utility	--	--	<u>74,595</u>	<u>74,087</u>	<u>74,595</u>	<u>74,087</u>
Total expenses	<u>6,906,393</u>	<u>5,963,042</u>	<u>4,170,938</u>	<u>3,177,177</u>	<u>11,077,331</u>	<u>9,140,219</u>
Increase in net assets before transfers	682,550	1,869,486	(226,926)	135,651	455,624	2,005,137
TRANSFERS IN (OUT)	<u>--</u>	<u>(250,000)</u>	<u>--</u>	<u>250,000</u>	<u>--</u>	<u>--</u>
Change in net assets	\$ <u>682,550</u>	\$ <u>1,619,486</u>	\$ <u>(226,926)</u>	\$ <u>385,651</u>	\$ <u>455,624</u>	\$ <u>2,005,137</u>

ANALYSIS OF THE GOVERNMENT FUNDS

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

The fund financial statements for government funds provide information on the near-term inflows, outflows and balances of spendable resources. In particular, unreserved fund balance may be useful as an indicator of a government's net resources available for spending at the end of the fiscal year. The General Fund's fund balance at September 30, 2006, was \$ 3,371,716, of which \$ 1,649,337 is unreserved and available for use in fiscal 2007.

CITY OF NORTH BAY VILLAGE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
September 30, 2006

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The City's capital assets, less accumulated depreciation, for its governmental and business-type activities as of September 30, 2006, amounts to \$ 2,164,313 and \$ 4,170,798, respectively and consists of land, buildings and improvements, improvements other than buildings, vehicles, and machinery and equipment. A more detailed table can be found on pages 26 and 27 of the notes to the basic financial statements.

Debt

The City had debt totaling approximately \$ 2.07 million at September 30, 2006. Total debt outstanding at the end of the prior fiscal year was approximately \$ 2.36 million. The decrease of \$.29 million is mostly attributable to the retirement of principal. Outstanding debt as of September 30, 2006, consisted of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
General obligation bonds (backed by the City)	\$ 455,000	\$ --	\$ 455,000
Capital leases	79,037	95,211	174,248
Loans	<u> --</u>	<u>1,446,181</u>	<u>1,446,181</u>
Total	\$ <u>534,037</u>	\$ <u>1,541,392</u>	\$ <u>2,075,429</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund revenues were \$ 832,580 more than budget and expenditures were \$ 354,301 greater than budget. Revenues were greater than budget as a result of intergovernmental revenue exceeding expectations by approximately \$ 626,000 as well as increases in licenses and permits. Expenditures were above budget primarily as a result of the City's overexpenditures of public works and building planning and zoning funds.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's main revenues are from a combination of tax receipts from ad-valorem property taxes, revenue sharing with the state on sales, gasoline and communications services taxes, franchise fees and building permit fees. The budget for fiscal 2007 is based on our best expectations of revenue totals from these and other smaller sources and expenses based on prior years' history and known increases for the 2006 fiscal year.

CITY OF NORTH BAY VILLAGE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
September 30, 2006

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (continued)

The adopted budget for fiscal year 2007 totals \$ 11,424,340, including utility funds, an increase of 15.1% over the fiscal 2006 budget and 25% over the actual expenses for fiscal 2006.

REQUESTS FOR INFORMATION

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

**BASIC
FINANCIAL STATEMENTS**

CITY OF NORTH BAY VILLAGE, FLORIDA
STATEMENT OF NET ASSETS
September 30, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and cash equivalents and investments	\$ 2,503,412	\$ 260,231	\$ 2,763,643
Accounts receivable, net of allowances	330,808	1,255,218	1,586,026
Internal balances	919,000	(919,000)	--
Deferred charges	--	8,440	8,440
Restricted cash	1,067,322	240,068	1,307,390
Capital assets:			
Non-depreciable	629,515	--	629,515
Depreciable (net)	<u>1,534,798</u>	<u>4,170,798</u>	<u>5,705,596</u>
Total assets	<u>6,984,855</u>	<u>5,015,755</u>	<u>12,000,610</u>
LIABILITIES:			
Accounts payable and accrued expenses	347,245	1,360,164	1,707,409
Unearned revenue	47,908	--	47,908
Liabilities payable from restricted assets:			
Deposits	--	240,068	240,068
Due within one year:			
Compensated absences payable	186,210	27,220	213,430
Current portion of debt	144,112	242,868	386,980
Due in more than one year:			
Compensated absences payables	744,838	108,878	853,716
Long-term debt	<u>389,925</u>	<u>1,298,524</u>	<u>1,688,449</u>
Total liabilities	<u>1,860,238</u>	<u>3,277,722</u>	<u>5,137,960</u>
NET ASSETS:			
Invested in capital assets, net of related debt	1,630,276	2,629,406	4,259,682
Restricted	1,067,322	--	1,067,322
Unrestricted (deficit)	<u>2,427,019</u>	<u>(891,373)</u>	<u>1,535,646</u>
Total net assets	<u>\$ 5,124,617</u>	<u>\$ 1,738,033</u>	<u>\$ 6,862,650</u>

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

CITY OF NORTH BAY VILLAGE, FLORIDA
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2006

	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets	
	Expenses	Charges for Services, Fees, Fines and Forfeitures	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government
					Business-Type Activities
					Governmental Activities
					Total
FUNCTIONS/PROGRAM ACTIVITIES:					
Primary government:					
Governmental activities:					
General government	\$ 1,600,206	\$ 21,079	\$ --	\$ --	\$ (1,579,127) ✓
Public safety	3,647,300	289,850	--	(3,357,450)	(3,357,450)
Building, planning and zoning	544,664	922,853	--	378,189	378,189
Public works	947,622	--	551,733	(395,889)	(395,889)
Parks and recreation	128,539	26,703	--	(101,836)	(101,836)
Interest expense	38,062	--	--	(38,062)	(38,062)
Total governmental activities	6,906,393	1,260,485	551,733	(5,094,175) ✓	(5,094,175) ✓
Business-type activities:					
Utility fund	4,096,343	3,112,391	--	698,250	(285,702)
Stormwater utility fund	74,595	110,694	--	--	36,099
Total business-type activities	4,170,938	3,223,085	698,250	(249,603)	(249,603)
Total primary government	\$ 11,077,331	\$ 4,483,570	\$ 551,733	\$ (5,094,175)	(5,343,778)
General revenues:					
Taxes:					
Ad valorem taxes		3,348,938			3,348,938
Franchise fees		461,477			461,477
Utility service taxes		368,521			368,521
Local option gas tax		116,599			116,599
Transportation surtax		223,906			223,906
Communication service tax		241,282			241,282
State revenue sharing		198,785			198,785
Local ½ cent sales tax		440,731			440,731
Other intergovernmental		11,338			11,338
Interest income		204,690			204,690
Miscellaneous		160,458			160,458
Total general revenues		5,776,725			5,799,402
Change in net assets		682,550			(226,926)
NET ASSETS AT BEGINNING OF YEAR		4,442,067			1,964,959
NET ASSETS AT END OF YEAR		\$ 5,124,617		\$ 1,738,033	\$ 6,862,650

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

CITY OF NORTH BAY VILLAGE, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2006

