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## **Independent Auditors' Report**

The Honorable Mayor and Members of the City Commission  
City of Miami Beach, Florida:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Miami Beach, Florida (the City), as of and for the year ended September 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Miami Beach, Florida General Employees Retirement System, the City of Miami Beach, Florida Retirement System for Firefighters and Police Officers, and the City of Miami Beach, Florida Retirement System for Unclassified Employees and Elected Officials (the Plans), which represents 93% and 75%, respectively, of the assets and revenue of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, in so far as it relates to the amounts included for the Plans, is based solely on the reports of the other auditors.

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 financial statements are free of material misstatement. The financial statements of the City of Miami Beach, Florida Retirement System for Firefighters and Police Officers were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, 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 8, 2005, on our consideration of the City's internal control over financial reporting and on 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.

The management's discussion and analysis on pages 11 through 26, the schedule of funding progress – Retirement Systems, on page 75 and the budgetary comparison information for the general fund, resort tax revenue fund, and Miami Beach Redevelopment Agency fund on pages 76 through 78, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied by us and the other auditors, in the audit of the basic financial statements and, in our opinion based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

April 8, 2005

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

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Our discussion and analysis of the City of Miami Beach's (the "City") financial performance provides an overview of the City's financial activities for the year ended September 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-5 of this report.

### **Financial Highlights**

- The assets of the City exceeded its liabilities at September 30, 2004 by \$615.4 million. Of this amount, \$123.4 million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- During fiscal year 2004, the City's net assets increased by \$53.9 million. The increase was attributed to increase in ad-valorem tax revenues, an increase in fees charged for services and an increase in capital grants, specifically for culture and recreation programs.
- The City's total long-term liabilities decreased by \$7.5 million or 1.5 % during the year as a result of making required scheduled payments. In addition, no new debt was issued during the fiscal year.
- At September 30, 2004 the unreserved fund balance for the general fund was \$29.5 million, or 19.2% of the total general fund expenditures.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which have the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the 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 are designed to provide readers with a broad overview of the City's finances in a manner similar to that of a private-sector business.

The statement of net assets presents information on all of 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 how the City's net assets changed during each fiscal year. 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 the statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected taxes and earned, but unused vacation leave).

Both the statement of net assets and the statement of activities of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

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portion of their cost through user fees and charges. The governmental activities of the City include general government, public safety, physical environment, transportation, economic development, human services, and culture and recreation. The business-type activities of the City includes storm water, water and sewer, parking, convention center complex, sanitation, and Miami Beach Redevelopment Agency's parking and leasing operations.

The government-wide financial statements include not only the City itself, but also a legally separate Visitor and Convention Authority and a legally separate Health Facilities Authority. Financial information for these component units are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 27-28 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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The City maintains sixteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, resort tax special revenue fund, Miami Beach Redevelopment Agency special revenue fund, and capital projects fund which are considered to be major funds. Data from the other twelve governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds are provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general fund, its resort tax special revenue fund, and its Miami Beach Redevelopment Agency's special revenue fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the general fund's budget.

**Proprietary Funds.** The City maintains seven different types of proprietary or enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

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storm water utilities, water and sewer, parking, convention center complex, sanitation, and Miami Beach Redevelopment Agency's parking and leasing. Internal service funds are an accounting device used to accumulate and allocate cost internally among the City's various functions. The City uses internal service funds to account for its fleet management, property management, central services, self insurance, and information technology/communications operations. Because these services predominantly benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type information as the government-wide financial statements, only in more detail. The proprietary fund financial statements separate information for the storm water utilities, water and sewer, parking, convention center complex, which are considered to be major funds of the City. Data from the other three proprietary funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major proprietary funds is provided in the form of combining statements elsewhere in this report.

Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 32-35 of this report.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The fiduciary funds include the Pension Trust Funds and the general agency fund.

The fiduciary fund financial statements can be found on pages 36-37 of this report

### **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential for a full understanding of the information provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 38-74 of this report.

### **Other information**

In addition to the basic financial statements and accompanying notes, this report also represents certain required supplementary information concerning the City's progress in funding its obligations to provide pension benefits to its employees. Required supplemental information can be found on pages 75-78 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplemental information on pensions. Combining and individual fund statements and schedules can be found on pages 79-102 of this report.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

**Government-wide Financial Analysis**

The table below summarizes the statement of net assets:

**CITY OF MIAMI BEACH  
Net Assets  
(in thousands)**

	Governmental activities		Business-type activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 253,829	\$ 224,749	\$ 228,934	\$ 221,455	\$ 482,763	\$ 446,204
Capital assets	370,310	354,040	316,529	297,861	686,839	651,901
Total assets	624,139	578,789	545,463	519,316	1,169,602	1,098,105
Long-term liabilities						
outstanding	321,086	323,672	175,004	179,934	496,090	503,606
Other liabilities	37,404	15,547	20,734	17,445	58,138	32,992
Total liabilities	358,490	339,219	195,738	197,379	554,228	536,598
Net assets:						
Invested in capital						
net of related debt	177,688	158,423	230,925	219,819	408,613	378,242
Restricted	83,374	71,828			83,374	71,828
Unrestricted	4,587	9,319	118,800	102,118	123,387	111,437
	\$ 265,649	\$ 239,570	\$ 349,725	\$ 321,937	\$ 615,374	\$ 561,507

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$615.4 million at September 30, 2004, an increase of \$53.9 million from the prior year.

By far the largest portion of the City's net assets, \$408.6 million or 66.4%, reflects its investment in capital assets (e.g., land, building, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets, \$83.4 million or 13.5% for the governmental activities, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$123.4 million or 20.1%, may be used to meet the City's ongoing obligations to citizens and creditors.

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
(Unaudited)**

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At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the City as a whole as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

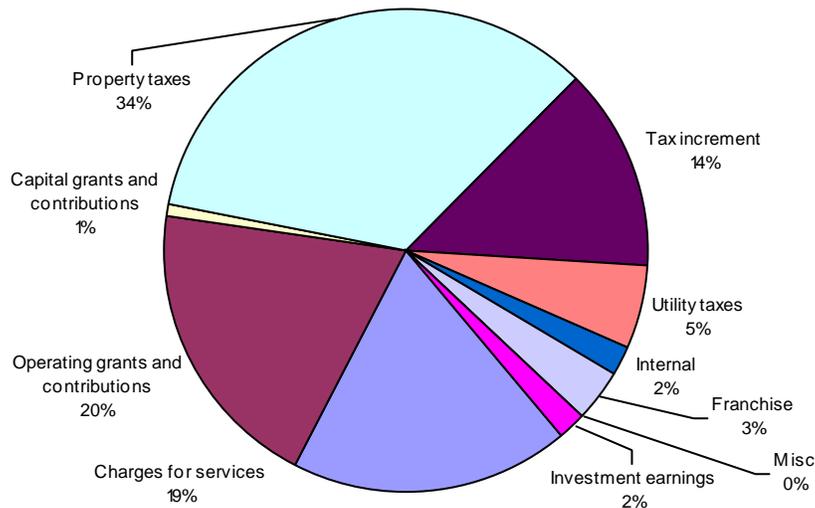
The City’s net assets increased by \$53.9 million or 9.6% during the current fiscal year. Governmental activities account for \$26.1 million or 48.4% of this increase while Business-type activities account for \$27.8 million or 51.6% of the increase. Both increases are due to the degree by which revenues have outpaced similar increases in ongoing expenses. The City’s revenues increased by \$39.8 million or 13.1% while expenses increased by \$24.3 million or 9.11% over the prior year.

**Governmental activities.** Governmental activities increased the City’s net assets by \$26.1 million, thereby accounting for 48.4% of the total growth in the net assets of the City.

Key elements of the increase are as follows:

- Operating grants and contributions increased \$9.3 million or 25.8% over the prior year. This was due to the \$4.8 million increase in cultural and recreational grants.
- Property taxes collected for general purposes increased \$8 million or 13.2% over the prior year. This was attributed to an increase in taxable property value from \$10.6 billion to \$12.1 billion which included over \$483 million in new construction.
- Tax increments revenues increased over the prior year by \$7.6 million or 32.3%. This resulted from an increase in the assessed value of property in the Tax Increment District from \$2.8 billion to \$3.3 billion, an increase of \$531 million or 18.9%
- Total expenses for governmental activities increased by \$21.6 million or 11.9%. \$7.2 million of the increase was for culture and recreation, \$9.4 million for public safety, \$1.3 million in interest on long-term debt and \$5.2 million for general government activities.

**Revenue by Source – Governmental Activities  
for the year ended September 30, 2004 (in thousands)**



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

The table below summarizes the changes in net assets - Governmental Activities

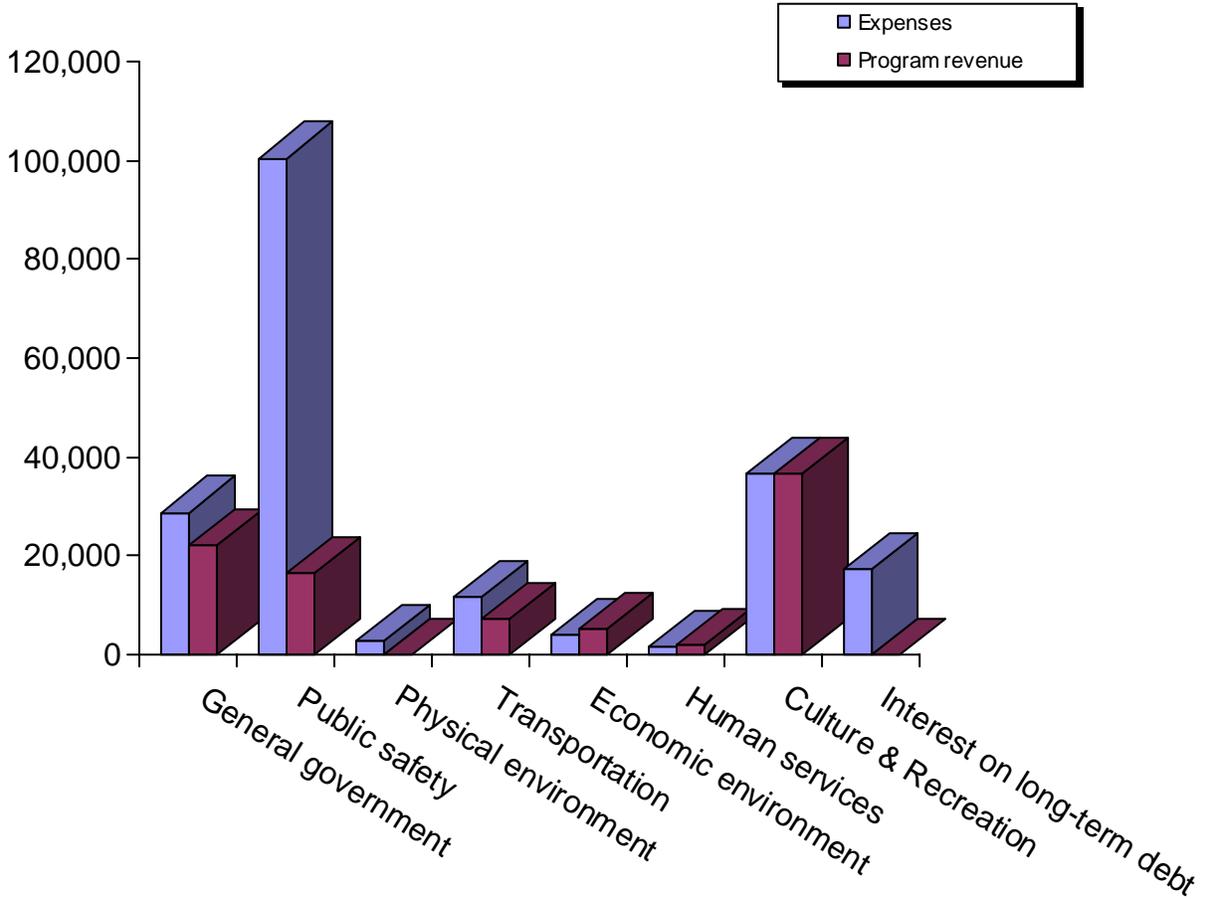
**CITY OF MIAMI BEACH  
Changes in Net Assets  
Governmental Activities  
for the fiscal year ended September 30,  
(in thousands)**

	2004	2003
Revenues:		
Program revenues:		
Charges for services	\$ 42,665	\$ 37,618
Operating grants and contributions	45,281	36,005
Capital grants and contributions	1,720	2,530
General revenues:		
Taxes:		
Property taxes, levied for general purposes	68,854	60,823
Property taxes, levied for debt services	10,211	10,368
Tax increment	31,352	23,705
Utility	12,436	12,482
Franchise fees	7,629	6,937
Miscellaneous	108	9,966
Unrestricted investment earnings	4,649	3,399
Total revenues	224,905	203,833
Expenses:		
General government	28,795	23,628
Public safety	100,473	91,078
Physical environment	2,740	2,727
Transportation	11,603	9,530
Economic environment	4,053	7,558
Human services	1,481	1,546
Culture and recreation	36,733	29,580
Interest on long-term debt	17,370	16,051
Total expenses	203,248	181,698
Increase in net assets before transfers	21,657	22,135
Transfers	4,422	1,864
Increase in net assets	26,079	23,999
Net assets - beginning	239,570	215,571
Net assets - ending	\$ 265,649	\$ 239,570

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

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**Expenses and Program Revenues – Governmental Activities  
for the year ended September 30, 2004 (in thousands)**



**Business-type activities.** Business-type activities increased the City's net assets by \$27.8 million or 51.6%. The City received \$15 million in capital grants and contributions from Miami-Dade County for capital improvements for the Convention Center Complex. In addition, charges for services increased by \$2.5 million or 2.9%, primarily in the Water and Sewer fund due to an increase in rate, the number of residential and commercial properties in the City, and greater customer demands. Expenses for the Business-type funds overall increased by \$2.7 million or 3%.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Unaudited)**

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The table below summarizes the changes in net assets - Business-type Activities

**CITY OF MIAMI BEACH**  
**Changes in Net Assets**  
**Business-type Activities**  
**for the fiscal year ended September 30,**  
(in thousands)

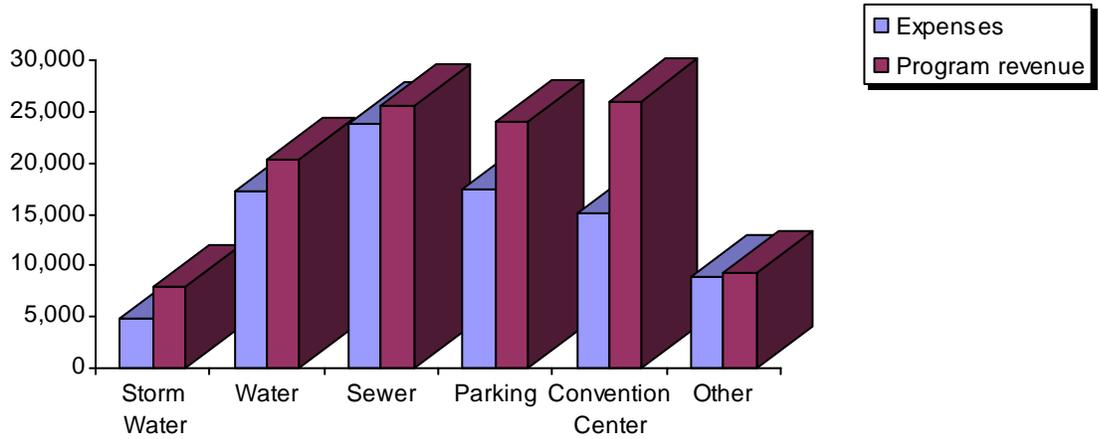
	<u>2004</u>	<u>2003</u>
Revenues:		
Program revenues:		
Charges for services	\$ 87,139	\$ 84,667
Operating grants and contributions	11,076	9,628
Capital grants and contributions	15,000	
General revenues:		
Unrestricted investment earnings	6,345	6,537
Total revenues	<u>119,560</u>	<u>100,832</u>
Expenses:		
Storm water	4,891	3,969
Water	17,267	15,616
Sewer	23,855	24,949
Parking	17,460	16,740
Convention Center	15,023	15,615
Sanitation	7,047	6,205
Redevelopment Agency's Parking	1,698	1,424
Redevelopment Agency's Leasing	110	127
Total expenses	<u>87,351</u>	<u>84,645</u>
Increase in net assets before transfers	32,209	16,187
Transfers	(4,421)	(1,864)
Increase in net assets	27,788	14,323
Net assets - beginning	321,937	307,614
Net assets - ending	<u>\$ 349,725</u>	<u>\$ 321,937</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

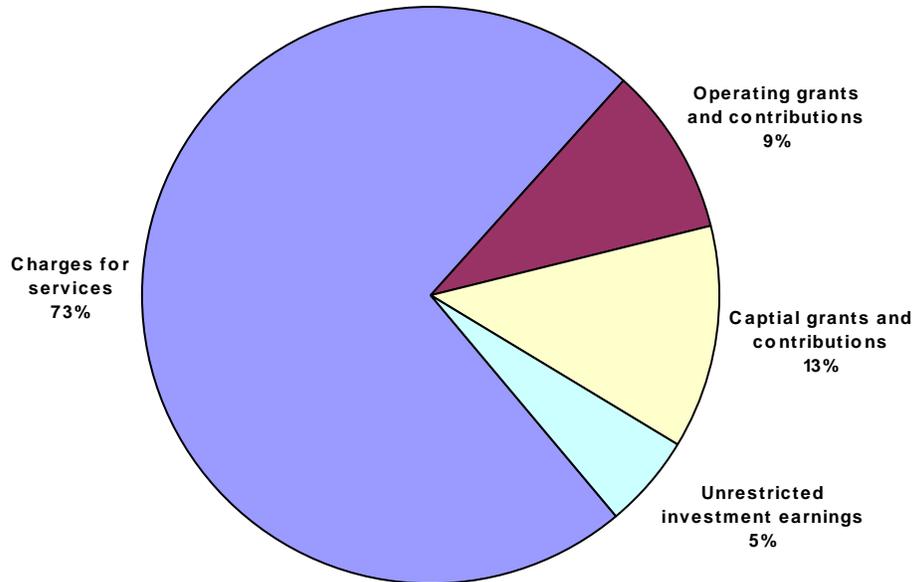
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The following chart shows a comparison of expenses to program revenues for business-type activities for fiscal year 2004:

**Expenses and Program Revenues – Business-type Activities  
for the year ended September 30, 2004 (in thousands)**



**Revenue by Source – Business-type Activities  
for the year ended September 30, 2004 (in thousands)**



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

**Financial Analysis of the Governmental Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The table below summarizes the changes in the fund balances of the City's governmental funds.

