

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2006

CITY OF MIAMI BEACH, FLORIDA



MIAMI BEACH

City of Miami Beach, Florida

**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

FOR THE FISCAL YEAR ENDED

SEPTEMBER 30, 2006

Jorge M. Gonzalez
City Manager

Patricia D. Walker
Chief Financial Officer

Report prepared by: Finance Department

**City of Miami Beach, Florida
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2006**

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INTRODUCTORY SECTION



MIAMIBEACH

City of Miami Beach, 1700 Convention Center Drive, Miami Beach, Florida 33139, www.miamibeachfl.gov

April 6, 2007

Honorable Mayor and Members of the City Commission:

State law requires that all general-purpose local governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Miami Beach, Florida (the "City"), for the fiscal year ended September 30, 2006.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the governmental activities, business-type activities, fiduciary activities, and discretely presented components units of the City. All disclosures necessary to enable the reader to gain an understanding of the financial activities of the City have been included.

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

State statutes require an annual audit by independent certified public accountants. The accounting firm of McGladrey & Pullen, LLP was recommended by the City Manager, following a review by an appointed evaluation committee, and approved by the City Commission. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's basic financial statements for the fiscal year ended September 30, 2006, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the federal Single Audit Act of 1996 as amended and the State of Florida Single Audit Act in accordance with OMB Circular A-133 and Florida Rules of the Auditor General, Section 10.550 respectively. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Report.

We are committed to providing excellent public service and safety to all who live, work, and play in our vibrant, tropical, historic community.

As a recipient of federal, state, and county financial assistance, the City also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management and the Internal Audit Department of the City.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

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. The term for the Mayor is two years, with a term limit of six consecutive years. The term for the Commission is four years, with a term limit of eight consecutive years. The Commission is responsible, among other things, for passing ordinances, adopting the budget, approval of property tax levies, outstanding debt secured by the full faith credit of the City or any of its revenue streams, appointing committees, and hiring both the City's manager and attorney. The City's manager is responsible for carrying out the policies and ordinances of the Commission, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments.

The accompanying financial statements present the City and its component units, entities for which the City is considered financially responsible. 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 City provides a full range of services. These services include police and fire protection; recreational activities; cultural events; sanitation services; water, sewer and storm water services; neighborhood community services; and the construction and maintenance of streets and infrastructure. This report includes activities of the Miami Beach Visitor and Convention Authority, the Retirement System for General Employees, the Retirement System for Firefighters and Police Officers, the Retirement System for Unclassified Employees and Elected Officials, the Miami Beach Health Facilities Authority, and the Miami Beach Redevelopment Agency (the "Agency").

The annual budget serves as the foundation for the City's financial planning and control. At least 65 days prior to the beginning of the fiscal year, the City Commission is presented with a proposed budget. The proposed budget includes anticipated expenditures and the means of funding them. After Commission review and public hearings, the budget is adopted prior to October 1. The budget is approved by fund and department. Management may transfer amounts between line items within a department as long as the transfer does not result in an increase in the department budget. Increases to funds or department budgets and transfers between departments require Commission approval. Annual budgets are adopted on a basis consistent with GAAP for all governmental funds except the capital projects fund, which adopts project-length budgets. Budget-to-actual comparisons are provided in the required supplementary information section of this report for the general fund, the resort tax special revenue fund, and the Miami Beach Redevelopment Agency Special Revenue Fund. Funds and grants that have multi-year project budgets are not presented in the statements.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

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Local Economy. The City is a barrier island surrounded by the Atlantic Ocean to the east and Biscayne Bay to the west. Tourism is the largest contributor to the City's economy with almost \$1.6 billion in direct tourist spending on hotel, retail, food, and beverage alone. This spending generated almost \$3 billion in total output into the local economy, and almost \$1 billion in earnings. This past year, the City's hotels hosted over 4.8 million visitors, and almost 8 million tourists visited South Beach and the Art Deco Historic district. Additionally, the City remains a regional resource, with approximately 7-9 million day-trips by residents of the surrounding area, making the City one of the most popular attractions in Florida.

Moreover, the overall economy of the City continues to diversify, with a gross City product of \$6.3 billion in 2005. In recent years, the City has expanded beyond its traditional tourism based economy to become a multifaceted center for real estate, entertainment, health care, and culture. In 2006, the world's most prestigious art fair, based in Basel, Switzerland, held its fourth Miami Beach exhibition, with attendance and sales exceeding expectations. Additionally, the City and the New World Symphony have entered into a partnership through which the Symphony proposed to develop a new facility on City-owned land. This facility will be a technological wonder designed by celebrity architect Frank Gehry and the first of its kind in the world.