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:			
Cash and cash equivalents and investments	\$ 2,503,412	\$ --	\$ 2,503,412
Receivables:			
Intergovernmental	180,209	--	180,209
Taxes	32,688	--	32,688
Other	31,196	51,729	82,925
Due from other funds	979,259	24,706	1,003,965
Restricted cash and cash equivalents	<u> --</u>	<u>1,067,322</u>	<u>1,067,322</u>
Total assets	<u>\$ 3,726,764</u>	<u>\$ 1,143,757</u>	<u>\$ 4,870,521</u>
 LIABILITIES			
Accounts payable and accrued liabilities	\$ 307,140	\$ 40,105	\$ 347,245
Due to other funds	--	84,965	84,965
Unearned revenue	<u>47,908</u>	<u> --</u>	<u>47,908</u>
Total liabilities	<u>355,048</u>	<u>125,070</u>	<u>480,118</u>
 Fund balances:			
Reserved for:			
Building fees	1,722,379	--	1,722,379
Transportation	--	345,209	345,209
Park improvements	--	379,879	379,879
Law enforcement	--	307,869	307,869
Unreserved (deficit)	<u>1,649,337</u>	<u>(14,270)</u>	<u>1,635,067</u>
Total fund balances	<u>3,371,716</u>	<u>1,018,687</u>	<u>4,390,403</u>
Total liabilities and fund balances	<u>\$ 3,726,764</u>	<u>\$ 1,143,757</u>	<u>\$ 4,870,521</u>

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

CITY OF NORTH BAY VILLAGE, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
September 30, 2006

TOTAL FUND BALANCE OF GOVERNMENTAL FUNDS IN THE BALANCE SHEET, PAGE 10	\$ 4,390,403
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Amounts reported for governmental activities in the statement of net assets are different because:

Intergovernmental receivable is not available to pay for current period expenditures and, therefore, is deferred in the funds	34,986
---	--------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

The cost of capital assets is	\$ 4,819,786	
Accumulated depreciation is	<u>(2,655,473)</u>	2,164,313

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds as follows:

Governmental bond and capital leases payable	(534,037)	
Compensated absences payable	<u>(931,048)</u>	<u>(1,465,085)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES, PAGE 8	\$ <u>5,124,617</u>
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The accompanying notes to basic financial statements are an integral part of these statements.

CITY OF NORTH BAY VILLAGE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
September 30, 2006

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:			
Taxes	\$ 3,592,841	\$ 348,524	\$ 3,941,365
Licenses and permits	921,405	--	921,405
Franchise fees	461,477	--	461,477
Intergovernmental revenue	1,525,482	--	1,525,482
Charges for services	63,255	--	63,255
Fines and forfeitures	33,431	242,394	275,825
Interest income	179,991	24,699	204,690
Miscellaneous revenues	<u>160,458</u>	<u>--</u>	<u>160,458</u>
Total revenues	<u>6,938,340</u>	<u>615,617</u>	<u>7,553,957</u>
EXPENDITURES:			
Current operating:			
General government	1,537,476	--	1,537,476
Public safety	3,307,212	38,726	3,345,938
Public works	771,324	60,150	831,474
Building, planning and zoning	504,822	--	504,822
Parks and recreation	41,361	55,406	96,767
Capital outlay	246,348	664,661	911,009
Debt service:			
Principal payments	50,232	95,000	145,232
Interest and other fiscal charges	<u>1,286</u>	<u>36,775</u>	<u>38,061</u>
Total expenditures	<u>6,460,061</u>	<u>950,718</u>	<u>7,410,779</u>
Excess (deficiency) of revenue over (under) expenditures	<u>478,279</u>	<u>(335,101)</u>	<u>143,178</u>
OTHER FINANCING SOURCES			
Issuance of debt	<u>67,257</u>	<u>--</u>	<u>67,257</u>
Net change in fund balance	545,536	(335,101)	210,435
Fund balance at beginning of year	<u>2,826,180</u>	<u>1,353,788</u>	<u>4,179,968</u>
Fund balance at end of year	<u>\$ 3,371,716</u>	<u>\$ 1,018,687</u>	<u>\$ 4,390,403</u>

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

CITY OF NORTH BAY VILLAGE, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2006

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS, PAGE 12 \$ 210,435

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

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

Expenditures for capital assets	\$ 882,876 ✓	
Less current year depreciation expense	<u>(353,019)</u>	529,857

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		34,986
---	--	--------

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

Principal payments	145,232 ✓	
Debt proceeds	<u>(67,257)</u>	77,975

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in compensated absences payable		<u>(170,703)</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES, PAGE 9 \$ 682,550

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

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

For the Year Ended September 30, 2006

	<u>Budgeted Amounts Original and Final</u>	<u>Actual Amounts</u>	<u>Variance</u>
REVENUES:			
Taxes	\$ 3,870,800	\$ 3,592,841	\$ (277,959)
Licenses and permits	510,760	921,405	410,645
Franchise fees	369,500	461,477	91,977
Intergovernmental revenue	899,300	1,525,482	626,182
Charges for services	153,900	63,255	(90,645)
Fines and forfeitures	26,500	33,431	6,931
Interest income	10,000	179,991	169,991
Miscellaneous revenues	<u>265,000</u>	<u>160,458</u>	<u>(104,542)</u>
Total revenues	<u>6,105,760</u>	<u>6,938,340</u>	<u>832,580</u>
EXPENDITURES:			
Current			
General government	1,717,080	1,578,202	138,878
Public safety	3,495,885	3,358,373	137,512
Public works	387,885	820,969	(433,084)
Building, planning and zoning	420,040	661,156	(241,116)
Parks and recreation	<u>84,870</u>	<u>41,361</u>	<u>43,509</u>
Total expenditures	<u>6,105,760</u>	<u>6,460,061</u>	<u>(354,301)</u>
Excess revenue over expenditures	<u>--</u>	<u>478,279</u>	<u>478,279</u>
OTHER FINANCING SOURCES			
Debt proceeds	<u>--</u>	<u>67,257</u>	<u>67,257</u>
Net change in fund balances	<u>--</u>	<u>545,536</u>	<u>545,536</u>
FUND BALANCE - BEGINNING	<u>--</u>	<u>2,826,180</u>	<u>2,826,180</u>
FUND BALANCE - ENDING	<u>\$ --</u>	<u>\$ 3,371,716</u>	<u>\$ 3,371,716</u>

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

CITY OF NORTH BAY VILLAGE, FLORIDA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2006

	Business-Type Activities Enterprise Funds Major Funds		<u>Total</u>
	Utility Fund	Stormwater Utility Fund	
ASSETS:			
Current assets:			
Cash and cash equivalents and investments	\$ 259,399	\$ 832	\$ 260,231
Customer accounts receivable	548,010	8,958	556,968
Other receivables	698,250	--	698,250
Restricted cash	240,068	--	240,068
Total current assets	1,745,727	9,790	1,755,517
Noncurrent assets:			
Deferred charges	8,440	--	8,440
Capital assets, net	3,698,846	471,952	4,170,798
Total noncurrent assets	3,707,286	471,952	4,179,238
Total assets	\$ 5,453,013	\$ 481,742	\$ 5,934,755
LIABILITIES:			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 1,353,679	\$ 6,485	\$ 1,360,164
Due to other funds	895,000	24,000	919,000
Loans payable	190,091	14,063	204,154
Installment loans payable	38,714	--	38,714
Accrued compensated absences	27,220	--	27,220
Total current liabilities	2,504,704	44,548	2,549,252
Current liabilities payable from restricted assets:			
Customer deposits	240,068	--	240,068
Long-term liabilities:			
Loans payable, net of current portion	1,242,027	--	1,242,027
Installment loans payable, net of current portion	56,497	--	56,497
Accrued compensated absences, net of current portion	108,878	--	108,878
Total long-term liabilities	1,407,402	--	1,407,402
Total liabilities	4,152,174	44,548	4,196,722
NET ASSETS:			
Invested in capital assets, net of related debt	2,171,517	457,889	2,629,406
Unrestricted net assets (deficit)	(870,678)	(20,695)	(891,373)
Total net assets	1,300,839	437,194	1,738,033
Total liabilities and net assets	\$ 5,453,013	\$ 481,742	\$ 5,934,755