<b>Governmental Funds</b> (in thousands)						
	<b>General</b>	<b>Resort Tax</b>	<b>Miami Beach Redevel- opment Agency</b>	<b>Capital Projects</b>	<b>Other Govern- mental Funds</b>	<b>Total Govern- mental Funds</b>
Fund balances						
Sep. 30, 2003	\$ 29,168	\$ 4,344	\$ 23,539	\$ 111,007	\$ 31,395	\$ 199,453
Revenues	137,110	29,260	34,873	3,461	22,905	227,609
Expenditures	(146,425)	(11,363)	(9,525)	(21,825)	(41,721)	(230,859)
Other financing sources (uses)	9,803	(17,135)	(21,138)	9,115	20,932	1,577
Fund balances						
Sep. 30, 2004	<u>\$ 29,656</u>	<u>\$ 5,106</u>	<u>\$ 27,749</u>	<u>\$ 101,758</u>	<u>\$ 33,511</u>	<u>\$ 197,780</u>

**Governmental funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's funding requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$29.5 million, while total fund balance reached \$29.7 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to fund balance expenditures. Unreserved fund balance represents 19.2% of total general fund expenditures, while total fund balance represents 19.3% of the same amount.

The fund balance of the City's general fund increased by \$487,662 during the current fiscal year. A key factor in this growth was the ability to maintain expenditures under budgeted amounts.

The City's general fund is required to adopt an annual budget prepared on a basis consistent with General Accepted Accounting Principles (GAAP). Surpluses from any prior fiscal years cannot be appropriated in future fiscal years.

The City's capital projects fund accounts for the funding of the City's capital program. The primary resources are obtained from the issuance of City debt.

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
(Unaudited)**

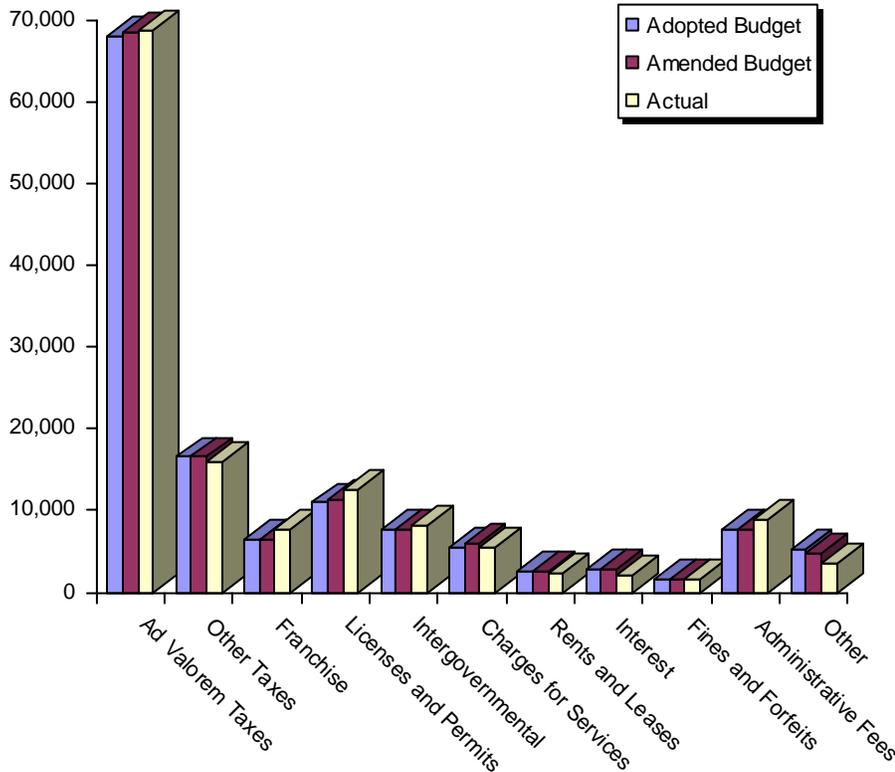
**Proprietary funds.** The City’s proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

The total growth in net assets for all enterprise funds was \$27.8 million. Other factors concerning the finances of these funds have already been addressed in the discussion of the City’s business-type activities.

**General Fund Budgetary Highlights**

The following information is presented to assist the reader in comparing the original budget (Adopted Budget), and the final amended budget (Amended Budget), and how actual results compared with these budgeted amounts. The Amended Budget can be modified subsequent to the end of the fiscal year.

**General Fund Revenues  
for the year ended September 30, 2004 (in thousands).**



There were no significant differences between the original budget and the final amended budget.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Unaudited)**

**General Fund Revenues**  
**for the fiscal year ended September 30, 2004**  
(in thousands)

	Original Adopted Budget	Final Amended Budget	Actual
Taxes:			
Property	\$ 68,251	\$ 68,663	\$ 68,854
Sales, use, fuel	1,855	1,855	1,769
Utility	12,911	12,911	12,436
Other	1,840	1,840	1,840
Taxes	<u>84,857</u>	<u>85,269</u>	<u>84,899</u>
Other than taxes:			
Franchise	6,532	6,532	7,628
Licenses and permits	10,999	11,297	12,548
Intergovernmental	7,769	7,769	8,079
Charges for services	5,467	5,936	5,418
Rents and leases	2,477	2,477	2,431
Interest income	2,800	2,800	2,141
Fines and forfeits	1,681	1,681	1,603
Administrative fees	7,668	7,668	8,863
Other	5,234	4,865	3,499
Other than taxes	<u>50,627</u>	<u>51,025</u>	<u>52,210</u>
Total revenues	<u>\$ 135,484</u>	<u>\$ 136,294</u>	<u>\$ 137,109</u>

**General Fund Expenditures**  
**for the fiscal year ended September 30, 2004**  
(in thousands)

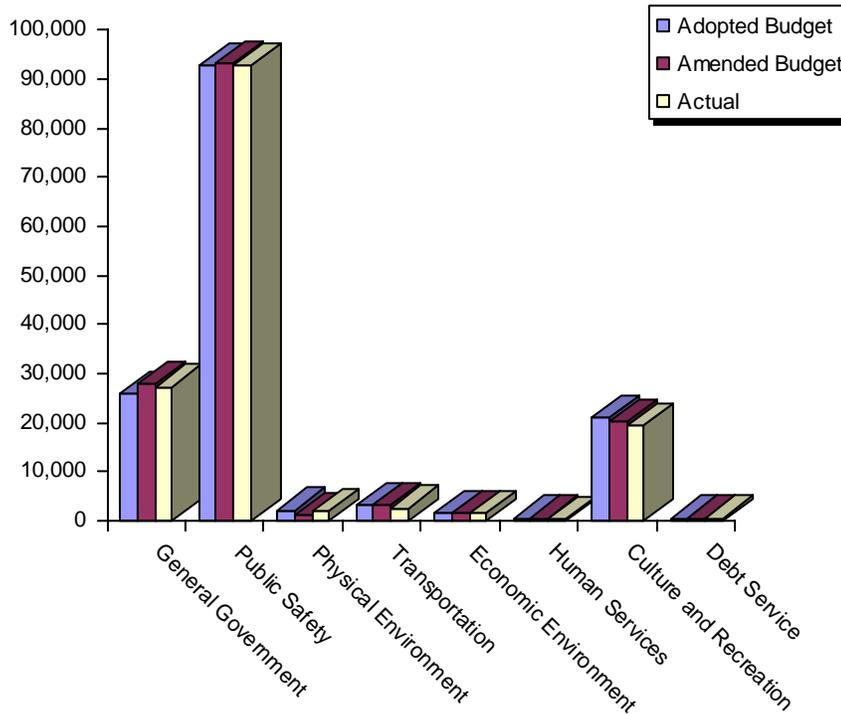
	Original Adopted Budget	Final Amended Budget	Actual
General government	\$ 25,827	\$ 27,813	\$ 27,350
Public safety	92,769	93,265	92,890
Physical environment	2,131	2,128	1,906
Transportation	3,028	3,028	2,601
Economic environment	1,592	1,631	1,497
Human services	438	438	423
Culture and recreation	20,879	20,125	19,260
Debt service	500	500	498
Total expenditure	<u>\$ 147,164</u>	<u>\$ 148,928</u>	<u>\$ 146,425</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

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The following chart and table summarizes actual expenditures by function/program for fiscal year 2004 and compare expenditures with Adopted Budget, Amended Budget and Actual.

**General Fund Expenditures  
for the year ended September 30, 2004 (in thousands)**



Major differences between the Adopted Budget and the Amended Budget (\$1.8 million, net increase in appropriations) are briefly summarized as follows:

- \$1.99 million increase in allocation to general governmental activities
- \$.50 million increase in allocation to public safety
- \$.03 million decrease in allocation to Physical environment
- \$.75 million decrease in allocation to culture and recreation

The net increase of \$1.8 million in appropriations was funded from the general fund's available fund balance.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

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**Capital Assets and Debt Administration**

**Capital Assets**

The City's investment in capital assets for its governmental and business-type activities at September 30, 2004 amounts to \$686.8 (net of accumulated depreciation). This investment in capital assets includes land, buildings, water & sewer distribution, storm drainage systems, lighting systems, sidewalks, curbs, signage, equipment, street improvements, and parks, which are detailed as follows (net of accumulated depreciation):

	<b>Capital Assets</b> (in thousands)		
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
Land	\$ 77,404	\$ 22,510	\$ 99,914
Construction work-in-progress	149,952	121,980	271,932
Building & Structure	74,823	136,275	211,098
Permanent improvements	8,067	2,191	10,258
Furniture, Fixtures & Equipment	22,573	14,214	36,787
Infrastructure	37,491	19,359	56,850
Total	<u>\$ 370,310</u>	<u>\$ 316,529</u>	<u>\$ 686,839</u>

The City has developed various capital improvement programs to improve the quality of life of its residents. Major projects include citywide water, wastewater and storm water improvements, streetscape enhancements and improvements to parks, beaches, and fire stations. Major capital asset events in progress during the current fiscal year included the following:

- Renovations to the Colony Theater situated on Lincoln Road with improvements to enhance operational and performance functions, and provide renovations to comply with Americans with Disabilities Act (ADA) Title III requirements.
- Improvements to the Victory Garden, located in South Beach, with a memorial World War II Art in Public Places component.
- Renovations to the Normandy Isle Park and Pool entailing renovations to the 3.6 acre park including: new pool facility and locker rooms; new recreation center; shade pavilions; field renovations; multi-purpose court; gated park entries; promenade; court, field, and security lighting; new tot lot; furnishings; signage; landscaping; and irrigation.
- Improvements to the North Shore Park and Youth Center encompassing the renovation of the 17.22 acre park including: new recreation center; new tennis center; community center; tennis court replacement; new basketball and shuffleboard courts; new ball field and dugouts; new park entries; security lighting; new playground equipment; signs; furnishings; fencing; landscaping; and irrigation.
- Improvements to the North Shore Open Space Park and Nature Center entailing the renovation of the 34.61 acre passive park including: restroom renovations; renovation of existing shade pavilions, concession restoration; new tot lot; construction of the combined Miami-Dade County and City of Miami Beach Parks and Recreation

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

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Maintenance Facility; construction of new recreation and interpretive nature center; and the renovation of the south parking lot.

- Construction of the Miami Beach Golf Club Clubhouse, Maintenance Yard, and Restrooms.
- Renovations to Fire Station No. 2, located in Middle Beach, consisting of: the construction of a new three bay Fire Station, living quarters, and the City's Emergency Operations Center; and historic restoration of the existing Fire Station Building for use as Fire Department Administrative Offices.
- Renovations to Fire Station No. 4, located in North Beach, consisting of: a new two story structure with three bays; living quarters; and new docks and seawalls.
- Improvements to the Scott Rakow Youth Center, located in Middle Beach, consisting of a new ice rink, gymnastics center and ADA enhancements.
- Construction of the 42<sup>nd</sup> Street Streetscape Project, located in Middle Beach, in an effort to provide a buffer between the residential area to the North and the commercial uses to the South. Project includes a new water main, construction of traffic calming structures, grading of swales, repaving, pavement re-stripping, and installation of planters, sodding and landscaping.
- Construction of Miami Beach Convention Center and Jackie Gleason Theatre of Performing Arts ADA improvements to include: restroom, door, and box office improvements.
- Construction of the Miami Beach Regional Library, situated in the City Center Historic Convention Village District, entailing a new 42,000 sq. ft. regional library.
- Construction of the Washington Avenue Master Plan to include streetscape improvements along Washington Avenue. Improvements include sidewalks; curb and gutter; sidewalk lighting; landscaping; median planting; irrigation and median design elements; water line replacements, upgrades; and drainage upgrades.
- Construction of the Macarthur Causeway New 20-Inch Water Main & Terminal Island Water Booster Pump Station.
- Construction of the West Avenue/Bay Road streetscape project, located in South Beach, entailing area-wide street improvements including: street resurfacing; swale restoration; repair of sidewalks; street lighting upgrades; and, enhanced landscaping.
- Structural and Electrical Repairs to Citywide Parking Garages
- Construction of the 25<sup>th</sup> Street Water Storage Tanks and Pumping Station, located in Middle Beach.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

Additional information on the City's capital assets can be found in Note C to the financial statements.

**Long-term Debt**

At the end of the current fiscal year, the City had a total bonded debt outstanding of \$452 million. This debt had a net decrease \$17.4 million or 3.7%. The City did not issue new debt during the year and continues to make scheduled payments.

**CITY OF MIAMI BEACH'S Outstanding Debt  
General Obligation, Special Obligation and Revenue Bonds and Loan  
(in thousands)**

	Governmental activities		Business-type activities		Total	
	2004	2003	2004	2003	2004	2003
General obligation	\$ 93,475	\$ 98,990	\$	\$	\$ 93,475	\$ 98,990
Special obligation	182,516	189,391			182,516	189,391
Revenue bonds and loan			176,450	181,420	176,450	181,420
<b>Total</b>	<b>\$ 275,991</b>	<b>\$ 288,381</b>	<b>\$ 176,450</b>	<b>\$ 181,420</b>	<b>\$ 452,441</b>	<b>\$ 469,801</b>

Additional information on the City's long-term debt can be found in Note G to the financial statements.

**Requests for Information**

This financial report is designed to provide a general overview of the City of Miami Beach's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to The City of Miami Beach, Finance Department, 1700 Convention Center Drive, Miami Beach, Florida 33139.