Commercial and residential construction accounted for over \$500 million in 2006. Retail tenants continue to open locations and expand in the City, joining established operations such as Armani Exchange, Kenneth Cole, Office Depot, Diesel, and Nichole Miller. New retailers include Apple and True Religion, in addition to an \$8 million renovation by Macy's. Class A office space in prime locations continues to be absorbed with a vacancy rate less than 9%. The office market is anchored by LNR Property Corporation, the City's largest corporate tenant.

The entertainment industry continues as an important part of the City's economy. The production sector spends more than \$70 million a year in the City for the production of movies and fashion campaigns, including, most recently Miami Vice. Many international talent and model agencies have locations in the City.

The corporate component of the industry continues to view the City as the epicenter of the Latin American entertainment industry. This is evidenced by the recent opening of branches by the William Morris Agency and Warner Music International.

The year-round corporate operations of this industry employees more than 1,200 individuals and contributes \$285 million to the local economy.

The City continues to be a leader in the real estate industry, as the median price of homes and condominiums continue to rise. The median sale price of a house in 2006 was \$1,097,500, up from \$900,000 in 2005. The median sales price of a condominium was \$334,000, up from \$287,000 in 2005.

Long-Term Financial Planning. In an effort to meet the service demands of residents and visitors, the City continues to address, with a creative and resourceful approach, the long-term financing necessary in order to fund the capital projects essential to the creation, improvement, enhancement and preservation of public facilities and infrastructure.

The City's FY 2006-2010 five year Capital Improvement Plan, covering the period from October 1, 2005 through September 30, 2010, has earmarked funding in an estimated \$501 million for the following program areas:

- ❖ Parking
 - Garages

We are committed to providing excellent public service and safety to all who live, work, and play in our vibrant, tropical, historic community.

- Surface Lots
- ❖ Parks and Recreation
 - Community Centers
 - Golf Courses
 - Parks
- ❖ Public Facilities
 - Convention Center & Theater of Performing Arts
 - General Public Buildings
- ❖ Public Works
 - Environmental
 - Lighting
 - Storm Drainage
 - Street/Sidewalk/Streetscape Improvements
- ❖ Equipment
 - Fleet Management
 - Information Technology
 - Property Management
 - Water & Sewer

The City, in an efficient and innovative manner, has prudently funded its Capital Improvement Program and for nine straight years achieved a reduction in its General Obligation Debt Service Millage to the current rate of 0.592 mills for fiscal year 2006. The City has been able to achieve this reduction in its Debt Service Millage at the same time, issuing over \$95.6 million in new debt through the following funding mechanisms during the last four years:

- \$62 million of General Obligation Bonds (for improvements to neighborhoods, parks and public safety),
- \$15 million Golf Course Loan, and
- \$16 million Equipment Loan

Debt Administration. The City continues to maintain its AA- rating with Standard and Poor's. In October of 2006, our rating with Moody's Investors Service was raised from A1 to Aa3. Under current state statutes, general obligation bonded debt issued by the City is subject to a legal limitation based on 15% of total assessed value of real and personal property. As of September 30, 2006, the general obligation bonded debt of the City totaling \$81.4 million was well below the legal limit of \$2.58 billion, and debt per capita equaled \$871.

Cash management policies and practices. In accordance with the City's investment policy, excess cash during the year was invested in U. S. Treasury obligations, U. S. government agencies, commercial paper, corporate bonds, money market funds, and repurchase agreements. The investment portfolio of the pension trust fund includes cash deposits, U. S. government securities, corporate bonds, common stock, money market funds, and commercial paper.

We are committed to providing excellent public service and safety to all who live, work, and play in our vibrant, tropical, historic community.

The average yield on investments, except for the pension trust funds, was 4.18%. The pension trust funds had a yield rate gain of 8.14% for this same period.

The investment policy of the City is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits were either covered by federal depository insurance or a collateral pool held by the State Treasurer for the benefit of all public deposits in Florida, or by collateral held by third parties in trust in the name of the City.

Risk Management. The City has a risk management program for workers' compensation, general liability, and auto liability. As part of this comprehensive plan, resources are being accumulated in the self-insurance internal service fund to meet potential losses. In addition, various risk control techniques, including employee accident prevention training, have been implemented to minimize accident-related losses.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2005. This was the nineteenth (19) consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.