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

CITY OF NORTH BAY VILLAGE, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Year Ended September 30, 2006

	Business-Type Activities Enterprise Funds		Total
	Major Funds		
	Utility Fund	Stormwater Utility Fund	
OPERATING REVENUES:			
Sanitation charges	\$ 1,061,380	\$ --	\$ 1,061,380
Sewer charges	769,983	--	769,983
Metered water charges	736,913	--	736,913
Service fees and late penalties	544,115	10,192	554,307
Stormwater user fees	--	100,502	100,502
	<u>3,112,391</u>	<u>110,694</u>	<u>3,223,085</u>
Total operating revenues			
OPERATING EXPENSES:			
Payroll and related expenses	966,472	20,903	987,375
Sewerage disposal fees	975,261	--	975,261
Materials, supplies, repairs and other	750,679	38,244	788,923
Water purchases	395,645	--	395,645
Solid waste disposal and recycling services	335,930	--	335,930
Provision for uncollected accounts receivable	378,082	3,295	381,377
Provision for depreciation and amortization	247,709	10,187	257,896
	<u>4,049,778</u>	<u>72,629</u>	<u>4,122,407</u>
Total operating expenses			
Operating income (loss)	<u>(937,387)</u>	<u>38,065</u>	<u>(899,322)</u>
NONOPERATING REVENUES (EXPENSES):			
Intergovernmental revenues	698,250	--	698,250
Interest income	22,548	129	22,677
Interest expense	(46,565)	(1,966)	(48,531)
	<u>674,233</u>	<u>(1,837)</u>	<u>672,396</u>
Total nonoperating revenues (expenses)			
Change in net assets	(263,154)	36,228	(226,926)
NET ASSETS AT BEGINNING OF YEAR	<u>1,563,993</u>	<u>400,966</u>	<u>1,964,959</u>
NET ASSETS AT END OF YEAR	\$ <u>1,300,839</u>	\$ <u>437,194</u>	\$ <u>1,738,033</u>

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

CITY OF NORTH BAY VILLAGE, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
September 30, 2006

	Business-Type Activities Enterprise Funds		Total
	Major Funds		
	Utility Fund	Stormwater Utility Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers, users and others	\$ 2,362,811	\$ 107,643	\$ 2,470,454
Cash paid to employees for services	(966,472)	(20,903)	(987,375)
Cash paid to suppliers for good and services	(1,783,595)	(35,684)	(1,819,279)
Internal activities - receipts from other funds	<u>221,330</u>	<u>(26,023)</u>	<u>195,307</u>
Net cash provided by (used in) operating activities	<u>(165,926)</u>	<u>25,033</u>	<u>(140,893)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Contributions	698,250	--	698,250
Cash received from loan proceeds	57,003	--	57,003
Loan principal payments	(205,322)	(61,162)	(266,484)
Interest paid	(46,565)	(1,966)	(48,531)
Purchase of capital assets	<u>(940,724)</u>	<u>(3,880)</u>	<u>(944,604)</u>
Net cash used in capital and related financing activities	<u>(437,358)</u>	<u>(67,008)</u>	<u>(504,366)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	<u>22,548</u>	<u>129</u>	<u>22,677</u>
Net cash provided by investing activities	<u>22,548</u>	<u>129</u>	<u>22,677</u>
Net increase (decrease) in cash and cash equivalents	<u>(580,736)</u>	<u>(41,846)</u>	<u>(622,582)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,080,203</u>	<u>42,678</u>	<u>1,122,881</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 499,467</u>	<u>\$ 832</u>	<u>\$ 500,299</u>

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

CITY OF NORTH BAY VILLAGE, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(CONTINUED)
September 30, 2006

	Business-Type Activities Enterprise Funds Major Funds		Total
	Utility Fund	Stormwater Utility Fund	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating income (loss)	\$ (937,387)	\$ 38,065	\$ (899,322)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Provision for depreciation and amortization	247,709	10,187	257,896
(Increase) decrease in customer accounts receivable	38,668	(3,051)	35,617
(Increase) decrease in other receivables *	(698,250)	--	(698,250)
Increase (decrease) in accounts payable and accrued liabilities	923,740	5,855	929,595
Increase (decrease) in due to/from other funds	221,330	(26,023)	195,307
Increase (decrease) in customer deposits	<u>38,264</u>	<u>--</u>	<u>38,264</u>
Net cash provided by (used in) operating activities	\$ <u>(165,926)</u>	\$ <u>25,033</u>	\$ <u>(140,893)</u>

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

CITY OF NORTH BAY VILLAGE, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of City of North Bay Village, Florida (the "City") have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies of the City:

Reporting Entity:

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

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

Basis of presentation:

Government-wide financial statements

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Fund financial statements

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

The City reports the following major governmental fund:

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

CITY OF NORTH BAY VILLAGE, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The City reports the following major proprietary funds:

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

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

Measurement focus and basis of accounting:

Government-wide financial statements

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

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

Fund financial statements

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for the proprietary funds include the sale of water and wastewater services for the Utility

CITY OF NORTH BAY VILLAGE, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund and user fees for the Stormwater Utility Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

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

Property taxes:

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

Under Florida law, the assessment of all properties and the collection of all county, municipal, school board and special district property taxes are consolidated in the Offices of the County Property Appraiser and County Tax Collector. The laws for the State regulating tax assessment are also designed to assure a consistent property valuation method statewide. State statutes permit municipalities to levy property taxes at a rate of up to 10 mills (\$10 per \$ 1,000 of assessed taxable valuation). The millage rate assessed by the City for the year ended September 30, 2006, was 6.2123 mills.

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

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

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

Budget and budgetary accounting:

Annual appropriated budgets are adopted for the General Fund, Transportation Fund, Debt Service Fund, and Utility Funds.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

CITY OF NORTH BAY VILLAGE, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- a. The City Manager submits to the City Commission a proposed operating budget for the ensuing fiscal year. The operating budget includes proposed revenues and expenditures with an explanation regarding each expenditure that is not of a routine nature.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to October 1, the budget is legally enacted through passage of an ordinance.
- d. The City Commission, by motion, may make supplemental appropriations for the year up to the amount of revenues in excess of those estimated. However, there were no supplemental appropriations in fiscal year 2006.
- e. Formal budgetary integration is employed as a management control device during the year for the General Fund, Transportation Fund, Debt Service Fund, and Utility Funds.
- f. Budgets for the General Fund, Transportation Fund, Debt Service Fund, and Utility Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
- g. The City Manager is authorized to transfer part or all of an unencumbered appropriation balance within departments within a fund; however, any revisions that alter the total appropriations of any department or fund must be approved by the City Commission. The classification detail at which expenditures may not legally exceed appropriations is at the department level.
- h. Unencumbered appropriations lapse at fiscal year end. Unencumbered amounts are reappropriated in the following year's budget.
- i. Budgeted amounts are as originally adopted or as amended.