**City of Miami Beach**

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**CITY OF MIAMI BEACH, FLORIDA**  
**STATEMENT OF NET ASSETS**  
September 30, 2004

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and investments	\$ 239,802,148	\$ 48,440,906	\$ 288,243,054	\$ 2,612,755
Cash with fiscal agent	100,000		100,000	
Inventories at cost	473,688	1,863,199	2,336,887	
Receivables (net)	9,710,157	10,545,066	20,255,223	240,178
Due from other governments	1,823,321	262,086	2,085,407	
Internal balances	(54,882)	54,882		
Prepaid expenses	1,222,799	502,820	1,725,619	
Restricted cash and investments		164,508,581	164,508,581	
Deferred charges	751,998	2,756,191	3,508,189	
Capital assets not being depreciated:				
Land	77,403,771	22,510,131	99,913,902	
Construction in progress	149,952,469	121,979,855	271,932,324	
Capital assets net of accumulated depreciation:				
Buildings and structures	74,822,613	136,275,335	211,097,948	
Permanent improvements	8,067,022	2,191,125	10,258,147	
Machinery and equipment	22,572,938	14,213,778	36,786,716	
Infrastructure	37,491,011	19,358,548	56,849,559	4,109
Total assets	<u>624,139,053</u>	<u>545,462,503</u>	<u>1,169,601,556</u>	<u>2,857,042</u>
<b>LIABILITIES</b>				
Accounts payable	4,081,362	3,884,024	7,965,386	2,069
Accrued expenses	6,190,409	4,457,099	10,647,508	209,197
Accrued interest payable	3,910,973		3,910,973	
Deferred revenues	23,221,679	1,042,862	24,264,541	
Due to other governments		3,915,673	3,915,673	
Liabilities payable from restricted assets		7,434,026	7,434,026	
Noncurrent liabilities:				
Due within one year	23,516,522	5,130,327	28,646,849	
Due in more than one year	297,569,270	169,873,786	467,443,056	
Total liabilities	<u>358,490,215</u>	<u>195,737,797</u>	<u>554,228,012</u>	<u>211,266</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	177,687,648	230,924,728	408,612,376	4,109
Restricted for:				
Debt Service	10,031,721		10,031,721	
Capital improvements	18,388,592		18,388,592	
Economic development	32,854,425		32,854,425	
Transportation	14,450,196		14,450,196	
Other purposes	7,648,926		7,648,926	
Unrestricted	4,587,330	118,799,978	123,387,308	2,641,667
Total net assets	<u>\$ 265,648,838</u>	<u>\$ 349,724,706</u>	<u>\$ 615,373,544</u>	<u>\$ 2,645,776</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF MIAMI BEACH, FLORIDA**  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended September 30, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
<b>Primary government:</b>								
Governmental activities:								
General government	\$ 28,795,043	\$ 19,463,899	\$ 2,586,530	\$	\$ (6,744,614)	\$	\$ (6,744,614)	\$
Public safety	100,472,672	16,299,872	80,179		(84,092,621)		(84,092,621)	
Physical environment	2,740,147				(2,740,147)		(2,740,147)	
Transportation	11,602,611	942,681	6,151,212		(4,508,718)		(4,508,718)	
Economic environment	4,053,198	1,322,900	4,016,022	27,360	1,313,084		1,313,084	
Human services	1,480,826	335	487,456	1,692,452	699,417		699,417	
Culture and recreation	36,733,315	4,634,957	31,960,099		(138,259)		(138,259)	
Interest on long-term debt	17,369,780				(17,369,780)		(17,369,780)	
Total governmental activities	203,247,592	42,664,644	45,281,498	1,719,812	(113,581,638)		(113,581,638)	
Business-type activities:								
Storm Water	4,891,358	7,833,014	62,101			3,003,757	3,003,757	
Water	17,266,977	20,210,378	97,908			3,041,309	3,041,309	
Sewer	23,854,749	25,476,403	135,262			1,756,916	1,756,916	
Parking	17,459,943	19,688,121	4,323,121			6,551,299	6,551,299	
Convention Center	15,022,623	7,544,309	3,499,185	15,000,000		11,020,871	11,020,871	
Sanitation	7,046,943	3,978,483	2,929,128			(139,332)	(139,332)	
Redevelopment Agency's Parking	1,698,307	1,775,603	16,852			94,148	94,148	
Redevelopment Agency's Leasing	109,946	632,581	12,372			535,007	535,007	
Total business-type activities	87,350,846	87,138,892	11,075,929	15,000,000		25,863,975	25,863,975	
Total primary government	\$ 290,598,438	\$ 129,803,536	\$ 56,357,427	\$ 16,719,812	(113,581,638)	25,863,975	(87,717,663)	
<b>Component units:</b>								
Visitor and Convention Health Facilities	\$ 1,199,938	\$ 104,614	\$	\$				(1,095,324)
	2,571							(2,571)
Total component units	\$ 1,202,509	\$ 104,614	\$	\$				(1,097,895)
<b>General revenues:</b>								
Taxes:								
Property taxes, levied for general purposes					68,853,760		68,853,760	
Property taxes, levied for debt service					10,211,129		10,211,129	
Tax increment					31,351,525		31,351,525	
Utility					12,436,407		12,436,407	
Franchise fees					7,628,488		7,628,488	
Miscellaneous					107,920		107,920	1,456,155
Unrestricted investment earnings					4,649,415	6,344,916	10,994,331	3,962
Internal activity:								
Transfers					4,421,623	(4,421,623)		
Total general revenues and transfers					139,660,267	1,923,293	141,583,560	1,460,117
Change in net assets					26,078,629	27,787,268	53,865,897	362,222
Net assets - beginning					239,570,209	321,937,438	561,507,647	2,283,554
Net assets - ending					\$ 265,648,838	\$ 349,724,706	\$ 615,373,544	\$ 2,645,776

The notes to the financial statements are an integral part of this statement.

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2004**

	General	Resort Tax	Miami Beach Redevelopment Agency	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and investments	\$ 27,626,191	\$ 5,550,089	\$ 48,395,708	\$ 105,068,189	\$ 32,809,140	\$ 219,449,317
Receivables (net of allowance for uncollectibles)	5,534,380	1,908,437	41,667	51,490	862,630	8,398,604
Accrued interest	852,835		100,276	328,488	7,701	1,289,300
Due from other funds	2,338,696		256,380	42,414	240,565	2,878,055
Due from other governments	440,606			1,226,264	116,698	1,783,568
Inventories				89,962		89,962
Prepaid expenditures	21,320		50,282		31,082	102,684
<b>Total assets</b>	<b>\$ 36,814,028</b>	<b>\$ 7,458,526</b>	<b>\$ 48,844,313</b>	<b>\$ 106,806,807</b>	<b>\$ 34,067,816</b>	<b>\$ 233,991,490</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 422,135	\$ 1,417,354	\$ 80,618	\$ 1,131,053	\$ 271,653	\$ 3,322,813
Accrued expenditures	3,023,052	304,100	68,068	2,480,176	52,587	5,927,983
Deferred revenues	3,485,071		19,852,303	669,552	55,141	24,062,067
Due to other funds	227,477	631,315	1,094,656	768,354	176,956	2,898,758
<b>Total liabilities</b>	<b>7,157,735</b>	<b>2,352,769</b>	<b>21,095,645</b>	<b>5,049,135</b>	<b>556,337</b>	<b>36,211,621</b>
<b>Fund balances:</b>						
<b>Reserved for:</b>						
Encumbrances	177,614	468,177	128,062	20,598,660	4,391,845	25,764,358
Debt service					11,412,357	11,412,357
Inventories				89,962		89,962
Prepaid	21,320		50,282		31,082	102,684
<b>Unreserved:</b>						
Designated for contingencies	17,414,131					17,414,131
<b>Undesignated:</b>						
General	12,043,228					12,043,228
Special Revenue		4,637,580	27,570,324		17,676,195	49,884,099
Capital Projects				81,069,050		81,069,050
<b>Total fund balances</b>	<b>29,656,293</b>	<b>5,105,757</b>	<b>27,748,668</b>	<b>101,757,672</b>	<b>33,511,479</b>	<b>197,779,869</b>
<b>Total liabilities and fund balances</b>	<b>\$ 36,814,028</b>	<b>\$ 7,458,526</b>	<b>\$ 48,844,313</b>	<b>\$ 106,806,807</b>	<b>\$ 34,067,816</b>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	347,856,989
Internal service funds are used by management to charge the costs of fleet management, property management, central services, self insurance, and communications to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	14,468,668
Other liabilities are not due and payable in the current period and therefore are not reported in the funds.	(3,070,585)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds payable	(275,991,256)
Other long-term liabilities	(16,173,702)
Deferred charges for bond issuance costs	778,855
	(291,386,103)
<b>Net assets of governmental activities (page 27)</b>	<b>\$ 265,648,838</b>

The notes to the financial statements are an integral part of this statement.

**CITY OF MIAMI BEACH, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended September 30, 2004**

	General	Resort Tax	Miami Beach Redevelopment Agency	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes:						
Property	\$ 68,853,760	\$	\$	\$	\$ 10,211,129	\$ 79,064,889
Sales, use and fuel taxes	1,768,764				2,733,413	4,502,177
Utility	12,436,407					12,436,407
Resort		27,405,669				27,405,669
Other	1,840,000					1,840,000
Franchise fees	7,628,488					7,628,488
Licenses and permits	12,547,560					12,547,560
Intergovernmental	8,079,378	50,000	31,351,525	1,719,812	4,381,761	45,582,476
Charges for services	5,418,098				2,236,974	7,655,072
Rents and leases	2,430,994		3,113,191			5,544,185
Interest	2,141,216	52,655	403,263	1,471,050	410,698	4,478,882
Fines and forfeitures	1,603,181				652,719	2,255,900
Administrative fees	8,862,655					8,862,655
Other	3,498,994	1,751,781	4,999	270,240	2,278,398	7,804,412
<b>Total revenues</b>	<b>137,109,495</b>	<b>29,260,105</b>	<b>34,872,978</b>	<b>3,461,102</b>	<b>22,905,092</b>	<b>227,608,772</b>
<b>EXPENDITURES</b>						
Current:						
General government	27,349,747	768,381		953,998	21,258	29,093,384
Public safety	92,889,672	523,983	1,938,828	462,265	1,666,219	97,480,967
Physical environment	1,905,956			469,975		2,375,931
Transportation	2,600,662			2,968,934	2,862,781	8,432,377
Economic environment	1,497,584	1,597,778	7,586,191	4,049,848	3,483,358	18,214,759
Human services	422,802				1,005,206	1,428,008
Culture and recreation	19,260,574	8,467,293		12,920,093	2,581,268	43,229,228
Debt service:						
Principal retirement	379,997	6,144			12,749,686	13,135,827
Interest and fiscal charges	117,717				17,350,835	17,468,552
<b>Total expenditures</b>	<b>146,424,711</b>	<b>11,363,579</b>	<b>9,525,019</b>	<b>21,825,113</b>	<b>41,720,611</b>	<b>230,859,033</b>
Excess (deficiency) of revenues over (under) expenditures	(9,315,216)	17,896,526	25,347,959	(18,364,011)	(18,815,519)	(3,250,261)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	16,868,450	4,070,787	2,406,990	9,322,431	26,018,130	58,686,788
Transfers out	(7,065,572)	(21,205,574)	(23,545,010)	(207,718)	(5,085,973)	(57,109,847)
<b>Total other financing sources (uses)</b>	<b>9,802,878</b>	<b>(17,134,787)</b>	<b>(21,138,020)</b>	<b>9,114,713</b>	<b>20,932,157</b>	<b>1,576,941</b>
<b>Net change in fund balances</b>	<b>487,662</b>	<b>761,739</b>	<b>4,209,939</b>	<b>(9,249,298)</b>	<b>2,116,638</b>	<b>(1,673,320)</b>
Fund balances - beginning of year	29,168,631	4,344,018	23,538,729	111,006,970	31,394,841	199,453,189
Fund balances - end of year	<u>\$ 29,656,293</u>	<u>\$ 5,105,757</u>	<u>\$ 27,748,668</u>	<u>\$ 101,757,672</u>	<u>\$ 33,511,479</u>	<u>\$ 197,779,869</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF MIAMI BEACH, 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, 2004**

Amounts reported for governmental activities in the statement of activities (page 28) are different because:

Net change in fund balances - total governmental funds (page 30)	\$ (1,673,320)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciated expense. This is the amount by which capital outlays exceeded depreciation in the current period.	16,023,471
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	566,743
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(899,490)
The issuance of long-term debt (e.g. bonds, loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations is an expenditure in the governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The statement of net assets has been adjusted for these transactions as follows:	
Principal retirement - debt service	13,135,827
Reduction in due to developer	4,778,405
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 and are included in the governmental activities section of the statement of net assets.	35,925
Internal funds are used by management to charge the costs of fleet management, property management, central services, self insurance, and communications to individual funds.	(5,888,932)
The net revenue of certain activities of internal service funds is reported with governmental activities.	
Change in net assets of governmental activities (page 28)	\$ 26,078,629

The notes to the financial statements are an integral part of this statement.

**CITY OF MIAMI BEACH, FLORIDA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**September 30, 2004**

	Storm Water Utility Fund	Water and Sewer Fund	Parking System Fund	Convention Center Complex Fund	Other Enterprise Funds	Totals	Governmental Activities- Internal Service Funds
<b>ASSETS</b>							
<b>Current assets:</b>							
Cash and investments	\$ 4,972,758	\$ 999,928	\$ 31,828,249	\$ 3,270,335	\$ 7,369,636	\$ 48,440,906	\$ 20,352,831
Cash with fiscal agent							100,000
<b>Restricted cash and investments:</b>							
Customer deposits		5,758,579	43,594	1,572,553	59,300	7,434,026	
Revenue bonds covenant	950,000	2,735,000	1,380,260			5,065,260	
Inventories at cost		1,863,199				1,863,199	383,726
Accounts receivable (net of allowance for uncollectibles)	992,253	6,791,884	581,648	688,030	904,988	9,958,803	22,253
Accrued interest receivable	281,802	304,461				586,263	
Due from other governments	23,300	23,299	11,121		204,366	262,086	39,753
Due from other funds					55,243	55,243	8,235
Prepaid expenses	28,255	76,064	122,696	116,355	159,450	502,820	1,093,258
Total current assets	<u>7,248,368</u>	<u>18,552,414</u>	<u>33,967,568</u>	<u>5,647,273</u>	<u>8,752,983</u>	<u>74,168,606</u>	<u>22,000,056</u>
<b>Noncurrent assets:</b>							
<b>Restricted cash and investments:</b>							
Interlocal agreement				20,057,837		20,057,837	
Revenue bonds covenant	55,553,049	59,061,090	17,337,319			131,951,458	
Deferred charges	628,411	1,217,133	910,647			2,756,191	
<b>Capital assets:</b>							
Land		1,492,598	15,519,201	2,089,371	3,408,961	22,510,131	608,520
Buildings and structures	206,969	7,292,177	25,468,506	154,226,175	13,397,987	200,591,814	2,020,545
Parking lots			4,069,504			4,069,504	
Mains and lines		39,155,575				39,155,575	
Meters and hydrants		10,100,249	2,680,094			12,780,343	
Machinery and equipment	1,040,281	14,805,485	1,965,080	6,800,548	2,086,540	26,697,934	53,450,253
Construction in progress	9,651,987	81,695,981	14,711,203	15,920,684		121,979,855	1,033,981
Less accumulated depreciation	(607,457)	(37,869,142)	(17,026,501)	(52,140,012)	(3,613,272)	(111,256,384)	(34,660,464)
Total capital assets (net of accumulated depreciation)	<u>10,291,780</u>	<u>116,672,923</u>	<u>47,387,087</u>	<u>126,896,766</u>	<u>15,280,216</u>	<u>316,528,772</u>	<u>22,452,835</u>
Total assets	<u>73,721,608</u>	<u>195,503,560</u>	<u>99,602,621</u>	<u>152,601,876</u>	<u>24,033,199</u>	<u>545,462,864</u>	<u>44,452,891</u>
<b>LIABILITIES</b>							
<b>Current liabilities:</b>							
Accounts payable	42,358	2,353,037	284,828	964,559	239,242	3,884,024	758,549
Accrued expenses	495,892	2,365,252	327,210	966,264	302,481	4,457,099	262,426
Due to other funds					361	361	42,414
Due to other governments	1,292,719	2,600,174		22,780		3,915,673	
Current portion of loans payable					137,829	137,829	1,375,747
Accrued compensated absences	86,337	287,072	349,446	24,370	249,304	996,529	959,551
Deferred revenues			422,016	416,480	204,366	1,042,862	
Total current liabilities	<u>1,917,306</u>	<u>7,605,535</u>	<u>1,383,500</u>	<u>2,394,453</u>	<u>1,133,583</u>	<u>14,434,377</u>	<u>3,398,687</u>
<b>Liabilities payable from restricted assets:</b>							
Current portion of bonds payable	950,000	2,735,000	1,380,260			5,065,260	
Deposits		5,758,579	43,594	1,572,553	59,300	7,434,026	
Total liabilities payable from restricted assets	<u>950,000</u>	<u>8,493,579</u>	<u>1,423,854</u>	<u>1,572,553</u>	<u>59,300</u>	<u>12,499,286</u>	
<b>Noncurrent liabilities:</b>							
Pending insurance claims							7,498,672
Insurance claims incurred but not reported							8,834,103
Loans payable					483,719	483,719	10,252,761
Revenue bonds payable (net of unamortized discounts)	48,026,300	89,795,741	30,498,735			168,320,776	
Total noncurrent liabilities	<u>48,026,300</u>	<u>89,795,741</u>	<u>30,498,735</u>		<u>483,719</u>	<u>168,804,495</u>	<u>26,585,536</u>
Total liabilities	<u>50,893,606</u>	<u>105,894,855</u>	<u>33,306,089</u>	<u>3,967,006</u>	<u>1,676,602</u>	<u>195,738,158</u>	<u>29,984,223</u>
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	3,095,904	59,728,556	25,923,286	126,896,766	15,280,216	230,924,728	22,452,835
Unrestricted	19,732,098	29,880,149	40,373,246	21,738,104	7,076,381	118,799,978	(7,984,167)
Total net assets	<u>\$ 22,828,002</u>	<u>\$ 89,608,705</u>	<u>\$ 66,296,532</u>	<u>\$ 148,634,870</u>	<u>\$ 22,356,597</u>	<u>\$ 349,724,706</u>	<u>\$ 14,468,668</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF MIAMI BEACH, FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended September 30, 2004**