Cash and cash equivalents:

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

Cash and cash equivalents include cash on hand, demand deposits, investments in money market funds and investments maintained with the State Board of Administration Investment Pool. Investments in the State Board Administration Investment Pool (2A-7 Pool) are reported at the fair value of its position in the pool, which is the same as the value of the pool shares. Income from investments is recorded when earned.

Accounts receivable:

Accounts receivable consist of amounts due for services. No allowance for doubtful accounts has been provided for the governmental funds in the accompanying financial statements. An allowance of \$ 90,000 was deemed necessary for the enterprise funds.

CITY OF NORTH BAY VILLAGE, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments:

Investments are stated at their fair value.

Capital assets:

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

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

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

Buildings and improvements	30 years
Machinery, vehicles and equipment	3-5 years

Compensated absences:

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

The liability for these compensated absences is recorded as long-term debt in the government-wide statement of net assets. The current portion of this obligation is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable for employees who had terminated their employment as of the end of the fiscal year.

Unearned revenue:

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Unearned revenues at the government-wide level arise only when the City receives resources before it has a legal claim to them.

Long-term obligations:

In the government-wide financial statements and proprietary fund type 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 discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond discounts. Bond issuance costs are reported as deferred charges and amortized over the life of the bonds using the straight-line method.

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

CITY OF NORTH BAY VILLAGE, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entity classifications:

Government-wide statements

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

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

Fund statements

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Estimates:

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits:

As required by Chapter 280.03 of the Florida Statutes, all deposits of the City during the year ended September 30, 2006 including time deposit accounts and demand deposit accounts, were held in institutions designated by the Treasurer of the State of Florida as "qualified depositories" and were accordingly covered by a collateral pool pledged to the State Treasurer of Florida by such institutions. At year end, the City's deposit balance and carrying amount was \$ 722,352. The City's financial institution balance at year end was \$ 721,640. These deposits are insured by the FDIC up to \$ 200,000. Monies deposited in amounts greater than the insurance coverage are secured by the banks pledging securities with the State Treasurer in the collateral pool. In accordance with Chapter 280.08 of the Florida Statutes, if any member institution fails, the entire collateral pool becomes available to satisfy the claims of government entities. If the value of the pools collateral is inadequate to cover a loss, additional amounts would be assessed on a prorata basis to the members of the pool. This ensures that there will be no loss of public funds. Accordingly, all deposits are considered insured at September 30, 2006.

CITY OF NORTH BAY VILLAGE, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2006

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Investments:

Florida Statutes authorize City officials to invest pooled funds in United States bonds and obligations, guaranteed United States agency and other issues, Florida State Investment Pool, Florida bank certificates of deposit, bankers acceptances and reverse repurchase agreements. The City's policy regarding the credit risk of investments is to maintain a diversified portfolio to minimize credit risk.

Currently, the City has investments in a collective pool managed by the State of Florida Board of Administration (a 2a7-like pool) that are stated at amortized cost which approximates fair value of the pool shares. These had a carrying amount and fair value of \$ 1,509,332.

The City also has investments in the Financial Investors Trust American Freedom United States Government Money Market Fund in an amount of \$ 1,036,413, as well as \$ 802,936 in non-negotiable certificates of deposit.

Credit risk:

The State Investment Pool is not rated and the United States Government Money Market Fund has a rating of AAA_m.

Interest rate risk:

Florida Statutes state that the investment portfolio be structured in such a manner as to provide sufficient liquidity to pay obligations as they come due. The State Investment Pool has a weighted average maturity of 49 days and the United States Government Money Market Fund has a weighted average maturity of 6.24 days.

Concentration of credit risk:

GASB 40 requires disclosure when investments are more than 5% in any one issuer. All investments held by the City are exempt from this requirement.

Custodial credit risk:

For an investment, custodial credit risk 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 in the possession of an outside party. None of the City's investments are exposed to custodial credit risk.

NOTE 3 - RESTRICTED CASH AND CASH EQUIVALENTS

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

Transportation	\$ 319,977
Park improvements	386,493
Police forfeiture funds	360,852
Water and sewer customer deposits	<u>240,068</u>
	\$ <u>1,307,390</u>

CITY OF NORTH BAY VILLAGE, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2006

NOTE 4 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended September 30, 2006, General Fund expenditures exceeded appropriations in the following departments:

Public works	\$	433,084
Building, planning and zoning	\$	241,116
City Commission	\$	12,440
City Manager	\$	48,152
City Clerk	\$	44,144

NOTE 5 - INTERFUND TRANSACTIONS

Individual interfund receivable and payable balances at September 30, 2006, are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 979,259	\$ --
State Forfeiture Fund	--	70,695
Federal Forfeiture Fund	24,706	--
Debt Service Fund	--	14,270
Utility Fund	--	895,000
Stormwater Utility Fund	--	24,000
	<u> </u>	<u> </u>
Totals	\$ <u>1,003,965</u>	\$ <u>1,003,965</u>

These balances result from the time lag between the dates (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems and, (3) payments between funds are actually made.

NOTE 6 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended September 30, 2006:

	<u>Balance October 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance September 30, 2006</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ <u>629,515</u>	\$ <u> --</u>	\$ <u> --</u>	\$ <u>629,515</u>
Total capital assets not being depreciated	<u>629,515</u>	<u> --</u>	<u> --</u>	<u>629,515</u>
Capital assets, being depreciated:				
Buildings and improvements	1,432,313	215,211	--	1,647,524
Vehicles	927,561	293,135	--	1,220,696
Machinery and equipment	<u>947,521</u>	<u>374,530</u>	<u> --</u>	<u>1,322,051</u>
Total capital assets, being depreciated	<u>3,307,395</u>	<u>882,876</u>	<u> --</u>	<u>4,190,271</u>

CITY OF NORTH BAY VILLAGE, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2006

NOTE 6 - CAPITAL ASSETS (continued)

Less accumulated depreciation for:				
Buildings and improvements	838,002	87,068	--	925,070
Vehicles	721,599	108,013	--	829,612
Machinery and equipment	<u>742,853</u>	<u>157,938</u>	--	<u>900,791</u>
Total accumulated depreciation	<u>2,302,454</u>	<u>353,019</u>	--	<u>2,655,473</u>
Total capital assets, being depreciated, net	<u>1,004,941</u>	<u>529,857</u>	--	<u>1,534,798</u>
Governmental activities capital assets, net	\$ <u>1,634,456</u>	\$ <u>529,857</u>	\$ --	\$ <u>2,164,313</u>

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

Governmental activities:	
Public safety	\$ 158,858
Public works	105,906
General government	38,832
Culture and recreation	31,772
Building, planning and zoning	<u>17,651</u>
Total provision for depreciation - governmental activities	\$ <u>353,019</u>