	Storm Water Utility Fund	Water and Sewer Fund	Parking System Fund	Convention Center Complex Fund	Other Enterprise Funds	Totals	Governmental Activities- Internal Service Funds
<b>Operating revenues:</b>							
Charges for services	\$ 7,833,014	\$ 45,686,781	\$ 19,688,121	\$ 7,544,309	\$ 6,386,667	\$ 87,138,892	\$ 33,336,507
Permits, rentals, and other	23,300	204,752	4,322,350	3,499,185	2,943,481	10,993,068	115,798
Total operating revenues	<u>7,856,314</u>	<u>45,891,533</u>	<u>24,010,471</u>	<u>11,043,494</u>	<u>9,330,148</u>	<u>98,131,960</u>	<u>33,452,305</u>
<b>Operating expenses:</b>							
Personal services	973,710	4,734,082	5,259,704	3,966,960	3,062,813	17,997,269	8,124,293
Operating supplies	277,246	970,264	423,409	503,896	303,240	2,478,055	8,066,258
Contractual services	181,559	23,692,038	4,170,855	2,524,654	2,817,224	33,386,330	3,948,738
Utilities	6,686	560,459	532,454	1,650,731	34,763	2,785,093	1,630,124
Insurance				151,311		151,311	1,766,488
Internal charges	334,694	2,710,928	1,696,794	1,158,523	886,767	6,787,706	2,088,801
Depreciation	83,049	1,700,782	1,486,380	4,167,977	675,529	8,113,717	5,006,298
Administrative fees	264,500	3,062,800	2,433,400	740,600	264,500	6,765,800	934,256
Amortization	47,514	156,582	161,016			365,112	
Claims and judgements							8,446,482
Other operating	21,032	115,658			659,364	796,054	
Total operating expenses	<u>2,189,990</u>	<u>37,703,593</u>	<u>16,164,012</u>	<u>14,864,652</u>	<u>8,704,200</u>	<u>79,626,447</u>	<u>40,011,738</u>
Operating income (loss)	<u>5,666,324</u>	<u>8,187,940</u>	<u>7,846,459</u>	<u>(3,821,158)</u>	<u>625,948</u>	<u>18,505,513</u>	<u>(6,559,433)</u>
<b>Nonoperating revenues</b>							
<b>(expenses):</b>							
Interest and fiscal charges	(2,655,021)	(3,041,641)	(1,059,776)		(23,184)	(6,779,622)	(90,658)
Gain on sale of capital assets	38,801	28,418	771		14,871	82,861	230,021
Loan reserve			(3,825,150)			(3,825,150)	
Interest income	2,894,611	2,834,999	562,142	26,642	26,522	6,344,916	170,533
Total nonoperating revenues (expenses)	<u>278,391</u>	<u>(178,224)</u>	<u>(4,322,013)</u>	<u>26,642</u>	<u>18,209</u>	<u>(4,176,995)</u>	<u>309,896</u>
Income (loss) before contributions and transfers	5,944,715	8,009,716	3,524,446	(3,794,516)	644,157	14,328,518	(6,249,537)
<b>Capital contributions</b>							
Transfers in				15,000,000	50,842	15,050,842	345,454
Transfers out	(386,928)		(1,580,716)		381,542	381,542	89,515
Change in net assets	<u>5,557,787</u>	<u>8,009,716</u>	<u>1,943,730</u>	<u>11,205,484</u>	<u>1,070,551</u>	<u>27,787,268</u>	<u>(5,888,932)</u>
Total net assets - beginning	<u>17,270,215</u>	<u>81,598,989</u>	<u>64,352,802</u>	<u>137,429,386</u>	<u>21,286,046</u>	<u>321,937,438</u>	<u>20,357,600</u>
Total net assets - ending	<u>\$ 22,828,002</u>	<u>\$ 89,608,705</u>	<u>\$ 66,296,532</u>	<u>\$ 148,634,870</u>	<u>\$ 22,356,597</u>	<u>\$ 349,724,706</u>	<u>\$ 14,468,668</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF MIAMI BEACH, FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Fiscal Year Ended September 30, 2004

	<u>Storm Water Utility Fund</u>	<u>Water and Sewer Fund</u>	<u>Parking System Fund</u>	<u>Convention Center Complex Fund</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>	<u>Governmental Activities- Internal Service Funds</u>
<b>Cash flows from operating activities:</b>							
Cash received from customers	\$ 7,263,446	\$ 45,693,025	\$ 19,507,404	\$ 7,717,789	\$ 6,596,865	\$ 88,778,529	\$ 33,334,032
Cash paid to suppliers	(490,217)	(29,162,170)	(5,200,252)	(4,685,392)	(3,578,835)	(43,116,866)	(16,098,429)
Cash paid to employees	(959,725)	(4,715,734)	(5,140,982)	(3,986,560)	(2,990,250)	(17,793,251)	(7,985,741)
Cash paid for claims and judgements							(4,460,707)
Internal charges-payments made to other funds	(599,194)	(351,872)	(4,130,194)	(1,899,123)	(1,151,267)	(8,131,650)	(3,023,057)
Miscellaneous revenues	<u>181,453</u>	<u>181,453</u>	<u>4,322,350</u>	<u>3,499,185</u>	<u>2,709,891</u>	<u>10,712,879</u>	<u>100,912</u>
Net cash provided by operating activities	<u>5,214,310</u>	<u>11,644,702</u>	<u>9,358,326</u>	<u>645,899</u>	<u>1,586,404</u>	<u>28,449,641</u>	<u>1,867,010</u>
<b>Cash flows for non-capital financing activities:</b>							
Loans proceeds							8,245,553
Repayment of loan					(129,149)	(129,149)	(643,295)
Transfers in					381,542	381,542	89,515
Transfers out	<u>(386,928)</u>	<u>                    </u>	<u>(1,580,716)</u>	<u>                    </u>	<u>(5,990)</u>	<u>(1,973,634)</u>	<u>(74,364)</u>
Net cash provided by (used in) non-capital financing activities	<u>(386,928)</u>	<u>                    </u>	<u>(1,580,716)</u>	<u>                    </u>	<u>246,403</u>	<u>(1,721,241)</u>	<u>7,617,409</u>
<b>Cash flows from capital and related financing activities:</b>							
Interest and fiscal charges	(2,648,346)	(3,052,495)	(1,074,072)		(19,803)	(6,794,716)	(61,178)
Bond payments-principal	(910,000)	(2,605,000)	(1,325,314)			(4,840,314)	(643,295)
Capital lease payments			(195,786)			(195,786)	
Purchase of capital assets	(2,568,557)	(15,114,021)	(2,992,008)	(5,984,377)	(74,926)	(26,733,889)	(5,113,831)
Contributions from other governments				15,000,000		15,000,000	
Proceeds from sale of capital assets	<u>38,801</u>	<u>28,418</u>	<u>771</u>	<u>                    </u>	<u>14,904</u>	<u>82,894</u>	<u>257,523</u>
Net cash provided by (used in) capital and related financing activities	<u>(6,088,102)</u>	<u>(20,743,098)</u>	<u>(5,586,409)</u>	<u>9,015,623</u>	<u>(79,825)</u>	<u>(23,481,811)</u>	<u>(4,917,486)</u>
<b>Cash flows from investing activities:</b>							
Interest on investments	<u>3,253,969</u>	<u>2,943,201</u>	<u>562,142</u>	<u>26,642</u>	<u>26,522</u>	<u>6,812,476</u>	<u>170,533</u>
Net cash provided by investing activities	<u>3,253,969</u>	<u>2,943,201</u>	<u>562,142</u>	<u>26,642</u>	<u>26,522</u>	<u>6,812,476</u>	<u>170,533</u>
Net increase (decrease) in cash and equivalents	1,993,249	(6,155,195)	2,753,343	9,688,164	1,779,504	10,059,065	4,737,466
Cash and investments - beginning of year	<u>59,482,558</u>	<u>74,709,792</u>	<u>47,836,079</u>	<u>15,212,561</u>	<u>5,649,432</u>	<u>202,890,422</u>	<u>15,715,365</u>
Cash and investments - end of year	<u>\$ 61,475,807</u>	<u>\$ 68,554,597</u>	<u>\$ 50,589,422</u>	<u>\$ 24,900,725</u>	<u>\$ 7,428,936</u>	<u>\$ 212,949,487</u>	<u>\$ 20,452,831</u>
<b>Classified as:</b>							
Current assets	\$ 4,972,758	\$ 999,928	\$ 31,828,249	\$ 3,270,335	\$ 7,369,636	\$ 48,440,906	\$ 20,452,831
Restricted assets	<u>56,503,049</u>	<u>67,554,669</u>	<u>18,761,173</u>	<u>21,630,390</u>	<u>59,300</u>	<u>164,508,581</u>	<u>                    </u>
Total cash and investments	<u>\$ 61,475,807</u>	<u>\$ 68,554,597</u>	<u>\$ 50,589,422</u>	<u>\$ 24,900,725</u>	<u>\$ 7,428,936</u>	<u>\$ 212,949,487</u>	<u>\$ 20,452,831</u>
<b>Non-cash transactions affecting financial position:</b>							
Loan reserve	\$	\$	\$ 3,825,150	\$	\$	\$ 3,825,150	\$
Capital contributions of capital assets	<u>                    </u>	<u>                    </u>	<u>6,026</u>	<u>                    </u>	<u>50,842</u>	<u>56,868</u>	<u>345,454</u>

The notes to the financial statements are an integral part of this statement.

(continued)

**CITY OF MIAMI BEACH, FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended September 30, 2004**

(continued)

	<u>Storm Water Utility Fund</u>	<u>Water and Sewer Fund</u>	<u>Parking System Fund</u>	<u>Convention Center Complex Fund</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>	<u>Governmental Activities- Internal Service Funds</u>
Operating income (loss)	\$ 5,666,324	\$ 8,187,940	\$ 7,846,459	\$ (3,821,158)	\$ 625,948	\$ 18,505,513	\$ (6,559,433)
Adjustments to reconcile operating income (loss) to cash provided by (used in) operating activities:							
Depreciation and amorti- zation	130,563	1,781,300	1,647,396	4,167,977	675,529	8,402,765	5,006,298
Provision for uncollectible accounts	296,968	(272,976)	8,775		(59,829)	(27,062)	(701)
Changes in assets and liabilities:							
Decrease in inventories		20,542				20,542	29,439
(Increase) decrease in accounts receivable	(866,536)	(315,984)	(274,984)	197,723	44,077	(1,215,704)	9,187
(Increase) decrease in due from other govern- ments	(23,300)	(23,299)	(9,805)		(204,366)	(260,770)	(39,753)
(Increase) decrease in due from other funds					(55,243)	(55,243)	13,906
(Increase) decrease in prepaid expense		76,064		(102,970)	17,370	(9,536)	(380,037)
Increase (decrease) in accounts payable	(260,752)	(893,591)	(116,512)	131,808	64,943	(1,074,104)	(365,455)
Increase (decrease) in accrued expenses	263,307	1,849,070	96,422	99,052	218,466	2,526,317	47,871
Increase (decrease) in deposits		595,204	6,120	(242,802)	1,860	360,382	
Increase (decrease) in due to other governments		644,570		(9,321)		635,249	
Decrease in due to other funds					361	361	32,810
Increase (decrease) in deferred revenues			79,372	218,559	204,366	502,297	
Increase in pending insurance claims							251,672
Increase in insurance claims incurred but not reported							3,734,103
Increase (decrease) in accrued compensated absences	7,736	(4,138)	75,083	7,031	52,922	138,634	87,103
Total adjustments	(452,014)	3,456,762	1,511,867	4,467,057	960,456	9,944,128	8,426,443
Net cash provided by operating activities	<u>\$ 5,214,310</u>	<u>\$ 11,644,702</u>	<u>\$ 9,358,326</u>	<u>\$ 645,899</u>	<u>\$ 1,586,404</u>	<u>\$ 28,449,641</u>	<u>\$ 1,867,010</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF MIAMI BEACH, FLORIDA  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS**

**September 30, 2004**

	Pension Trust Funds	Agency Fund
<b>Assets</b>		
Cash and cash equivalents	\$ 527,229	\$ 1,688,270
Receivables:		
Accounts, net		460
Accrued interest	3,169,709	
Investments, at fair value:		
Short-term investments	26,180,158	
U.S. Government securities	58,919,285	
Corporate bonds	149,800,319	
Common stocks and index funds	480,178,131	
Money market funds	748,470	
Collective investment fund	50,592,534	
Mutual funds self-directed DROP participants	4,250,991	
Other bonds	250,000	
Total investments	770,919,888	
 Total assets	 774,616,826	 1,688,730
<b>Liabilities</b>		
Accounts payable	4,376,368	174,895
Deposits		1,513,835
 Total liabilities	 4,376,368	 1,688,730
<b>Net Assets</b>		
Held in trust for pension benefits	\$ 770,240,458	\$

The notes to the financial statements are an integral part of this statement.

**CITY OF MIAMI BEACH, FLORIDA  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS**

**For the Fiscal Year Ended September 30, 2004**

	Pension Trust Funds
<b>Additions:</b>	
Contributions -	
Employer	\$ 11,863,793
Employee	7,377,366
Buybacks/transfers from other systems	1,522,488
Other	112,032
Total contributions	20,875,679
Investment income -	
Net increase in fair value of investments	59,477,350
Interest income	12,848,313
Dividends	4,386,213
	76,711,876
Investment management expenses	(2,334,868)
Deferred retirement option plan participants' losses	(22,283)
Net investment income	74,354,725
Total additions	95,230,404
<b>Deductions:</b>	
Benefit paid	44,742,675
Contributions refunded	418,962
Transfers to other systems	977,418
Administrative expenses	1,134,324
Total deductions	47,273,379
Net increase	47,957,025
Net assets held in trust for pension benefits - beginning of year	722,283,433
Net assets held in trust for pension benefits - end of year	\$ 770,240,458

The notes to the financial statements are an integral part of this statement.

**CITY OF MIAMI BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004**  
**(Continued)**

**I. Summary of Significant Accounting Policies**

The financial statements of the City of Miami Beach, Florida (the "City") have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. Pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989 are not applied in the preparation of the financial statements of the proprietary fund types in accordance with GASB Statement No. 20. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

**A. Reporting entity**

The City was incorporated as a municipal corporation on March 26, 1915 and was created by the Florida Legislature, Chapter 7672, Laws of Florida (1917). The City is governed by an elected mayor and six-member commission. The City operates under a Commission-Manager form of government.

Financial accountability includes such aspects as appointment of governing body members, budget review, approval of property tax levies, outstanding debt secured by the full faith credit of the City or its revenue stream, and responsibility for funding deficits.

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City. The component units are described below.

1. Blended Component Units:

Miami Beach Redevelopment Agency

The Miami Beach Redevelopment Agency (the "Agency") was created under the Community Redevelopment Act of 1969, enacted by the Florida Legislature. The Agency's Board of Directors is the City Commission. The Agency's executive director is the City Manager. The Agency's budget is adopted by its directors, and approximately 50% of the Agency's operating revenue is derived from the City's tax increment contributions.

Miami Beach Neighborhood Improvement District No. 1

The Miami Beach Neighborhood Improvement District No. 1 (the "NID No. 1") was created under Chapter 87-243, Section 55-73, of the Florida Statutes. The NID No. 1's Board of Directors is the City Commission. The NID No. 1 had no financial activity during fiscal year 2004.

Miami Beach Neighborhood Improvement District No. 2

The Miami Beach Neighborhood Improvement District No. 2 (the "NID No. 2") was created under Chapter 87-243, Section 55-73, of the Florida Statutes. The NID No. 2's Board of Directors is the City Commission. The NID No. 2 had no financial activity during fiscal year 2004.

Miami Beach Neighborhood Improvement District No. 3

The Miami Beach Neighborhood Improvement District No. 3 (the "NID No. 3") was created under Chapter 87-243, Section 55-73, of the Florida Statutes. The NID No. 3's Board of Directors is the City Commission. The NID No. 3 had no financial activity during fiscal year 2004.

**CITY OF MIAMI BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004**  
**(Continued)**

Normandy Shores Local Government Neighborhood Improvement District

The Miami Beach Normandy Shores Local Government Neighborhood Improvement District (the "NSNID") was created under Chapter 163.506, of the Florida Statutes. The NSNID's Board of Directors is the City Commission. The NSNID's revenues are derived from ad valorem taxes. The NSNID is accounted for as a blended component unit in the City's Governmental Funds financial statements under the column entitled, "Other Governmental Funds".

2. Discrete Component Units-Government Fund Type:

Miami Beach Health Facilities Authority

The Miami Beach Health Facilities Authority (the "Authority") was created under the Health Facilities Authorities Law, Chapter 154, Part III of the Florida Statutes. The Authority is appointed by the City Commission, serves a four-year term and is subject to reappointment. The revenue of the Authority is derived from fees generated from the sale of bonds to finance health facilities within Miami Beach. The City receives all funds of the Authority in excess of operational needs of the Authority. Debt issued under the oversight of the Authority is not debt of the City or the Authority and therefore is not included in the accompanying financial statements. The Authority is accounted for as a discretely presented component unit in the City's financial statements. The Authority accounts for its financial activities using only a general fund.

Miami Beach Visitor and Convention Authority

The Miami Beach Visitor and Convention Authority (the "VCA") was created under Chapter 67-930, Section 8, of the Florida Statutes. The VCA is appointed by the City Commission to administer a portion of the collections of the municipal resort tax in order to promote tourism and convention business. Operating costs of the VCA are paid by the City. The VCA is accounted for as a discretely presented component unit in the City's financial statements.

Complete financial statements for the component units may be obtained at the entity's offices:

Miami Beach Redevelopment Agency  
1700 Convention Center Drive  
Miami Beach, Florida 33139

Miami Beach Health Facilities Authority  
1700 Convention Center Drive  
Miami Beach, Florida 33139

Miami Beach Visitor and Convention Authority  
555 - 17<sup>th</sup> Street  
Miami Beach, Florida 33139

Miami Beach Neighborhood  
Improvement District No. 1, No. 2, & No. 3  
1700 Convention Center Drive  
Miami Beach, Florida 33139

Normandy Shores Local  
Government Neighborhood  
Improvement District  
1700 Convention Center Drive  
Miami Beach, Florida 33139

**B. Government-wide and fund financial statements**

The government-wide financial statements report information on all of the nonfiduciary activities of the City and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns reflect a full accrual, economic resource basis, which incorporates long-term assets as well as long-term debt and obligations.

The statement of activities demonstrates the degree to which the direct expenses of a given functional

**CITY OF MIAMI BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004**  
**(Continued)**

category are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific functional category. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given functional category and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular functional category. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The governmental funds major fund statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner that these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the governmental column of the government-wide presentation.

Internal service funds of a government are presented in summary form as part of the proprietary fund financial statements. Since the principal users of the internal services are the City's governmental activities, financial statements of internal service funds are consolidated into the governmental column when presented at the government-wide level. The costs of these services are allocated to the appropriated functional activity.

The City's fiduciary funds are presented in the fund financial statements by type. Since by definition, these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available when the City receives the cash.

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**Governmental funds** – typically are used to account for tax-supported activities. The City reports the following major governmental funds:

- The *General Fund* is the City's primary operating fund. It accounts for all financial resources that relate to the general operations of the City, except those required to be accounted for in another fund.
- The *Resort Tax Special Revenue Fund* accounts for the collection of the special tax levied city-wide on food, beverage and room rents used to support tourist related activities.
- The *Miami Beach Redevelopment Agency Special Revenue Fund* accounts for the operations of the Miami Beach Redevelopment Agency, a tax increment district of the City. The Agency was established in 1976 under the provisions of Chapter 163 of the Florida Statutes to spur development and redevelopment in the South Shore and City Center/Historic Convention Village Redevelopment and Revitalization Area of the City.
- The *Capital Projects Fund* accounts for proceeds of the City's bond sales and other revenues whose expenditure is restricted to the construction and acquisition of major capital projects.

**Proprietary funds** – are used to account for activities supported, as least in part, by fees or charges. The City reports the following major proprietary funds:

- The *Storm Water Utility Fund* accounts for the storm water utility operations of the City.
- The *Water and Sewer Fund* accounts for the water and sewer operations of the City.
- The *Parking System Fund* accounts for the parking operations of the City.
- The *Convention Center Complex Fund* accounts for the Convention Center and the Theatre of Performing Arts (TOPA) operations of the City.

**Other fund types:**

*Internal service funds* - account for services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. The internal service operations include:

- *Fleet Management* – accounts for the warehouse operations and the purchase and maintenance of the City's fleet of vehicles.
- *Property Management* – accounts for the cleaning, operating and renovations of City buildings.
- *Central Services* – accounts for the operation of the office supplies warehouse, central printing function and central mail facility.
- *Self Insurance* – accounts for the City's insurance operations, both retained and insured.
- *Communications* – accounts for centralized telecommunications operations.

*Fiduciary Funds* - used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other Governments and other funds. The City reports the following fiduciary fund types:

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- *Pension trust* funds include:
  - Retirement System for General Employees,
  - Retirement System for Firefighters and Police Officers, and
  - Retirement System for Unclassified Employees and Elected Officials
- *General Agency fund* – this fund accounts for general deposits held in trust until obligations are met or refunds are made.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. The following describes the four basic types of *interfund transactions* made during the year and the related accounting policies:

1. Transactions for service rendered or facilities provided are recorded as revenue in the receiving fund and expenditures, either as internal charges or administrative fees in the disbursing fund;
2. Transactions to reimburse a fund for expenditures made by it for the benefit of another fund are recorded as expenditures in the disbursing fund and as a reduction of expenditures in the receiving fund;
3. Transactions which are recurring annual transfers between two or more budgetary funds are recorded as transfers in and out; and
4. Transactions recording capital contributions between funds are recorded in the proprietary funds and are net to zero in the government-wide statement of activities. The governmental funds do not record capital assets or capital transfers of assets.

Amounts reported as *program revenues* include: charges to customers or applicants for goods, services, or privileges provided, operating grants and contributions, and capital grants and contributions, including special assessments.

Internally dedicated resources are reported as general revenues rather than as program revenues. All taxes are included in general revenues.

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 of the enterprise funds and the internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Assets, liabilities, and net assets or equity**

1. *Cash and investments*

The City maintains an accounting system in which substantially all cash and investments are recorded in separate accounts. All such cash and investments are reflected as pooled cash and investments. Cash and investments consist of demand deposits with banks, United States Treasury Obligations, State or Municipal Obligations, Commercial Paper, Money Market Funds, and Repurchase Agreements.

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The cash and investments for the retirement system are maintained in separate cash and investment balances. The retirement system investments are held in United States Treasury Obligations, loans guaranteed by Government agencies, General Obligation or Revenue Bonds issued by States and Municipalities, dividend paying stocks of domestic corporations, bonds, notes or other interest bearing obligations of domestic corporations, and shares and accounts of savings and loan associations.

For the purpose of the Statement of Cash Flows for the Proprietary Fund Types, cash and investments represents short term, highly liquid investments with an original maturity of three months or less.

Investments are recorded at fair value, except for those investments with remaining maturities of one year or less at the time of purchase are recorded at amortized cost. The City calculated the unrealized gain or loss for investments with remaining maturities of more than one year at the time of purchase and determined that the amount of net unrealized loss of \$651,690 is immaterial for the fiscal year ended September 30, 2004. Thus, the City records all investments, except retirement system investments, at amortized cost.

**2. *Receivables and payables***

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets and service debt. To the extent that certain transactions between funds have not been paid or received as of September 30, balances of interfund amounts receivable or payable have been reflected. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All receivables are shown net of an allowance for uncollectibles. Account receivables in excess of 90 days comprise the allowance for uncollectibles.

Following are the significant components of the receivables due to the City at September 30, 2004:

- a. **Water, Sewer and Waste Fees** – This amount represents the unpaid, unbilled and billed charges for various fines and municipal services;
- b. **Taxes, Franchise Fees and Rents** – This amount represents Ad Valorem taxes, including delinquent taxes, communication and utility taxes, along with franchise fees and rent payments due by September 30, 2004, but not collected as of that date;
- c. **Resort Taxes Receivable** – This amount represents resort taxes due by September 30, 2004, but not collected as of that date;
- d. **Storm Water Receivable** – This amount represents the unpaid, billed charges for treating water runoff from impervious areas; and
- e. **Accrued Interest Receivables** – This amount represents the interest earned but not collected on the City's investments at September 30, 2004.

**3. *Inventories, prepaid and deferred items***

Inventories are stated at cost. Cost is determined principally by the average cost method, which approximates the first-in, first-out method. Inventories are accounted for on the consumption basis. Fund balance has been reserved for the amount of inventories since they are not available for appropriation and expenditure at September 30, 2004.

Expenditures made for services that will benefit periods beyond September 30, 2004 are recorded as prepaid items and deferred items in both the government-wide and fund financial statements. Accordingly a portion of fund balance has been reserved to indicate that these funds are not available for

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4. *Restricted assets*

Certain proceeds of the storm water enterprise fund revenue bonds, water and sewer enterprise fund revenue bonds, and the parking system enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Certain proceeds in the convention center complex enterprise fund are restricted as a result of an interlocal agreement between Miami-Dade County and the City to fund the cost of capital improvements to the Convention Center and the Theatre of Performing Arts (TOPA).

5. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$500 or more, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or at valuations, which approximate cost. In the case of initial capitalization of general infrastructure assets, the City chose to include all such items regardless of their acquisition date or amount. Gifts or contributions of property received are recorded at their estimated fair market value at the time received by the City.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. During the construction phase of capital assets interest of business-type activities is included as part of the capitalized value of the assets constructed. Interest expense capitalized is offset by interest earned on the unspent bond proceeds. The total interest expense incurred by the water and sewer utility enterprise fund was \$5,178,776, of which \$2,137,135 was included as part of the cost of capital assets under construction. The total interest expense incurred by the parking system enterprise fund was \$1,652,059, of which \$592,283 was included as part of the cost of capital assets under construction.

Property, plant, and equipment of the City, as well as the component units, is depreciated over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings and Structures	30-60 years
Parking Lots	30 years
Improvements	10-60 years
Mains and Lines	60 years
Meters and Hydrants	10-50 years
Machinery and Equipment	2-20 years

6. *Compensated Absences*

The City's vacation and sick leave policies grant a specific number of days of annual and sick leave with pay. In addition, these policies provide for paying a regular employee after a six-month probationary period for accumulated, unused annual and sick leave upon termination.

For regular employees hired before October 1, 1978, the accumulated annual and sick leave is limited to a maximum of 2,088 hours. For an employee that belongs to the Internal Association of Fire Fighters (IAFF) and works a 24 hour shift, the accumulated annual and sick leave is limited up to a maximum of 2,496 hours.

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For regular employees hired after October 1, 1978, the accumulated annual and sick pay to be paid upon termination is limited to a maximum of 480 hours of unused annual and one-half of 1200 hours of accumulated sick (600 hours). Therefore, the maximum combined payment of unused annual and sick leave is 1,080 hours.

For IAFF employees hired before October 1, 1978, and work a 24 hour shift, the accumulated annual and sick leave payout is limited to a maximum of 720 hours of unused annual, and a maximum of 270 hours of accumulated sick. The accumulated sick is paid at 100% for the first 180 hours, and at fifty percent for the remaining 180 hours (90 hours) for a total of 270 hours. Therefore, the maximum combined payment of unused annual and sick leave is 990 hours.

For IAFF employees hired after October 1, 1978 and work a regular shift, the accumulated annual and sick leave payout is limited to a maximum of 480 hours and a maximum of 180 hours of accumulated sick. The accumulated sick is paid at 100% for the first 120 hours, and 50% for the remaining unused hours up to 120 hours (60 hours) for a total of 180 hours. Therefore, the maximum combined payment of unused annual and sick leave is 660 hours.

7. *Long-term obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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 sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. *Fund Equity*

- a. Reserved Fund Balance - A fund balance reservation indicates that this portion of fund equity has been segregated for specific or legal purposes or is not otherwise available for appropriation, such as encumbrances, which are purchase order commitments for the expenditures of monies recorded in order to reserve that portion of the applicable appropriation in the governmental funds. They do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year; and
- b. Designated Fund Balance - A fund balance designation indicates that this portion of fund equity has been segregated based on tentative plans of the City; and
- c. Undesignated Fund Balance - This portion of fund equity is available for any lawful use by the City.

9. *Use of estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 management's estimates.

**CITY OF MIAMI BEACH, FLORIDA**  
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**SEPTEMBER 30, 2004**  
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10. *Restricted Net Assets*

Net assets are restricted to comply with debt covenants, loan agreements, grant contracts and other externally imposed constraints or by legislation.

**II. Stewardship, compliance, and accountability**

**A. New accounting standards adopted**

On October 1, 2003, the City adopted Statement No. 44 of the Governmental Accounting Standards Board (GASB), Economic Condition Reporting: The Statistical Section. This statement amends the portions of NCGA Statement 1, Governmental Accounting and Financial Reporting Principles, that guide the preparation of the statistical section. The statistical section presents detailed information, typically in ten-year trends, that assists users in utilizing the basic financial statements, notes to basis financial statements, and required supplementary information to assess the economic condition of a government.

**B. Excess of expenditures over appropriations**

For the year ended September 30, 2004, expenditures exceeded appropriations in the Miami Beach Redevelopment Agency's (the Agency) Special Revenue Fund in the economic environment category by \$5,215,810. These amounts are attributed to payments made to developers, legal fees paid to outside counsel, payments to the State of Florida for the Marina Submerged land lease, and for the additional administrative fees paid to the City. Those expenditures were incurred in the Agency's Special Revenue Fund, but budgeted for in the Agency's Capital Projects Fund.

**C. Deficit net assets**

At September 30, 2004 the City's Internal Service's Self Insurance Fund has a cumulative deficit of \$9.3 million. The increase of \$3.8 million or 68.6% in the cumulative deficit, over the prior year, is a result of the increased liability based on an actuarial study. It is the City's intention to fund the liability and thus reduce the deficit in future years as funding flexibility permits.

**III. Detailed notes on all funds**

**A. Deposits and Investments**

All deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under the Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", the State Treasurer requires all qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral equal to 50% to 125% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, United States governmental and agency securities, state or municipality government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280, Florida Statutes. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

The City's investments are classified as to credit risk and are summarized below:

Category 1 – Insured or registered, or securities held by the City or its agent in the City's name.

Category 2 – Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.

Category 3 – Uninsured and unregistered, with securities held by the counterparty, or by the counterparty's trust department or agent, but not in the City's name.

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Accordingly, all cash and time deposits held by banks can be classified as Category 1 credit risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements". This means they are fully insured or collateralized with securities held by the City or by it's agent in the City's name.

The City has adopted an ordinance designating the investments which are allowable for its cash management activities. The policy specifies the types and limits by instruments and establishes a diversified investment objective that takes into consideration the safety, return, and liquidity of capital. The authorized investments include direct United States Treasury obligations, United States government agencies, corporate bonds, state or municipal obligations, commercial paper and repurchase agreements. All City investments, except for swap agreements must be held in an independent custodial account. The custodial account will not be utilized to buy or sell investments for the City. These investments are insured or registered, or the securities held by the City or it's agent in the City's name.

The City's cash management investments at September 30, 2004 (including restricted cash and cash with paying agent) and the level of risk assumed by the City are shown below:

	Carrying Amount <u>Fair/Value</u>	Risk <u>Category</u>
U.S. government agency	\$ 114,061,546	1
U.S. treasuries	74,630,342	1
Commercial paper	13,889,031	1
Corporate bonds	12,652,140	1
Guaranteed investment contracts	100,583,179	1
Common stock	21,763	1
Demand deposit	9,158,072	1
Money market	73,430,501	1
Repurchase agreements	55,898,147	1
Total City cash management investments	<u>454,324,721</u>	
City funds managed by others:		
Cash with fiscal agent	100,000	1
Money market	115,184	1
Total cash and investments	<u>\$ 454,539,905</u>	

Schedule of cash & investments by funds:

General	\$ 27,626,191
Resort Tax	5,550,089
Redevelopment Agency	48,395,708
Capital Projects	105,068,189
Storm Water	61,475,807
Water & Sewer	68,554,597
Parking	50,589,422
Convention Center Complex	24,900,725
Internal Service	20,452,831
Agency	1,688,270
Nonmajor Funds	40,238,076
Total cash and investments	<u>\$ 454,539,905</u>

**CITY OF MIAMI BEACH, FLORIDA**  
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**(Continued)**

The City has adopted ordinances which govern the investment of funds for all of the Employee's Retirement systems. These investments include United States Treasury obligations, loans guaranteed by government agencies, General Obligation or Revenue Bonds issued by states and municipalities, dividend paying stocks of domestic corporations, bonds, notes or other interest bearing obligations of domestic corporations, and shares and accounts of savings and loan associations.

As of September 30, 2004, the level of credit risk of the Plan's investments is in Category 1 as defined by the Governmental Accounting Standards Board Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements", which includes investments that are insured or registered or securities held by the plan or its agent in the Plan's name. There are no investments, loans to or leases with parties related to the pension plan. There were no investments in any one company which individually exceeded 5% of the net assets available for plan benefits.

The investments of the Retirement Systems at September 30, 2004 and the level of risk assumed are presented below:

	Carrying Amount <u>Fair/Value</u>	Risk <u>Category</u>
Short term investments	\$ 26,180,158	1
U.S. government securities	58,919,285	1
Corporate bonds	149,800,319	1
Common stock and index funds	480,178,131	1
Money market funds	748,470	1
Collective investment funds	50,592,534	1
Mutual funds	4,250,991	1
Cash	527,229	1
Other	250,000	1
Total cash and investments	<u>\$ 771,447,117</u>	

**CITY OF MIAMI BEACH, FLORIDA**  
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**(Continued)**

**B. Receivables**

Receivables at September 30, 2004 for the City's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities						Total
	General	Resort Tax	Redevel- opment Agency	Capital Projects	Internal Service	Nonmajor Funds	
Receivables:							
Accounts	\$ 2,847,796	\$	\$ 41,667	\$ 51,490	\$ 22,253	\$ 853,359	\$ 3,816,565
Taxes	3,417,847	1,908,437				55,141	5,381,425
Gross receivables	6,265,643	1,908,437	41,667	51,490	22,253	908,500	9,197,990
Less: allowance for uncollectible accounts	(731,263)					(45,870)	(777,133)
Net total receivables	<u>\$ 5,534,380</u>	<u>\$ 1,908,437</u>	<u>\$ 41,667</u>	<u>\$ 51,490</u>	<u>\$ 22,253</u>	<u>\$ 862,630</u>	<u>\$ 8,420,857</u>

	Business-type Activities					Total
	Storm Water	Water and Sewer	Parking	Convention Center Complex	Nonmajor Funds	
Receivables:						
Accounts	\$ 1,289,221	\$ 7,920,738	\$ 591,142	\$ 688,030	\$ 1,384,407	\$ 11,873,538
Gross receivables	1,289,221	7,920,738	591,142	688,030	1,384,407	11,873,538
Less: allowance for uncollectible accounts	(296,968)	(1,128,854)	(9,494)		(479,419)	(1,914,735)
Net total receivables	<u>\$ 992,253</u>	<u>\$ 6,791,884</u>	<u>\$ 581,648</u>	<u>\$ 688,030</u>	<u>\$ 904,988</u>	<u>\$ 9,958,803</u>

The City's governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Revenue recognition in connection with resources that have been received, but not yet earned, are also deferred in the City's governmental funds.