	<u>Balance October 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance September 30, 2006</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Improvements other than buildings	\$ 5,449,373	\$ 869,721	\$ --	\$ 6,319,094
Equipment and vehicles	<u>1,134,477</u>	<u>74,883</u>	--	<u>1,209,360</u>
Total capital assets, being depreciated	<u>6,583,850</u>	<u>944,604</u>	--	<u>7,528,454</u>
Less accumulated depreciation for:				
Improvements other than buildings	2,079,765	177,301	--	2,257,066
Equipment and vehicles	<u>1,023,841</u>	<u>76,749</u>	--	<u>1,100,590</u>
Total accumulated depreciation	<u>3,103,606</u>	<u>254,050</u>	--	<u>3,357,656</u>
Business-type activities capital assets, net	\$ <u>3,480,244</u>	\$ <u>690,554</u>	\$ --	\$ <u>4,170,798</u>

CITY OF NORTH BAY VILLAGE, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2006

NOTE 6 - CAPITAL ASSETS (continued)

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

Business-type activities:	
Utility Fund	\$ 243,863
Stormwater Utility Fund	<u>10,187</u>
Total provision for depreciation - business-type activities	<u>\$ 254,050</u>

NOTE 7 - LONG-TERM DEBT

Debt - Governmental Funds

The following is a summary of changes in debt for the City's governmental activities for the year ended September 30, 2006:

	Balance October 1, 2005	Additions	Deletions	Balance September 30, 2006	Due Within One Year
General obligation bonds	\$ 550,000	\$ --	\$ 95,000	\$ 455,000	\$ 105,000
Capital leases	62,012	67,257	50,232	79,037	39,112
Accrued compensated absences	<u>760,345</u>	<u>344,820</u>	<u>174,117</u>	<u>931,048</u>	<u>186,210</u>
Total governmental activities debt	<u>\$ 1,372,357</u>	<u>\$ 412,077</u>	<u>\$ 319,349</u>	<u>\$ 1,465,085</u>	<u>\$ 330,322</u>

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

The City entered into a lease agreement to purchase seven police vehicles in the amount of \$ 137,683, through a capital lease agreement. The lease requires quarterly payments in the amount of \$ 9,093 including interest at 2.67% until April 2007. The balance outstanding on this lease at September 30, 2006 is \$ 26,925.

In addition, the City also entered into a lease agreement to purchase nine vehicles in the amount of \$ 124,260 through a capital lease agreement. The lease is allocated between the governmental funds and the enterprise funds at an amount of \$ 67,257 and \$ 57,003, respectively. The lease requires annual payments of \$ 27,483, including interest at 5.25% until December 2009. The balance outstanding at September 30, 2006, which is attributable to the governmental funds, is \$ 52,112.

Debt service requirements for the above obligations are as follows:

Year ending	Principal	Interest	Total
2007	\$ 144,112	\$ 32,800	\$ 176,912
2008	122,603	24,964	147,567
2009	128,296	17,125	145,421
2010	<u>139,026</u>	<u>8,920</u>	<u>147,946</u>
	<u>\$ 534,037</u>	<u>\$ 83,809</u>	<u>\$ 617,846</u>

CITY OF NORTH BAY VILLAGE, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2006

NOTE 7 - LONG-TERM DEBT (continued)

Debt - Enterprise Funds

The following is a summary of changes in debt for the City's business-type activities for the year ended September 30, 2006:

	Balance October 1, <u>2005</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30 <u>2006</u>	Due Within <u>One Year</u>
Revolving state loans	\$ 1,597,422	\$ --	\$ 165,304	\$ 1,432,118	\$ 190,091
Loan payable	75,225	--	61,162	14,063	14,063
Capital leases	78,226	57,003	40,018	95,211	38,714
Compensated absences	<u>86,870</u>	<u>98,558</u>	<u>49,330</u>	<u>136,098</u>	<u>27,220</u>
Total business-type activities debt	\$ <u>1,837,743</u>	\$ <u>155,561</u>	\$ <u>315,814</u>	\$ <u>1,677,490</u>	\$ <u>270,088</u>

Revolving loans payable

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

Revolving state loan of \$ 282,370 dated March 17, 1995; interest rate of 3.79%. In June 1997, the City was awarded an additional \$ 1,597,000 at an interest rate of 2.7% as an amendment to the original loan. The City makes principal and interest payments of \$ 63,378 semi-annually on March 15 and September 15 until September 15, 2018; collateralized by water and sewer revenues.

\$ 769,765

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

403,783

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

258,570

CITY OF NORTH BAY VILLAGE, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2006

NOTE 7 - LONG-TERM DEBT (continued)

Loan payable

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

14,063

Capital leases

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

50,546

In addition, the City also entered into a lease agreement to purchase nine vehicles in the amount of \$ 124,260 through a capital lease agreement. The lease is allocated between governmental funds and the enterprise funds at an amount of \$ 67,257 and \$ 57,003, respectively. These leases require annual payments of \$ 27,483, including interest at 5.25% until December 2009.

44,665

\$ 1,541,392

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

Year ending	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 242,868	\$ 42,586	\$ 285,454
2008	225,015	36,687	261,702
2009	205,628	30,309	235,937
2010	208,333	24,183	232,516
2011	198,444	17,986	216,430
2012 through 2016	388,497	26,687	415,184
2017 through 2021	<u>72,607</u>	<u>13,828</u>	<u>86,435</u>
Total	\$ <u>1,541,392</u>	\$ <u>192,266</u>	\$ <u>1,733,658</u>

CITY OF NORTH BAY VILLAGE, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2006

NOTE 8 - ACCOUNTS PAYABLE

Accounts payable at September 30, 2006 were as follows:

	<u>Vendors</u>	<u>Subcontractor</u>	<u>Accrued Expenses</u>	<u>Total Accounts Payable</u>
Governmental activities:				
General Fund	\$ 117,036	\$ --	\$ 190,104	\$ 307,140
Special Revenue Funds	<u>39,194</u>	<u>--</u>	<u>911</u>	<u>40,105</u>
Total governmental activities	\$ <u>156,230</u>	\$ <u>--</u>	\$ <u>191,015</u>	\$ <u>347,245</u>
Business-type activities:				
Utility Fund	\$ 479,232	\$ 735,000	\$ 139,447	\$ 1,353,679
Stormwater Utility Fund	<u>6,485</u>	<u>--</u>	<u>--</u>	<u>6,485</u>
Total business-type activities	\$ <u>485,717</u>	\$ <u>735,000</u>	\$ <u>139,447</u>	\$ <u>1,360,164</u>

NOTE 9 - DEFINED CONTRIBUTION PLANS

Department Heads:

The City previously adopted a defined contribution plan in accordance with Internal Revenue Code Section 401(a). The Plan provides a retirement program for each of the department heads. Covered employees are eligible upon employment with the City. The 401(a) Plan provides for required employer and employee contributions of 8.5% to 10% and 5.5% respectively of employee earnings for the Plan year, respectively. Employer contributions vest ratably over five years based on the hire date. In addition, the Plan allows for loans of up to 50% of the participant's vested balance. Plan amendments must be approved by the City Commission. The City contributed \$ 77,894 for the year ended September 30, 2006. The Plan is held in trust for the exclusive benefit of the participants and their beneficiaries. Consequently, the City has no fiduciary responsibility; therefore, the net assets of the Plan are not included in the City's basic financial statements.

General Employees:

The City previously adopted a defined contribution plan in accordance with Internal Revenue Code Section 401(a). In a prior year, the City terminated City of North Bay Village's Employee Retirement System (Note 10) and the balances for all active employees were rolled over into this new Plan. The Plan provides a retirement program for all general employees. Covered employees are eligible upon employment with the City. The 401(a) Plan provides for required employer and employee contributions of 8.5% and 5.5% of employee earnings for the Plan year, respectively.

Employer contributions vest ratably after three years of service through year seven based on the hire date. In addition, the Plan allows for loans of up to 50% of the participant's vested balance. Plan amendments must be approved by the City Commission. The City contributed \$ 69,356 for the year ended September 30, 2006. The Plan is held in a trust for the exclusive benefit of the participants and their beneficiaries. Consequently, the City has no fiduciary responsibility; therefore, the net assets of the Plan are not included in the City's basic financial statements.

CITY OF NORTH BAY VILLAGE, FLORIDA
 NOTES TO BASIC FINANCIAL STATEMENTS
 September 30, 2006

NOTE 9 - DEFINED CONTRIBUTION PLANS (continued)

Florida Retirement System Plan:

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

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

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

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

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

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

Contributions to the FRS are made by the City as a percentage of covered payroll. The required contribution rate in effect at year end was 18.53%. No employee contributions are required. Additionally, the City is required to contribute 12.50% for all DROP participants. At September 30, 2006, the City had 24 employees participating in the FRS. No employees were participating in the DROP.

CITY OF NORTH BAY VILLAGE, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2006

NOTE 9 - DEFINED CONTRIBUTION PLANS (continued)

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

	<u>FY 2006</u>	<u>FY 2005</u>	<u>FY 2004</u>
Contribution requirement	\$ 321,149	\$ 313,627	\$ 44,455
Contributions made (100%)	\$ 321,149	\$ 313,627	\$ 44,455
Total covered payroll	\$ 1,684,686	\$ 1,692,535	\$ 644,275
Percent of contributions to total covered payroll	19.06%	18.53%	6.9%

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

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Litigation:

The City has several claims arising in the ordinary course of operations which are pending against the City. However, in the opinion of management and legal counsel, the ultimate outcome of such actions will not have a material adverse effect on the financial condition of the City.

Risk Management:

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

Plan Termination:

On September 15, 1998, the City adopted Resolution No. 98-17 providing for a final and total distribution of the defined benefit retirement system assets and termination of the Plan. The City terminated the Plan and rolled over all active employee balances into a new 401(a) defined contribution plan for general employees (Note 9). All except seven of the Plan's participants chose to receive lump sum distributions for their retirement benefits. The seven participants opted to continue to receive their monthly benefit payments. During 1999, the City purchased annuity contracts from an insurance company for the those participants. The City remains contingently liable to the seven participants in the case of default by the insurance company.

Post Retirement Benefits:

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

Operating Lease:

The City is obligated on an operating lease for the rental of an office facility which is payable monthly at \$ 7,552 through February 2009. Total expense in connection with this lease amounted to approximately \$ 25,000 for the year ended September 30, 2006.

CITY OF NORTH BAY VILLAGE, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2006

NOTE 10 - COMMITMENTS AND CONTINGENCIES (continued)

The following is a schedule of approximate future minimum lease payments:

Year ending September 30		
2007	\$	90,600
2008	\$	90,600
2009	\$	37,800
Thereafter	\$	--

**OTHER
SUPPLEMENTARY INFORMATION**

CITY OF NORTH BAY VILLAGE, FLORIDA
 COMBINING BALANCE SHEET -
 NON MAJOR GOVERNMENTAL FUNDS
 September 30, 2006

	Special Revenue						
	State Forfeiture Fund	Federal Forfeiture Fund	Transportation Fund	Parks Improvement Fund	Total	Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS:							
Receivables	\$ 125	\$ --	\$ 51,604	\$ --	\$ 51,729	\$ --	\$ 51,729
Due from other funds	--	24,706	--	--	24,706	--	24,706
Restricted cash and cash equivalents	<u>87,573</u>	<u>273,279</u>	<u>319,977</u>	<u>386,493</u>	<u>1,067,322</u>	--	<u>1,067,322</u>
Total assets	<u>\$ 87,698</u>	<u>\$ 297,985</u>	<u>\$ 371,581</u>	<u>\$ 386,493</u>	<u>\$ 1,143,757</u>	--	<u>1,143,757</u>
LIABILITIES:							
Accounts payable and accrued expenses	\$ --	\$ 7,119	\$ 26,372	\$ 6,614	\$ 40,105	\$ --	\$ 40,105
Due to other funds	<u>70,695</u>	--	--	--	<u>70,695</u>	<u>14,270</u>	<u>84,965</u>
Total liabilities	<u>70,695</u>	<u>7,119</u>	<u>26,372</u>	<u>6,614</u>	<u>110,800</u>	<u>14,270</u>	<u>125,070</u>
FUND BALANCES (DEFICIT):							
Reserved for transportation	--	--	345,209	--	345,209	--	345,209
Reserved for park improvements	--	--	--	379,879	379,879	--	379,879
Reserved for law enforcement	17,003	290,866	--	--	307,869	--	307,869
Unreserved (deficit)	--	--	--	--	--	<u>(14,270)</u>	<u>(14,270)</u>
Total fund balances (deficit)	<u>17,003</u>	<u>290,866</u>	<u>345,209</u>	<u>379,879</u>	<u>1,032,957</u>	<u>(14,270)</u>	<u>1,018,687</u>
Total liabilities and fund balances	<u>\$ 87,698</u>	<u>\$ 297,985</u>	<u>\$ 371,581</u>	<u>\$ 386,493</u>	<u>\$ 1,143,757</u>	<u>\$ --</u>	<u>\$ 1,143,757</u>

CITY OF NORTH BAY VILLAGE, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NON MAJOR GOVERNMENTAL FUNDS
 September 30, 2006

	Special Revenue						Total Nonmajor Governmental Funds
	State Forfeiture Fund	Federal Forfeiture Fund	Transportation Fund	Parks Improvement Fund	Total	Debt Service Fund	
REVENUES:							
Fines and forfeitures	\$ 1,521	\$ 240,873	\$ --	\$ --	\$ 242,394	\$ --	\$ 242,394
Taxes	--	--	223,906	--	223,906	124,618	348,524
Interest	6,130	8,927	3,214	5,825	24,096	603	24,699
Total revenues	\$ 7,651	\$ 249,800	\$ 227,120	\$ 5,825	\$ 490,396	125,221	615,617
EXPENDITURES:							
Public safety	\$ 276	\$ 38,450	\$ --	\$ --	\$ 38,726	\$ --	\$ 38,726
Public works	--	--	60,150	--	60,150	--	60,150
Parks and recreation	--	--	--	55,406	55,406	--	55,406
Capital outlay	19,989	495,907	31,974	116,791	664,661	--	664,661
Debt service	--	--	--	--	--	--	--
Principal payments	--	--	--	--	--	95,000	95,000
Interest expense	--	--	--	--	--	36,775	36,775
Total expenditures	20,265	534,357	92,124	172,197	818,943	131,775	950,718
Excess (deficiency) of revenues over expenditures	(12,614)	(284,557)	134,996	(166,372)	(328,547)	(6,554)	(335,101)
Fund balances - beginning	29,617	575,423	210,213	546,251	1,361,504	(7,716)	1,353,788
Fund balances - ending	\$ 17,003	\$ 290,866	\$ 345,209	\$ 379,879	\$ 1,032,957	\$ (14,270)	\$ 1,018,687