Property values are assessed (levied) at fair market value (100%) by the Miami-Dade County Property Assessor as of January 1 of each year, at which time taxes become an enforceable lien on property. State of Florida Amendment No. 10 to the Florida Constitution known as "Save our Homes" limits assessment increases on homestead property to the lesser of 3% or the consumer price index. Tax bills are mailed in October and are payable upon receipt with discounts at the rate of 4% if paid in November, decreasing by 1% per month with no discount available if paid in the month of March. Taxes become delinquent on April 1 of the year following the year of assessment and State law provides for enforcement of collection of personal property taxes by seizure of the property or by the sale of the property or by the sale of interest bearing tax certificates to satisfy unpaid property taxes. The procedures result in the collection of essentially all taxes prior to June 30 of the year following the year of assessment.

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**SEPTEMBER 30, 2004**  
**(Continued)**

**C. Capital assets**

Capital asset activity for the year ended September 30, 2004 was as follows:

**Primary Government  
Governmental activities:**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 77,403,771	\$	\$	\$ 77,403,771
Construction work-in-progress	130,921,676	22,202,232	3,171,439	149,952,469
Total capital assets, not being depreciated	<u>208,325,447</u>	<u>22,202,232</u>	<u>3,171,439</u>	<u>227,356,240</u>
Capital assets, being depreciated:				
Building	113,498,057			113,498,057
Permanent improvements	68,872,611	407,468		69,280,079
Furniture & fixtures	1,450,771	306,927		1,757,698
Equipment	51,655,300	10,737,932	1,530,884	60,862,348
Infrastructure	116,795,794			116,795,794
Total capital assets, being depreciated	<u>352,272,533</u>	<u>11,452,327</u>	<u>1,530,884</u>	<u>362,193,976</u>
Less: accumulated depreciation for:				
Building	36,563,291	2,112,153		38,675,444
Permanent improvements	60,409,401	803,656		61,213,057
Furniture & fixtures	1,080,576	183,307		1,263,883
Equipment	33,707,681	5,556,044	480,500	38,783,225
Infrastructure	74,797,083	4,507,700		79,304,783
Total accumulated depreciation	<u>206,558,032</u>	<u>13,162,860</u>	<u>480,500</u>	<u>219,240,392</u>
Total capital assets, being depreciated, net	<u>145,714,501</u>	<u>(1,710,533)</u>	<u>1,050,384</u>	<u>142,953,584</u>
Governmental activities capital assets, net	<u>\$ 354,039,948</u>	<u>\$ 20,491,699</u>	<u>\$ 4,221,823</u>	<u>\$ 370,309,824</u>

**CITY OF MIAMI BEACH, FLORIDA**  
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**Primary Government**  
**Business-type activities**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 22,510,131	\$	\$	\$ 22,510,131
Construction work-in-progress	96,244,662	25,758,797	23,603	121,979,856
Total capital assets, not being depreciated	<u>118,754,793</u>	<u>25,758,797</u>	<u>23,603</u>	<u>144,489,987</u>
Capital assets, being depreciated:				
Mains & lines	39,155,575			39,155,575
Building & structure	200,564,912	26,902		200,591,814
Meters & hydrants	12,780,343			12,780,343
Furniture, equipment & vehicles	26,266,283	1,045,720	614,070	26,697,933
Improvements other than building	4,069,504			4,069,504
Total capital assets, being depreciated	<u>282,836,617</u>	<u>1,072,622</u>	<u>614,070</u>	<u>283,295,169</u>
Less: accumulated depreciation for:				
Mains & lines	19,155,070	641,957		19,797,027
Building & structure	58,969,676	5,346,803		64,316,479
Meters & hydrants	7,457,491	482,326		7,939,817
Furniture, equipment & vehicles	16,349,126	1,562,954	587,398	17,324,682
Improvements other than building	1,798,702	79,677		1,878,379
Total accumulated depreciation	<u>103,730,065</u>	<u>8,113,717</u>	<u>587,398</u>	<u>111,256,384</u>
Total capital assets, being depreciated, net	<u>179,106,552</u>	<u>(7,041,095)</u>	<u>26,672</u>	<u>172,038,785</u>
Business-type activities, combined capital assets, net	<u>\$ 297,861,345</u>	<u>\$ 18,717,702</u>	<u>\$ 50,275</u>	<u>\$ 316,528,772</u>

**CITY OF MIAMI BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004  
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Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental activities:**

General government	\$ 5,846,856
Public safety	1,635,786
Physical environment	797
Transportation	3,908,590
Economic environment	742,142
Human services	1,261
Culture and recreation	1,027,428
	<hr/>
Total depreciation expense - governmental activities	<u><u>\$ 13,162,860</u></u>

**Business-type activities**

Storm Water	\$ 83,049
Water & Sewer	1,700,782
Parking Systems	1,486,380
Convention Center Complex	4,167,977
Nonmajor enterprise	675,529
	<hr/>
Total depreciation expense - business-type activities	<u><u>\$ 8,113,717</u></u>

**D. Construction commitments**

At September 30, 2004, the City has active construction projects which includes, but is not limited to water, waste water and storm water improvements; as well as a variety of streetscape enhancement projects. The following table set forth these commitments by fund:

Capital Projects	\$ 20,598,660
Storm Water Utility	8,035,758
Water & Sewer	21,324,825
Parking Systems	3,410,020
Convention Center Complex	4,875,573
	<hr/>
	<u><u>\$ 58,244,836</u></u>

**CITY OF MIAMI BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004**  
**(Continued)**

**E. Interfund receivables, payables and transfers**

Interfund balances at September 30, 2004 consist of the following:

Due From	Due To						Total
	General	Redevelopment Agency	Capital Projects	Other Governmental	Other Enterprise	Internal Service	
General	\$	\$	\$	\$ 227,477	\$	\$	\$ 227,477
Resort Tax	375,562	255,753					631,315
Redevelopment Agency	1,018,895			13,088	55,034	7,639	1,094,656
Capital Projects	768,354						768,354
Other Governmental	175,733	627				596	176,956
Other Enterprise	152				209		361
Internal Service			42,414				42,414
	<u>\$ 2,338,696</u>	<u>\$ 256,380</u>	<u>\$ 42,414</u>	<u>\$ 240,565</u>	<u>\$ 55,243</u>	<u>\$ 8,235</u>	<u>\$ 2,941,533</u>

The outstanding balances between fund result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payment between funds are made. All outstanding balances will be paid within the subsequent fiscal year.

Interfund transfers for the year ended September 30, 2004 consisted of the following:

Transfer Out	Transfer In							Total
	General	Resort Tax	Redevelopment Agency	Capital Projects	Other Governmental	Other Enterprise	Internal Service	
General	\$	\$	\$	\$ 1,304,154	\$ 5,671,903	\$	\$ 89,515	\$ 7,065,572
Resort Tax	16,318,450		2,406,990	591,456	1,888,678			21,205,574
Redevelopment Agency		2,139,845		7,426,821	13,978,344			23,545,010
Capital Projects					207,718			207,718
Other Governmental		1,930,942			3,155,031			5,085,973
Storm Water					5,386	381,542		386,928
Parking	550,000				1,030,716			1,580,716
Other Enterprise					5,990			5,990
Internal Service					74,364			74,364
	<u>\$ 16,868,450</u>	<u>\$ 4,070,787</u>	<u>\$ 2,406,990</u>	<u>\$ 9,322,431</u>	<u>\$ 26,018,130</u>	<u>\$ 381,542</u>	<u>\$ 89,515</u>	<u>\$ 59,157,845</u>

**CITY OF MIAMI BEACH, FLORIDA  
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Transfers are used to (1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due (2) move restricted amounts from borrowing to the debt service fund to establish mandatory reserve accounts, and (3) move unrestricted general revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations.

Major transfers for the year, other than debt service transfers were: (a) a one-time transfer of \$16,318,450 to the General Fund from the Resort tax fund to support Beach Patrol and other tourism related citywide expenditures, such as Cultural Arts Council, Police, Fire and the South Beach area enhancements and (b) a one-time transfer of \$7,426,821 from the Redevelopment Agency fund to the Capital Projects for projects, including but not limited to the Colony Theater, City Center streetscapes, South Pointe streetscape, 6<sup>th</sup> Street streetscape, and South Pointe park.

**F. Leases**

**1. Operating Leases**

The City serves as the lessor for tenants leasing various building, parking lots, office and retail facilities. The tenant leases are considered operating leases, which expire at various dates through fiscal year 2049. Future minimum lease receivables under the operating leases at September 30, 2004, are as follows:

September 30	Governmental Operating Leases	Business-type Operating Leases
2005	\$ 416,443	\$ 550,486
2006	116,751	543,491
2007	73,625	642,000
2008	73,625	642,000
2009	73,625	642,000
2010 and thereafter	1,606,999	24,618,000
	<u>\$ 2,361,068</u>	<u>\$ 27,637,977</u>

The Miami Beach Redevelopment Agency serves as the lessor for tenants leasing various retail facilities. The tenant leases are considered operating leases, which expire at various dates through fiscal year 2015. Future minimum lease receivables under the operating leases at September 30, 2004, are as follows:

September 30	Operating Leases
2005	\$ 656,729
2006	656,729
2007	656,729
2008	648,925
2009	563,078
2010 and thereafter	1,619,122
	<u>\$ 4,801,312</u>

**CITY OF MIAMI BEACH, FLORIDA**  
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On June 24, 1983, the City and the Miami Beach Redevelopment Agency entered into a 30-year net operating lease (the Lease) expiring on December 31, 2014, with Carner-Mason Associates, Ltd. (Carner-Mason) to construct, develop and operate the Miami Beach Marina (the Marina). The Lease provides for three 10-year renewal options at the same lease terms. Rent under the Lease equals the minimum annual guaranteed rent, as defined in the Lease. The lease further requires the lessee to pay all operating and maintenance expenses of the Marina. As provided by the third amendment to the Lease, dated May 27, 1997, the operating lease is now held by the Miami Beach Marina Associates, Ltd.

Approximate minimum annual guaranteed rent payments to be received under the Marina lease at September 30, 2004 is as follows:

<u>September 30</u>	<u>Operating Leases</u>
2005	\$ 120,000
2006	120,000
2007	120,000
2008	120,000
2009	120,000
2010 and thereafter	630,000
	<u>\$ 1,230,000</u>

**2. Ground Lease**

The Miami Beach Redevelopment Agency is the lessor in an agreement with a development company in which the Miami Beach Redevelopment Agency leases the land on which the Loews Hotel is located. The lease is an operating lease which commenced on December 24, 1998, and expires on December 24, 2098. The amount due for future minimum lease receivables under the operating leases at September 30, 2004, is \$83,333.

**G. Long-Term debt**

**1. General Obligation Bonds – Governmental Activities**

The City issues general obligation bonds to provide funds for the acquisition, construction and improvements of major capital facilities. General obligation bonds have been issued for governmental activities. The amount of outstanding general obligation bonds issued is \$93,475,000.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds are generally issued as 20-year serial bonds. The General Obligation Bonds outstanding at September 30, 2004 consist of the following:

<u>Issue Name</u>	<u>Interest Rate</u>	<u>Year Issued</u>	<u>Final Maturity</u>	<u>Original Issue</u>	<u>Outstanding 9/30/2004</u>
General Obligation - Series 1996	3.70-4.50	1997	2007	\$ 15,000,000	\$ 3,850,000
1985B Gulf Breeze	4.55-5.40	2000	2013	15,910,000	13,070,000
1985E Gulf Breeze	5.50-5.80	2000	2020	14,090,000	14,090,000
General Obligation - Series 2003	2.00-5.25	2003	2033	62,465,000	62,465,000
Total General Obligation Bonds				<u>\$ 107,465,000</u>	<u>\$ 93,475,000</u>

**CITY OF MIAMI BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004**  
**(Continued)**

Annual debt service requirements to maturity for general obligation bonds are as follows:

Fiscal Year Ending September 30	General Obligation Bonds Governmental Activities		
	Principal	Interest	Total
2005	\$ 5,975,000	\$ 4,147,151	\$ 10,122,151
2006	6,060,000	3,889,277	9,949,277
2007	2,820,000	3,722,834	6,542,834
2008	2,535,000	3,615,557	6,150,557
2009	2,505,000	3,520,367	6,025,367
2010-2014	14,160,000	15,895,331	30,055,331
2015-2019	17,845,000	12,106,404	29,951,404
2020-2024	15,795,000	7,455,227	23,250,227
2025-2029	13,075,000	4,638,725	17,713,725
2030-2033	12,705,000	1,460,475	14,165,475
	<u>\$ 93,475,000</u>	<u>\$ 60,451,348</u>	<u>\$ 153,926,348</u>

The City's \$15,000,000 General Obligation Bonds, Series 1996, will be repaid solely from ad-valorem taxes assessed, levied and collected. They are registered transcripts, and insured. The bonds were issued to construct, renovate and rebuild parks and recreation facilities within the City's park system.

The Gulf Breeze VDRS Series 1985B, in the amount of \$15,910,000, principal is to be repaid in thirteen annual installments commencing December 1, 2001 with interest paid semi-annually. The Gulf Breeze VDRS Series 1985E, in the amount of \$14,090,000, principal is to be repaid in seven annual installments commencing December 1, 2014 with interest paid semi-annually. The funds are being used to expand, renovate and improve fire stations and related facilities; improve recreation and maintenance facilities for parks and beaches; and, improve neighborhood infrastructure and related facilities.

On July 22, 2003, the City issued General Obligation Bonds, Series 2003, in the amount of \$62,465,000. These bonds were issued to provide funds to pay the cost of improving neighborhood infrastructure in the City, consisting of streetscape and traffic calming measures, shoreline stabilization and related maintenance facilities, and Fire Safety Projects and the Parks and Beaches projects. The Bonds will be repaid solely from ad-valorem taxes assessed, levied and collected.

**CITY OF MIAMI BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004  
(Continued)**

**2. Special Obligation Bonds – Governmental Activities**

At September 30, 2004 the outstanding principal of special obligation bond issues and repayment sources were as follows:

Issue Name	Repayment Source	Total Outstanding Principal
1996 Resort Tax Revenue Refunding Bonds	2% Resort Tax	\$ 3,395,000
1985B Gulf Breeze fixed rate	Non Ad-Valorem	1,970,000
1985C Gulf Breeze fixed rate	Non Ad-Valorem	12,731,256
1985E Gulf Breeze fixed rate	Non Ad-Valorem	20,615,000
1994 Sunshine State VRDS	Non Ad-Valorem	5,390,000
1994 Pension Obligation Bonds	Non Ad-Valorem	43,525,000
1989 Tax Increment Revenue Bonds	RDA Tax increment Revenue	800,000
1993 Tax Increment Revenue Bonds	RDA Tax increment Revenue	20,075,000
1996 Tax Increment Revenue Bonds	RDA Tax increment Revenue	39,800,000
1998 Tax Increment Revenue Bonds	RDA Tax increment Revenue	34,215,000
Total Special Obligation Bonds		<u>\$ 182,516,256</u>

On March 1995 the City issued \$57,710,000 in taxable Series 1994 Special Obligation Bonds for the purpose of eliminating the unfunded pension liability of three of the City's pension systems. The Series 1994 bonds were issued with interest rates of 6.60% to 8.82% payable in annual installments through 2021. Indebtedness from this issue at September 30, 2004 is \$43,525,000.

On July 1, 1998, the Miami Beach Redevelopment Agency issued \$29,105,000 (Series 1998A) and \$9,135,000 (Series 1998B) in tax increment bonds. These bonds are secured by a lien on and pledge of the Pledged Funds, which include: (a) the Net Trust Fund Revenues received by the Agency from the Redevelopment Area; (b) the portion of the proceeds of the City's municipal resort tax levied and collected by the City and received by the Trustee; and (c) moneys and investments in the funds and accounts created under the resolution. The Series 1998A bonds were issued with interest rates of 6.7% to 7.0% payable semiannually on each June 1 and December 1, and will mature serially through December 1, 2022. The Series 1998B bonds were issued with interest rates of 3.6 percent to 5.2 percent payable semiannually on each June 1 and December 1, and will mature serially through December 1, 2022. The bonds are subject to a trust indenture which requires that annual debt service requirements be fully funded upon receipt of Trust Fund Revenue and Supplemental Revenue, and that any shortage shall be funded based on the Supplemental Revenue Resolution.