CITY OF NORTH BAY VILLAGE, FLORIDA
GENERAL FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
For the Year Ended September 30, 2006

	<u>Budget Amounts Original and Final</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Taxes:			
Property taxes, including penalties and interest	\$ 3,447,000	\$ 3,224,320	\$ (222,680)
Utility services taxes	<u>423,800</u>	<u>368,521</u>	<u>(55,279)</u>
	<u>3,870,800</u>	<u>3,592,841</u>	<u>(277,959)</u>
Licenses and permits:			
City occupational licenses	107,000	85,525	(21,475)
Building permits	<u>403,760</u>	<u>835,880</u>	<u>432,120</u>
	<u>510,760</u>	<u>921,405</u>	<u>410,645</u>
Franchise fees:			
Electric franchise fee	320,000	412,621	92,621
Gas franchise fee	25,000	27,551	2,551
US postal service	18,500	20,040	1,540
Solid waste franchise fee	6,000	279	(5,721)
Sanitation franchise fee	--	986	986
	<u>369,500</u>	<u>461,477</u>	<u>91,977</u>
Intergovernmental:			
Local ½ cent sales tax	365,000	440,731	75,731
Communication service tax	240,000	241,282	1,282
State revenue sharing	170,000	198,785	28,785
Alcohol beverage license	6,000	6,045	45
Causeway maintenance	5,300	5,293	(7)
Local option gas tax	100,000	116,599	16,599
Crime watch	3,000	--	(3,000)
Federal grants	<u>10,000</u>	<u>516,747</u>	<u>506,747</u>
	<u>899,300</u>	<u>1,525,482</u>	<u>626,182</u>
Charges for services:			
Park impact fees	100,000	26,703	(73,297)
Record research and review	6,000	13,792	7,792
Passport fees	4,000	5,130	1,130
State law enforcement program	--	7,317	7,317
Special duty officer	9,000	5,922	(3,078)
Special duty service fee	900	656	(244)
Building inspectors education	7,500	1,448	(6,052)
Plans review	25,000	--	(25,000)
Advertising/bus stop	1,500	2,160	660
Other charges for services	--	127	127
	<u>153,900</u>	<u>63,255</u>	<u>(90,645)</u>
Fines and forfeitures	<u>26,500</u>	<u>33,431</u>	<u>6,931</u>
Interest income	<u>10,000</u>	<u>179,991</u>	<u>169,991</u>

CITY OF NORTH BAY VILLAGE, FLORIDA
GENERAL FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(continued)
For the Year Ended September 30, 2006

	Budget Amounts Original and Final	Actual	Variance
Miscellaneous revenues:			
Reimbursement - management	\$ 145,000	\$ 95,000	\$ (50,000)
Other miscellaneous revenue	20,000	65,458	45,458
Appropriation of fund balance	<u>100,000</u>	<u>--</u>	<u>(100,000)</u>
	<u>265,000</u>	<u>160,458</u>	<u>(104,542)</u>
 Total revenues	 <u>6,105,760</u>	 <u>6,938,340</u>	 <u>832,580</u>
 Expenditures:			
General government:			
City Commission:			
Personal services	13,640	13,688	(48)
Operating expenditure	<u>32,060</u>	<u>44,452</u>	<u>(12,392)</u>
	<u>45,700</u>	<u>58,140</u>	<u>(12,440)</u>
 City Manager:			
Personal services	208,195	251,832	(43,637)
Operating expenditure	10,325	7,505	2,820
Capital outlay	<u>--</u>	<u>7,335</u>	<u>(7,335)</u>
	<u>218,520</u>	<u>266,672</u>	<u>(48,152)</u>
 City Clerk:			
Personal services	86,805	130,043	(43,238)
Operating expenditure	51,140	52,081	(941)
Capital outlay	<u>3,000</u>	<u>2,965</u>	<u>35</u>
	<u>140,945</u>	<u>185,089</u>	<u>(44,144)</u>
 Finance:			
Personal services	144,000	109,931	34,069
Operating expenditure	67,740	60,382	7,358
Capital outlay	<u>5,000</u>	<u>6,131</u>	<u>(1,131)</u>
	<u>216,740</u>	<u>176,444</u>	<u>40,296</u>
 City Attorney:			
Operating expenditure	<u>163,600</u>	<u>146,578</u>	<u>17,022</u>
	<u>163,600</u>	<u>146,578</u>	<u>17,022</u>
 Nondepartmental:			
Personal services	113,880	44,158	69,722
Operating expenditure	792,695	676,826	115,869
Capital outlay	<u>25,000</u>	<u>24,295</u>	<u>705</u>
	<u>931,575</u>	<u>745,279</u>	<u>186,296</u>
 Total general government	 <u>1,717,080</u>	 <u>1,578,202</u>	 <u>138,878</u>

CITY OF NORTH BAY VILLAGE, FLORIDA
GENERAL FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(continued)
For the Year Ended September 30, 2006

	Budget Amounts Original and Final	Actual	Variance
Public safety:			
Personal services	3,218,125	2,972,999	245,126
Operating expenditure	222,775	334,213	(111,438)
Capital outlay	18,610	14,788	3,822
Debt service	<u>36,375</u>	<u>36,373</u>	<u>2</u>
Total public safety	<u>3,495,885</u>	<u>3,358,373</u>	<u>137,512</u>
Public works:			
Personal services	138,195	241,022	(102,827)
Operating expenditure	232,690	530,302	(297,612)
Capital outlay	--	40,354	(40,354)
Debt service	<u>17,000</u>	<u>9,291</u>	<u>7,709</u>
Total public works	<u>387,885</u>	<u>820,969</u>	<u>(433,084)</u>
Building, planning and zoning			
Personal services	353,590	335,384	18,206
Operating expenditure	52,730	169,438	(116,708)
Capital outlay	5,820	150,480	(144,660)
Debt service	<u>7,900</u>	<u>5,854</u>	<u>2,046</u>
Total building, planning and zoning	<u>420,040</u>	<u>661,156</u>	<u>(241,116)</u>
Parks and recreation:			
Personal services	9,070	3,153	5,917
Operating expenditure	73,800	38,208	35,592
Capital outlay	<u>2,000</u>	<u>--</u>	<u>2,000</u>
Total parks and recreation	<u>84,870</u>	<u>41,361</u>	<u>43,509</u>
Total expenditures	<u>6,105,760</u>	<u>6,460,061</u>	<u>(354,301)</u>
Excess revenue over expenditures	<u>--</u>	<u>478,279</u>	<u>478,279</u>
Other financing sources:			
Debt proceeds	<u>--</u>	<u>67,257</u>	<u>67,257</u>
Net change in fund balance	\$ <u><u>--</u></u>	\$ <u><u>545,536</u></u>	\$ <u><u>545,536</u></u>

**OTHER REPORTS
OF INDEPENDENT AUDITORS**



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited the basic financial statements of City of North Bay Village, Florida, as of and for the year ended September 30, 2006, and have issued our report thereon dated April 24, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered City of North Bay Village, Florida's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

We noted certain matters that represent opportunities to strengthen the City's internal controls and operating efficiencies which we have been reported to the City management in a separate letter dated April 24, 2007.

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

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

Fort Lauderdale, Florida
April 24, 2007



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND INTERNAL CONTROL OVER COMPLIANCE
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM**

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

Compliance

We have audited the compliance of City of North Bay Village, Florida with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement, that are applicable to its major federal program for the year ended September 30, 2006. City of North Bay Village, Florida's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs on page 49. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of City of North Bay Village, Florida's management. Our responsibility is to express an opinion on City of North Bay Village, Florida's compliance based on our audit.

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

In our opinion, City of North Bay Village, Florida complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2006.

Internal Control over Compliance

The management of City of North Bay Village, Florida is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered City of North Bay Village, Florida's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A -133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by management in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the City management, members of the City Commission, federal awarding agencies, other grantor and pass-through entities. However, this report is a matter of public record and its distribution is not limited.


KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
April 24, 2007



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INDEPENDENT AUDITORS' REPORT TO CITY MANAGEMENT

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

We have audited the basic financial statements of City of North Bay Village, Florida as of and for the year ended September 30, 2006, and have issued our report thereon dated April 24, 2007.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards, Independent Auditors' Report on Compliance and Internal Control Over Compliance Applicable to Each Major Federal Program and Schedule of Findings and Questioned Costs. Disclosures in those reports, which are dated April 24, 2007, should be considered in conjunction with this management letter.

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

The Rules of the Auditor General (Section 10.554(1)(h)1.) require that we address in the management letter, if not already addressed in the auditors' reports on internal controls and compliance or schedule of findings and questioned costs, whether or not recommendations made in the preceding annual financial audit report have been followed. There were recommendations made in the preceding annual financial audit report and their status has been reported in a separate letter dated April 24, 2007.

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

The Rules of the Auditor General (Section 10.554(1)(h)3.) require that we address in the management letter any findings and responses to improve financial management, accounting procedures and internal controls. We noted certain matters that represent opportunities to strengthen the City's internal controls and operating efficiencies, which we have reported in a separate letter dated April 24, 2007.

The Rules of Auditor General (Section 10.554(1)(h)4.) require disclosure in the management letter of the following matters if not already addressed in the auditors' reports on compliance and internal controls or schedule of findings and responses and are not clearly inconsequential: (1) violations of laws, rules, regulations, and contractual provisions that have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the basic financial statements); (4) failure to properly record financial transactions; and (5) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. Our audit disclosed no matters requiring disclosure in the management letter or the basic financial statements.

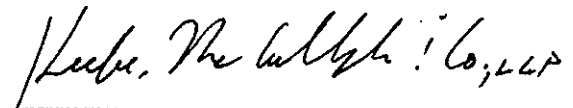
The Rules of the Auditor General (Section 10.554(1)(h)5.) also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the basic financial statements. City of North Bay Village, Florida was established in 1963 under the provision of Chapter 59-1487, as amended, of the laws of the State of Florida. The City does not have any component units.

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

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

As required by the Rules of the Auditor General (Section 10.554(h)6.c. and 10.556(7)), we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

This management letter is intended solely for the information and use of City management, members of the City Commission, federal awarding agencies, the Office of the Auditor General of the State of Florida, and other grantor and pass-through entities, and is not intended to be an should not be used by anyone other than these specified parties.


KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
April 24, 2007

CITY OF NORTH BAY VILLAGE, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended September 30, 2006

Federal Agency Federal Program	CFDA Number	Contract/Grant Number	Expenditures	Transfers to Subrecipients
FEDERAL AGENCY NAME:				
Direct Programs:				
United States Department of Justice Federal forfeitures	16.000	--	\$ 249,534	
Indirect Programs:				
United States Department of Homeland Security Passed through the State of Florida Department of Community Affairs Disaster Grants-Public Assistance		06WL&K-11-23-02-754 06-KF-B&-11-23-02-538	436,412 <u>52,161</u>	-- --
Total Federal Agency			<u>738,107</u>	<u> --</u>
Total Expenditures of Federal Awards			<u>\$ 738,107</u>	<u>\$ --</u>

* Denotes a major program

See notes to Schedule of Federal Awards and Other State Funding

CITY OF NORTH BAY VILLAGE, FLORIDA
SCHEDULE OF EXPENDITURES OF OTHER STATE FUNDING
For the Year Ended September 30, 2006

<u>Grantor</u>	<u>Number</u>	<u>Expenditures</u>	<u>Transfers to Subrecipients</u>
OTHER STATE FUNDING:			
United States Department of Homeland Security - Passed through the State of Florida Department of Community Affairs Disaster Grants - Public Assistance	06WL&K-11-23-02-754	\$ 58,307	\$ --
	06-KF-B&-11-23-02-538	<u>4,852</u>	<u>--</u>
 Total Expenditures of Other State Funding		 \$ <u>63,159</u>	 \$ <u>--</u>

See notes to Schedule of Federal Awards and Other State Funding

CITY OF NORTH BAY VILLAGE, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
OTHER STATE FUNDING
For the Year Ended September 30, 2006

NOTE A - BASIS OF PRESENTATION

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

The schedule of other state funding is presented for purposes of additional analysis and is not a requirement of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations.

NOTE B - ESTIMATES

Grant and contract revenue is recognized as soon as all eligibility requirements imposed by the provider have been met. The preparation of these schedules require management to make estimates and assumptions that affect the reported amounts of assets at the date of the basic financial statements and the reported amounts of revenues during the reporting period. Actual results could differ from those estimates.

Grant related expenditures made by the City of North Bay Village are subject to additional audit by grantor agencies. As a result of such audits, the grantor may require that amounts be returned and/or pending reimbursements deemed unallowable.

CITY OF NORTH BAY VILLAGE, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL PROGRAMS

For the Year Ended September 30, 2006

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements.
2. No reportable conditions relating to the audit of the basic financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the basic financial statements of City of North Bay Village, Florida, were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal program is reported in the Independent Auditors' Report on Compliance and Internal Control over Compliance Applicable to each Major Federal Program.
5. The auditors' report on compliance for the major federal program for City of North Bay Village, Florida expresses an unqualified opinion.
6. No audit findings relative to the major federal program for City of North Bay Village, Florida are reported in Part C of this schedule.
7. The program tested as a major program is as follows:

Federal Program	Federal CFDA No.
United States Department of Homeland Security, Public Assistance Grants	97.036

8. The threshold for distinguishing Types A and B programs was \$ 300,000 for the major federal programs.
9. City of North Bay Village, Florida was not determined to be a low-risk auditee pursuant to OMB Circular A-133.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

NONE

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT

NONE

CITY OF NORTH BAY VILLAGE, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL PROGRAMS

For the Year Ended September 30, 2006

D. OTHER ISSUES

1. A separate management letter is presented; however, there are not items related to federal awards in the management letter.
2. No summary schedule of prior audit findings is required because there were no prior audit findings related to federal programs.
3. No corrective action plan is required because there were no findings required to be reported under the Federal Single Audit Act.