**Loan Pool**

On August 1, 2001, the City executed three loan agreements with the City of Gulf Breeze, Florida, Local Government Pool to borrow \$47,145,000 on fixed rate notes. The Gulf Breeze Series B, in the amount of \$2,200,000, principal is to be repaid in fourteen annual installments commencing December 1, 2002 with interest paid semi-annually. The Gulf Breeze Series C, in the amount of \$22,445,000, principal is to be repaid in fourteen annual installments commencing December 1, 2002 with interest paid semi-annually. The Gulf Breeze Series E, in the amount of \$22,500,000, principal is to be repaid in nineteen annual installments commencing December 1, 2002 with interest paid semi-annually. \$17,115,000 was used to repay the outstanding balance of the City Gulf Breeze, Florida Local Government Loan Program Series 1985 C variable rate notes. \$14,977,000 was used to repay a portion of the outstanding principal from the Sunshine State Loan. The remaining funds will be used for the renovation and improvement of two City owned golf courses and their related facilities.

**CITY OF MIAMI BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004**  
**(Continued)**

A portion of the Gulf breeze 1985 C outstanding debt relates to the construction of a Parking Garage. The Parking Enterprise Fund includes an outstanding amount of \$7,248,744 that relates to this debt.

Annual debt service requirements to maturity for special obligation bonds are as follows:

Fiscal Year Ending September 30	Debt Service Requirements Special Obligation Bonds		
	Principal	Interest	Total
2005	\$ 7,079,732	\$ 12,524,646	\$ 19,604,378
2006	6,646,592	12,063,456	18,710,048
2007	7,064,824	11,644,000	18,708,824
2008	7,498,056	11,195,925	18,693,981
2009	7,961,288	10,712,687	18,673,975
2010-2014	48,570,500	44,869,448	93,439,948
2015-2019	56,990,264	26,341,471	83,331,735
2020-2023	40,705,000	5,718,341	46,423,341
	<u>\$ 182,516,256</u>	<u>\$ 135,069,974</u>	<u>\$ 317,586,230</u>

**3. Revenue bonds**

a. Parking Fund

The Parking Revenue Fund had the following changes in its current and Long-Term debt outstanding for the year ended September 30, 2004:

Indebtedness	Balance 10/1/2003	Debt Repaid	Balance 9/30/2004
Special Obligation Bonds & Loan	\$ 33,894,058	\$ 1,325,314	\$ 32,568,744
	<u>\$ 33,894,058</u>	<u>\$ 1,325,314</u>	<u>\$ 32,568,744</u>

Parking Revenue Fund indebtedness at September 30, 2004, is comprised of the following issued indebtedness:

\$10,795,000	1996 Special Obligation Refunding Bonds due in annual installments through 2009: interest at 3.2% and 5.0%	<u>\$ 4,645,000</u>
\$21,000,000	1997 Special Obligation Bonds due in annual installments through 2022: interest at 4.00% - 5.125%	<u>\$ 20,675,000</u>
\$ 8,143,046	2001 Gulf Breeze Loan Pool due in annual installments through 2015: interest at 3.875% - 4.75%	<u>\$ 7,248,744</u>

**CITY OF MIAMI BEACH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004  
(Continued)**

The aggregate maturities of Long-Term Debt at September 30, 2004, are as follows:

Fiscal Year Ending September 30	Bonded Debt		
	Principal	Interest	Total
2005	\$ 1,380,268	\$ 1,586,530	\$ 2,966,798
2006	1,443,408	1,524,259	2,967,667
2007	1,510,176	1,458,821	2,968,997
2008	1,576,944	1,390,054	2,966,998
2009	1,648,712	1,318,222	2,966,934
2010-2014	9,509,500	5,317,340	14,826,840
2015-2019	9,584,736	2,871,106	12,455,842
2020-2022	5,915,000	616,282	6,531,282
	32,568,744	16,082,614	48,651,358
Less: Unamortized Bond Discount	689,749		689,749
	<u>\$ 31,878,995</u>	<u>\$ 16,082,614</u>	<u>\$ 47,961,609</u>

b. Water and Sewer Fund

The Water & Sewer Fund issued \$59,060,000 in Water and Sewer Revenue Bonds, Series 1995, on June 8, 1995. The bonds will be repaid solely from pledged revenues of the Water and Sewer system. They are registered transcripts and insured. The bonds were issued to construct various improvements and extensions to the Water and Sewer utility. Indebtedness of the Water and Sewer Fund at September 30, 2004 is as follows:

\$59,060,000	1995 Revenue Bonds Due in annual installments through 2015: Interest at 4.20% - 5.40%	<u>\$ 39,395,000</u>
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The Water & Sewer Fund issued \$54,310,000 in Water and Sewer Revenue Bonds, Series 2000, on September 1, 2000. The bonds will be repaid solely from pledged revenues of the Water and Sewer system. They are registered transcripts and insured. The bonds were issued to construct various improvements and extensions to the Water and Sewer utility.

Indebtedness of the Water and Sewer Fund at September 30, 2004 is as follows:

\$54,310,000	2000 Revenue Bonds Due in annual installments through 2030: Interest at 5.00% - 5.75%	<u>\$ 54,310,000</u>
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**CITY OF MIAMI BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004**  
**(Continued)**

The aggregate maturities of Long-term debt at September 30, 2004 are as follows:

Fiscal Year Ending September 30	Bonded Debt		
	Principal	Interest	Total
2005	\$ 950,000	\$ 2,618,746	\$ 3,568,746
2006	995,000	2,575,997	3,570,997
2007	1,040,000	2,531,221	3,571,221
2008	1,085,000	2,484,421	3,569,421
2009	1,135,000	2,434,511	3,569,511
2010-2014	6,580,000	11,271,027	17,851,027
2015-2019	8,645,000	9,202,006	17,847,006
2020-2024	11,220,000	6,623,181	17,843,181
2025-2029	14,515,000	3,328,775	17,843,775
2030	3,390,000	182,213	3,572,213
	49,555,000	43,252,098	92,807,098
Less: Unamortized Bond Discount	578,700		578,700
	<u>\$ 48,976,300</u>	<u>\$ 43,252,098</u>	<u>\$ 92,228,398</u>

**4. Due to Developers**

Amount classified as "due to developer" represents the estimated amount of the cost that the Agency is legally required to perform based on a settlement agreement. The settlement agreement calls for specific performance by the Agency, which includes, but not limited to, the following:

- a. Provide an additional 485 parking spaces for both the south and north parcels of the property. In addition, provide for laundry and bathroom facilities on the north parcel of the property;
- b. Provide valet service for the Marina during construction on the north parcel of the property;
- c. Responsible for the seawall along the property;
- d. Release a utility easement in favor of the City across the "Diamond C Parcel";
- e. Responsible for improving the "Alaska Parcel" for temporary parking for the construction on the north parcel of the property;
- f. Provide for use of sidewalk and the westernmost lane of Alton Road to be used as staging areas for construction on the north parcel of the property; and
- g. Remove a pump station on the north parcel of the property.

As of September 30, 2004, the estimated remaining costs of such performance as per the settlement agreement was approximately \$186,859.

**CITY OF MIAMI BEACH, FLORIDA**  
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**5. Loans**

In October 2001, the City entered into a loan agreement that allows the City to be reimbursed for purchases of machinery and equipment up to a maximum of \$21,000,000. The interest is calculated at funding at ninety day LIBOR rates times 64%, plus spreads for the specified life terms. At September 30, 2004, the City was indebted for \$12,250,056. This indebtedness has been recorded as a liability in the following funds:

Internal Service	\$	11,628,508
Other Enterprise		621,548
		12,250,056
	\$	12,250,056

**6. Other Obligations**

On June 28, 1999, the City issued a Non-ad Valorem Revenue Note, Series 1999, to Florida Power & Light Company ("FPL") in the amount of \$3,941,059 with an annual interest rate not to exceed 4.75 percent. The note is for a ten year period and interest and principal payments of \$248,857 are due on the first day of June and December of each year until June 1, 2009. The City issued the note to finance a contribution to aid construction of an underground electric transmission line within the City limits. At September 30, 2004 the City was indebted for \$2,192,150.

On September 27, 2000, the City was granted a \$4,000,000 Section 108 U. S. Housing and Urban Development loan. The City has drawn \$2,042,000 of this loan for improvements to the North Shore Park and Youth Center. At September 30, 2004, \$1,958,000 was available to draw on, and the outstanding balance on the amount drawn was \$1,077,000. The interest rate on this loan is a variable rate (LIBOR plus 20 basis points or .2%)

The aggregate maturities of other long-term obligations at September 30, 2004, is as follows:

Fiscal Year Ending September 30	Long-term Obligation	Interest	Total
2005	\$ 778,261	\$ 99,454	\$ 877,715
2006	754,403	80,312	834,715
2007	437,466	60,249	497,715
2008	458,492	39,223	497,715
2009	480,529	17,186	497,715
	\$ 2,909,151	\$ 296,424	\$ 3,205,575

**CITY OF MIAMI BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**7. Changes in long-term liabilities**

Long-term liability activity for the year ended September 30, 2004, was as follows:

**Governmental activities:**

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Bonds payable:</b>					
General obligation	\$ 98,990,000	\$	\$ 5,515,000	\$ 93,475,000	\$ 5,975,000
Special obligation	189,390,942		6,874,686	182,516,256	7,619,732
Total bonds payable	<u>288,380,942</u>		<u>12,389,686</u>	<u>275,991,256</u>	<u>13,594,732</u>
Due to developer	4,964,264		4,778,405	185,859	185,859
Claims and judgements	12,347,000	8,447,186	4,461,411	16,332,775	5,960,000
Compensated absences	13,382,929	1,916,139	1,260,825	14,038,243	1,629,146
Other obligations	3,655,292		746,141	2,909,151	778,261
Loans payable	940,898	11,330,293	642,683	11,628,508	1,368,524
Governmental activity					
Long-term liabilities	<u>323,671,325</u>	<u>21,693,618</u>	<u>24,279,151</u>	<u>321,085,792</u>	<u>23,516,522</u>
<b>Business-type activities:</b>					
Revenue bonds payable	180,669,058		4,840,314	175,828,744	5,065,268
Less deferred amounts: for issuance discounts on refunding	<u>2,583,803</u>		<u>141,094</u>	<u>2,442,709</u>	<u>141,094</u>
Total bonds payable	<u>178,085,255</u>		<u>4,699,220</u>	<u>173,386,035</u>	<u>4,924,174</u>
Loans payable	750,698		129,150	621,548	137,829
Capital leases	240,577		240,577		
Compensated absences	857,895	315,079	176,444	996,530	68,324
Business-type activity					
Long-term liabilities	<u>\$ 179,934,425</u>	<u>\$ 315,079</u>	<u>\$ 5,245,391</u>	<u>\$ 175,004,113</u>	<u>\$ 5,130,327</u>

The City's internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At September 30, 2004, \$959,551 of internal service funds compensated absences are included in the above amounts. Also, for the governmental activities, claims and judgments and compensated absences are generally liquidated by the internal service and general fund respectively.

**CITY OF MIAMI BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004**  
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**8. Restricted assets**

The balances of the restricted asset accounts in the Enterprise Funds are as follows:

	Storm Water	Water and Sewer	Parking Systems	Convention Center Complex	Other Enterprise Funds	Total
Customer deposits	\$	\$ 5,758,579	\$ 43,594	\$ 1,572,553	\$ 59,300	\$ 7,434,026
Interlocal agreement				20,057,837		20,057,837
Revenue Bonds - construction	52,930,836	57,796,090	14,272,344			124,999,270
Revenue Bonds - debt service	3,572,213	4,000,000	2,969,498			10,541,711
Revenue Bonds - future debt service			1,475,737			1,475,737
<b>Total Restricted Cash</b>	<b>\$ 56,503,049</b>	<b>\$ 67,554,669</b>	<b>\$ 18,761,173</b>	<b>\$ 21,630,390</b>	<b>\$ 59,300</b>	<b>\$ 164,508,581</b>

**9. Swaption**

*Objective of the swaption.* To stabilize its interest rate cost, the City entered into a ten-year interest rate swaption agreement for its Series 1994 Taxable Pension Special Obligation Bonds (the "Bonds"). The Bonds are prepayable (callable) on September 1, 2005 at 102% of principal. The callable bonds at September 1, 2005 total \$42 million at an interest cost and stated coupon rates of 8.55% and 8.60%.

*Terms and credit risk.* The swaption was entered into in March 1996 with a notional amount of \$42,255,000. The counterparty purchased the right to receive fixed payments from the City in exchange for making variable rate payments to the City. Under the swaption agreement, the City would owe interest at a fixed rate of 8.27% commencing on December 1, 2005. The counterparty would owe the City interest based on a variable rate of USD-LIBOR-BBA, that matches the rate required by the bonds. The counterparty has the option to exercise the agreement on August 1, 2005. If the swap agreement is exercised, the swap will commence on September 1, 2005 and terminate on September 1, 2020.

Although the underlying swap exposes the City to credit risk should the swap be executed, the swaption does not expose the City to credit risk. If the option is exercised, the primary risk is that the swap market outperforms the market for the City's bonds (i.e., swap rates decline faster or increase more slowly than the City's borrowing costs). When this happens, the cost of reversing the hedge may be more expensive than expected, causing the City to incur a present value loss when the fixed rate bonds are sold. The City's savings, will be positive, but at a reduced amount.

*Fair value.* As of September 30, 2004 the swap has a negative fair value of \$8,953,512. The fair value was calculated based upon the zero coupon method as described in GASB Technical Bulletin 2003-1. Option components were valued using an option pricing model similar to the Black-Scholes model.

**10. Interlocal Agreement**

The City entered into an interlocal agreement (the "Interlocal Agreement") with Miami-Dade County (the "County") in 1996 regarding the use and disposition of the two-thirds (2/3) portion of the Convention Development Tax (the "Tax"). The Tax is imposed by the County, pursuant to Section 212.0305(4)(b) of the Florida

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Statutes, on the leasing or letting of transient rental accommodations. Prior to this agreement, the Tax proceeds were collected by the County and remitted to the City of Miami Beach as security for the payment of debt service on any bonds secured by the Tax.

The Interlocal Agreement provides that the tax proceeds be held by the County for projects permitted by State law and distributed after debt service is paid on the Miami-Dade County Special Obligation and Refunding Bonds Taxable Series 1996A and Series 1996B (the "1996 Senior Lien Bonds") and an annual operating subsidy payment of \$1.5 million (the "Operating Subsidy") is remitted to the City for the Miami Beach Convention Center Complex.

Moreover, the County agreed to fund \$15 million of capital improvements for the Complex from the next bond transaction in which the Tax is pledged and to pay an additional \$50 million in available tax proceeds to the City if the Tax is not pledged to a new baseball stadium by December 2003. For the fiscal year ended September 30, 2004 the County paid to the City the \$15 million for capital improvement.

**H. Other Information**

**1. Risk Management**

The City is exposed to various risks of loss from civil liability to other parties (automobile liability, general liability, police professional liability, public official liability); statutory workers' compensation benefits for injured employees; and the theft or accidental damage to City property (buildings and business contents).

The City established an internal service Self-Insurance Fund (the "Fund") to account for its risk financing activities. The Fund pays for all claims and judgments made against the City for accidental losses for which the City is self-insured, and the premium costs for insurance policies to protect the City's property.

All-Risk property insurance (exclusive of windstorm coverage) provides coverage for losses to City buildings above various deductible amounts. The City maintains no excess coverage with independent insurance carriers for the workers' compensation, general, automobile, police professional and public official liability self-insurance program. Premiums are charged to the respective City funds and determined based on amounts necessary to provide funding for current losses and to meet the required annual payments during the fiscal year. There were no settlements in excess of applicable insurance for the past three years. During fiscal year 2004, there were no significant changes in insurance premiums.

The Fund derives revenue from all City departments through an allocation formula and from investment income earned on reserved funds. The required funding levels of reserves and future needs was determined based on historical claims and actual payment data. The City funds and reserves on an "occurrence" basis, reserving for anticipated and known claims when they occur, regardless of the ultimate date of payment or disposition.

The following are the changes in the funds' claims liability amount during fiscal year 2004 and 2003 respectively:

	2004	2003
Unpaid claims, beginning of year	\$ 12,347,000	\$ 14,781,000
Incurred claims (include incurred but not yet reported)	8,446,482	2,620,092
Less: claim payments	4,460,707	5,054,092
Unpaid claims, end of year	<u>\$ 16,332,775</u>	<u>\$ 12,347,000</u>

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**2. Significant Commitments and Contingencies**

- a. The City, in the normal course of operations, is a party to various other actions in which plaintiffs have alleged certain damages. In all cases, management does not believe the disposition of these matters will materially affect the financial position of the City.
- b. The City participates in a number of Federal and State assisted grant programs, which are subject to financial and compliance audits. Audits for these programs are to be conducted at a future date, and the City expects the amount, if any, of the expenditures which may be disallowed by the granting agency to be immaterial.
- c. The Agency has committed to provide the developers of two hotels certain incentives. The Request for Proposal originally called for a \$60 million incentive for which \$10 million was designated for the development of a hotel, which requires African American majority ownership. The Agency issued \$108 million in bonds of which \$100 million has been spent for land acquired for both hotels, related hotel agreement negotiations, and construction of an 800 space parking facility for the hotels. The remaining \$4.4 million will be used to construct a boardwalk, sidewalk and streetscape improvements, and restoration of a cultural center facility, and of the Colony Theater. This commitment is in addition to the incentive to be provided to the developers.
- d. The City believes it is in compliance with all material terms of bond indenture agreements, contracts, and federal, state and local laws and regulations.
- e. At September 30, 2004, the City recorded obligations to rebate arbitrage interest earnings on certain Revenue Bonds (the Bonds") issued after the passage of the Tax Reform Act of 1986. The proceeds of the Bonds were used to finance certain capital projects and acquisitions accounted for within the Storm Water Utility and Water and Sewer Funds.

The rebate to the Federal Government, required to be paid within five years from the date of issuance and each five years thereafter, is estimated to be \$1.3 million and \$2.6 million for the Storm Water Utility and Water and Sewer Funds respectively. Both payments are due within the period ending September 30, 2005 and recording as current liabilities within its respective fund.

**3. Post Retirement Benefits**

The City paid \$4,832,962 for health, life and dental insurance coverage for its 1,085 participating retirees and beneficiaries during the fiscal year ended September, 30, 2004. Under City ordinances, retirees are entitled to 50% of the cost of health, life and dental insurance to be paid by the City. These expenditures are considered current costs and no provision for future funding has been made.

**4. Pension Plan**

**a. Retirement System For General Employees**

**i. Plan Description**

All full-time employees of the City, who work more than 30 hours per week and hold classified positions, except for Policemen and Fireman, are covered by the City's General Employees Retirement System (the "Plan"). A classified employee is one who is employed by the City on a regular basis, receives compensation from the City for personal services, and who is within a group or classification of employees designated by the Board of Trustees as eligible for membership in the Plan. The Plan is the administrator of a Single-Employer Defined Benefit Plan that was established by the City under Ordinance No. 1901 on November 1, 1971, as amended through January 10, 1996.

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At October 1, 2003 and 2002, membership consisted of the following:

	2003	2002
Retired and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	900	910
Current employees	587	535

Principally all full-time classified employees of the City, except those joining the 401(a) Plan, must participate in the Plan.

All employees in the Plan are segregated into three unions: American Federal of State, County, and Municipal Employees ("AFSCME"), CWA (formerly Benevolent) and Government Supervisors Association ("GSA"). Certain other employees are also segregated into a category called "Other"

The Plan provides retirement benefits as well as death and disability benefits at two different tiers depending on when the employees entered the program.

Generally, employee members of the System vest after 5 years. Members are eligible to retire at age 50 at a benefit of 3% of final average salary based on the highest two years salary for the first 15 years of service and 4% of final average salary thereafter to a maximum of 90%. However, certain employees who are members of the labor union "AFSCME" employed on or after April 30, 1993, employees in the classification of "Other" (non-unionized classified employees), employed on or after August 1, 1993, and employees who are members of the labor union "CWA" employed on or after February 21, 1994, vest after 10 years of service and are eligible to retire at age 60 with 10 years creditable service at a benefit level of 3% of their highest three years' average salary times years of service to a maximum of 80%. These benefit provisions and all other requirements are established by City Ordinance.

All employees who participate are required to contribute 10% of their salary to the Plan. Employees contribution as disclosed in the financial statements include buybacks.

ii. **Funding Policy, Contributions Required and Contributions Made**

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates are determined using the entry age actuarial cost method. The Plan also uses the level percentage of payroll method to amortize any unfunded actuarial accrued liability over a 30-year period. The unfunded actuarial accrued liability as of October 1, 2003, the date of the latest actuarial report, was \$ 12,603,693.

Effective October 1, 1996, the asset valuation method was changed to the difference between actual investment return and expected return and will be recognized over 5 years.

Significant actuarial assumptions used include: (a) investment return of 8.5%, net rate after investment related expenses; (b) 2000 Group Annuity Mortality Table; for those who have terminated employment before October 1, 1993, rates are based on the Plan's own experience; (c) for retirement, once a member is eligible to retire, a probability of retirement based on age is used (effective October 1, 1996); (d) projected salary increases of 6% per year compounded annually, attributable to inflation and (e) cost of living increases of 2.5% per year compounded annually.

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The Plan uses the following actuarial valuations:

Actuarial Cost Method	Entry age
Equivalent Single Amortization Period	32 years
Amortization Method	Level Dollar Method
Amortization Period	15 years
Actuarial Asset Valuation Method	5 years smoothed market
Actuarial Assumptions:	
Investment rate of return	8.5%
Projected salary increases	6%
Inflation	4%
Cost of living adjustment (COLA)	2.5% Compounded

For the year ended September 30, 2004 the City was required to make a contribution of \$1,806,367 to the Plan in accordance with actuarially determined requirements computed through an actuarial valuation performed as of October 1, 2002. None was required for the year ended September 30, 2003 based on an actuarial valuation report as of October 1, 2001. For the year ended September 30, 2004, the employees contributed \$2,464,383 which represents 9.83% of covered payroll.

Effective with the Actuarial Valuation Report performed as of October 1, 2003, an employee transferring after September 30, 2003 from the Unclassified Employees and Elected Retirement System to the General Employee Retirement System will have transferred the actuarially determined accumulated benefit obligation that he or she has accrued. The amount of each accumulated benefit obligation of each such transferee will be determined by the actuarial valuation report as of October 1, and will be transferred during the fiscal year ended September 30. Conversely, an employee transferring from the General Employee Retirement System to the Unclassified Employees and Elected Retirement System will have transferred to Unclassified Retirement System the actuarially determined accumulated benefit obligation that he or she has accrued. The net amount due as a result of such transfer should be paid, or received, by the General Employee Retirement System. The Boards of both systems have agreed to this policy. Prior to this policy, when an employee transferred between systems only his or her contribution to the Plan was transferred.

iii. Trend Information

Trend information indicates the progress made in accumulating sufficient assets to pay benefits when due. An analysis of funding progress for the fiscal year ended September 30, 2004, for the Retirement System for General Employees is as follows:

Year Ended September 30,	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
2002	\$ -	N/A	\$ N/A
2003	-	N/A	N/A
2004	1,806,367	100%	-

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**b. Retirement System For Unclassified Employees and Elected Officials**

**i. Plan Description**

All elected officials and full-time employees of the City who have unclassified positions and who do not have civil service status are covered by the City's Unclassified Employees and Elected Official Retired System Plan (the "Plan"). The Plan is the administrator of a Single-Employer Defined Benefit Pension Plan that was established by the City in accordance with City Ordinance No. 88-2603. (the "ordinance"), as amended through February 19, 1997. At October 1, 2003 and 2002, membership consisted of the following:

	2003	2002
Retired and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	163	154
Current employees	127	116

Eligible employees in the predecessor plan prior to April 1, 1988 had the option to become a participant of the Plan or remain in the General Employee Retirement Plan. Each elected official and full-time unclassified employee of the City, subsequent to April 1, 1988, except for the City Manager and City Attorney, must participate in the Plan starting on the first day of employment. Subsequent to October 18, 1992, new employees have the option to join a 401(a) plan or the Plan.

Employee members of the System prior to October 18, 1992 vest after 5 years. Members are eligible to retire at age 50 with 5 years creditable service at a benefit of 4% for years earned prior to October 18, 1992, and 3% for years thereafter times the final average salary, to a maximum of 80%. New employee members of the System on or after October 18, 1992 vest after 10 years. Members are eligible to retire at age 60 with 10 years creditable service at a benefit of 3% of final 3 years average salary times years of service to a maximum of 80%. These benefit provisions and all other requirements are established by City Ordinance. All covered employees are required by ordinance to contribute 10% of their salary to the Plan. Employee contributions include buybacks.

**ii. Funding Policy, Contributions Required and Contributions Made**

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates are determined using the entry age actuarial cost method. The unfunded actuarial accrued liability as of October 1, 2003, the date of the latest actuarial report was \$6,247,039. The unfunded actuarial accrued liability is amortized over a period of 30 years.

Significant actuarial assumptions used in the latest actuarial report include: (a) investment return of 9.0%, net after administrative expenses; (b) 1983 Group Annuity Mortality Table for males and females (effective October 1, 1996); (c) for retirement, a probability of retirement based on age, once a member is eligible to retire, is used (effective October 1, 1996); (d) projected salary increases of 6.0% per year compounded annually; (e) cost of living increase of 1.5% per year and (f) projected inflation of 4% per year.

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The Plan uses the following actuarial valuations:

Actuarial Cost Method	Frozen entry age
Actuarial Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Investment rate of return	9%
Projected salary increases	6%
Inflation	4%
Cost of living adjustment (COLA)	1.5%

For the year ended September 30, 2004, the City was required to make a contribution of \$670,335 to the Plan in accordance with actuarially determined requirements computed through an actuarial valuation performed as of October 1, 2002. None was required for the year ended September 30, 2003 based on the actuarial valuation report performed as of October 1, 2001. For the year ended September 30, 2004, the employees contributed \$886,586, which represents 9.97% of covered payroll.

Effective with the Actuarial Valuation Report performed as of October 1, 2003, an employee transferring after September 30, 2003 from the General Employee Retirement System to the Unclassified Employee and Elected Official Retirement System will have transferred the actuarially determined accumulated benefit obligation that he or she has accrued. The amount of accumulated benefit obligation of each such transferee will be determined by the actuarial valuation report as of October 1, and will be transferred during the fiscal year ended September 30. Conversely, an employee transferring from the Unclassified Employees and Elected Officials Retirement System to the General Employee Retirement System will have transferred to General Employees Retirement System the actuarially determined accumulated benefit obligation that he or she has accrued. The net amount due as a result of such transfer should be paid, or received, by the Unclassified Employees and Elected Officials Retirement System. The Boards of both systems have agreed to this policy. Prior to this policy, when an employee transferred between systems only his or her contribution to the Plan was transferred.

iii. Trend Information

Trend information indicates the progress made in accumulating sufficient assets to pay benefits when due. An analysis of funding progress for the fiscal year ended September 30, 2004, for the Retirement System for Non-Civil Service Employees is as follows:

Year Ended September 30,	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
2002	\$ -	N/A	\$ N/A
2003	-	N/A	N/A
2004	670,335	100%	-

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**c. Retirement System for Firefighters and Police Officers**

i. Plan Description

The City's Pension Fund for Firefighters and Police ( the "Plan") was formally known as City Pension Fund for Fireman and Policeman – City of Miami Beach and City Supplemental Pension Fund for Firefighters and Police Officers – City of Miami Beach. On November 2, 1999 a Special Election was held in the City and the voters approved the merging of the City Supplemental Pension Fund for Firefighters and Police Officers in the City into the Plan effective October 1, 1999. The Plan is a Single Employer Defined Benefit Pension Plans that cover substantially all Police and Fire persons of the City, as established by Chapter 23414, Laws of Florida, Special Acts of 1945 as amended through November 6, 2001).

Employee members of the System prior to May 19, 1993 vest upon attaining 10 years of creditable service. Members are eligible to retire at age 50 at a benefit of 3% of final average salary for the first 15 years and 4% thereafter, based on the highest 2 years salary times years of service to a maximum of 90% of average monthly salary. Employee members are required to contribute 10 percent of salary. New employee members on or after May 19, 1993 will receive the same benefit levels except that retirement age will be 55, and the maximum benefit will be 80% of average monthly salary based on the three highest paid years' salary. The benefit provisions and all other requirements are established by legal requirement.

ii. Deferred retirement option plan (DROP)

A member may enter into the Deferred Retirement Option Plan (the DROP) which was retroactively implemented for the year ended September 30, 1999. An initial "window period" occurred for 45 days from the effective date of the DROP. During this window and subject to certain other eligibility conditions, employees with more than 315 months (350 months for employees who were Plan members prior to July 1, 1976) of creditable service could elect to enter the DROP for a term not to exceed 36 months.

A second window period from January 1, 2000 through March 31, 2000 occurred allowing eligible (Pre May 19, 1993) employees to begin their participation in the DROP at any time between October 1, 1998 and March 31, 2000. Any active employee member may enter into the DROP, on the first day of any month after attainment of age 50 or rule of 70 retirement and becoming eligible to receive a service retirement pension. Upon becoming eligible to participate in the DROP, an employee may elect to enter that program for a period not to exceed 36 months. The rate of return earned by the DROP was the same as that earned by the Plan not to exceed 8.5%.

Effective October 1, 2002, the DROP participants has the option to choose to have self-directed accounts, and the rate of return earned will therefore depend on the return of the particular accounts selected by the individuals. Once a member enters the DROP, their monthly retirement benefit is fixed, and their monthly benefit is paid into their DROP account. Upon termination of employment, the balance in the member's DROP account, including earning, is payable to them and they also begin to receive their previously fixed monthly retirement benefit. The DROP is administered by the Plan's Board of Trustees. Members who elected the self-directed option could have has their DROP balance calculated as of October 31, 2002, November 30, 2002, or December 31, 2002.

At September 30, 2004, \$4,250,991, the total amount of the Deferred Retirement Option Plan payable represents the balance of the self-directed participants as all of the participants are now in the self-directed DROP.

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At October 1, 2003 and 2002, the plan membership consisted of the following:

	As of October 1, 2003	As of October 1, 2002
Active Members	493	506
Deferred Vested Members	9	9
Retired Members:		
a. Service	351*	335*
b. Disabled	59	56
c. Beneficiaries	85	81
Total	997	987

\* Including members in the DROP

iii. Funding Policy, Contributions Required and Contributions Made.

The City (the "Employer") is required to contribute an actuarially determined amount that, when combined with members' contributions, will fully provide for all benefits as they become payable. Members of the Plan contribute 10% of their salary.

The contributions to the Plan for the year ended September 30, 2004, of \$14,082,481 were made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of October 1, 2003. The contributions consisted of \$14,082,481 normal cost (34.9% of current covered payroll). The City contributed \$9,494,091 (23.5% of current payroll and employees contributed \$4,588,390 (11.4% of current covered payroll) including buybacks of \$545,070 and transfers of \$13,923.

Significant actuarial assumptions used include: (a) investment return of 8.5%; (b) projected salary increases of 4.53%-10.17% including 3.5% for inflation; and (c) post retirement benefit has a cost of living increases of 2.5% per year compounded annually.

The Plan uses the following actuarial valuations:

Actuarial Cost Method	Normal entry age
Amortization Method	Level percentage of payroll
Remaining amortization period	28 – 30 years
Asset Valuation Method	Market related value
Actuarial Assumptions:	
Investment rate of return	8.5%
Projected salary increases	4.53% - 10.17%
*Includes inflation at:	3.5%
Cost of living adjustment	2.5%

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iv. Trend Information

Trend information indicates the progress made in accumulating sufficient assets to pay benefits when due. An analysis of funding progress for the fiscal year ended September 30, 2004, for the Retirement System for Fire Fighters and Police Officers is as follows:

Year Ended September 30,	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
2002	\$ 3,510,328	100%	\$ -
2003	8,577,326	100%	-
2004	9,494,091	100%	-

**d. Defined Contribution Retirement Plan-401(A)**

Effective October 18, 1992 City's Ordinance No. 92-2813 provided for the creation of a Defined Contribution Retirement Plan (the "Plan") under section 401(A) of the internal revenue code of 1986. The Plan provides retirement and other related benefits for eligible employees as an option over the other retirement systems sponsored by the City.

Any person employed on or after October 18, 1992, in the unclassified service of the City, has the right to select the Plan as an optional retirement plan to the Unclassified Employees and Elected Officials Retirement System. At the time of the Ordinance, employee of the City who were member of the Unclassified Employee and Elected Official Retirement System (the "System") had the irrevocable right to elect to transfer membership from the System to the Plan for a limited period of time.

The Plan is administrated by a Board of Trustees, which has the general responsibility for the proper operation and management of the Plan. The Plan complies with the provisions of section 401(A) of the Internal Revenue Code of 1986 and may be amended by the City Commission of the City of Miami Beach.

An employee joining the Plan is required to contribute 10% of their salary which the City matches with a 10% contribution. The Plan of each employee is the immediate property of the employee and investment of these funds is directed by the employee amongst choices of investment vehicles offered by Nationwide Retirement Solutions (formerly Public Employee Benefits Services Corporation – PEBSO) or ICMA Retirement Corporation.

Plan information as of and for the fiscal year ended September 30, 2004 is a follows:

Members in the Plan		396
City's contribution	\$2,212,366	
Percentage of covered payroll		11.93%
Employees' contribution	1,965,790	
Percentage of covered payroll		10.60%

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e. Financial Statements

Each of the Retirement Systems are audited separately. Complete financial statements can be obtained at the following offices:

City of Miami Beach  
Retirement System for General Employees  
1700 Convention Center Drive  
Miami Beach, Florida 33139

City of Miami Beach  
Retirement System for Unclassified Employees  
and Elected Officials  
1700 Convention Center Drive  
Miami Beach, Florida 33139

City of Miami Beach  
Retirement System for Firefighters and  
Police Officers  
605 Lincoln Road, Suite 400  
Miami Beach, Florida 33139

**5. Subsequent Events**

On December 2, 2004, the Loews Hotel exercised the Purchase Option as provided in Section 36.2(b)(iii) of the Ground Lease agreement, to acquire the land underlying the Loews Miami Beach Hotel from the Agency. The land was sold for \$27,883,787.

On February 16, 2005, the Agency sold to the Royal Palm Hotel Property, LLC, the land underlying the Royal Palm Hotel. The land was sold for \$12,530,700.