A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City received the GFOA's Distinguished Budget Presentation Award for its annual budget for the fiscal year beginning October 1, 2005. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.


The preparation of the comprehensive annual financial report was made possible by the dedicated work and tireless efforts of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

In closing, without the leadership and support of the Mayor and City Commission, preparation of this report would not have been possible.

Sincerely,



Jorge M. Gonzalez
City Manager



Patricia D. Walker
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Miami Beach
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2005

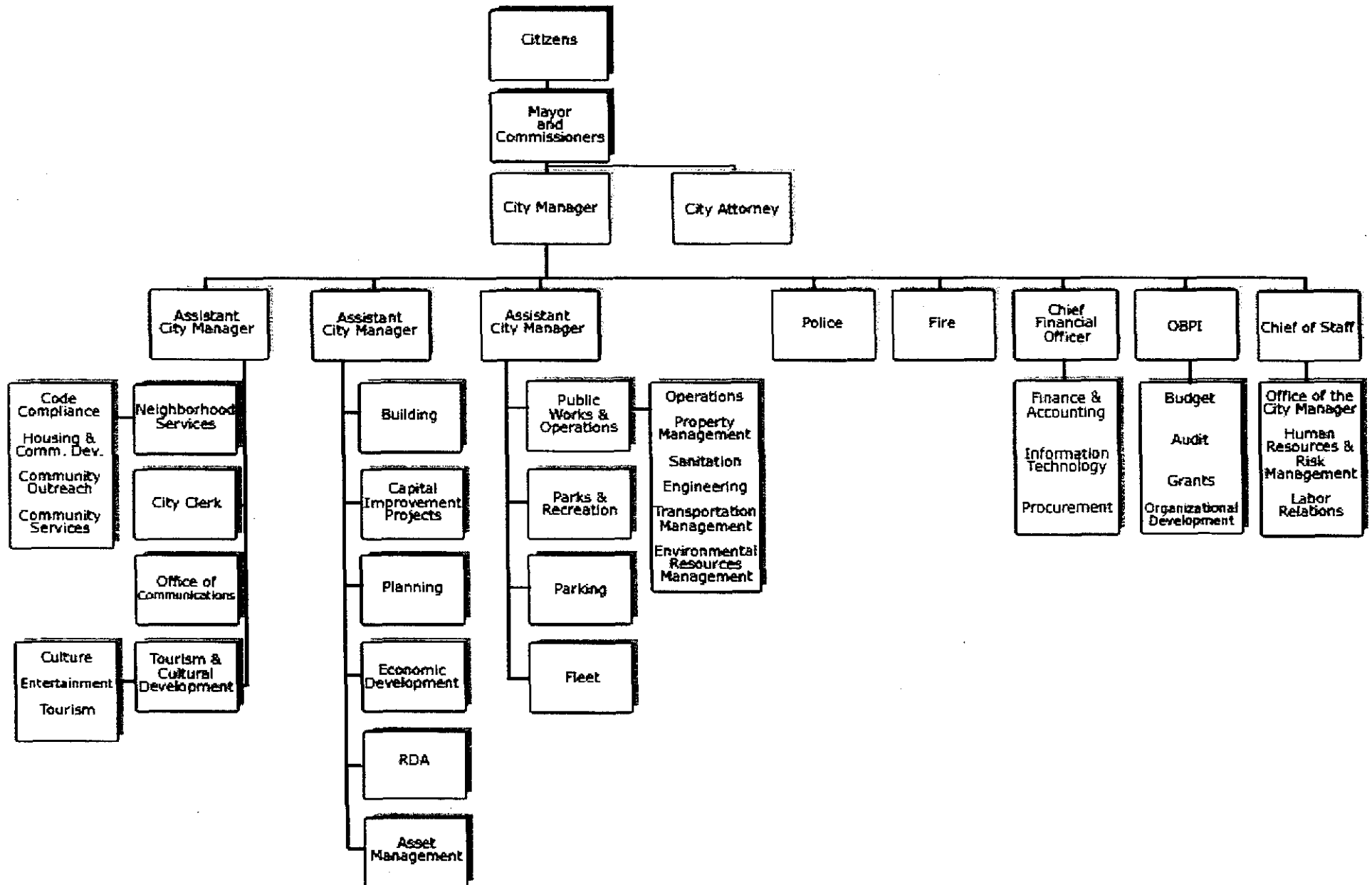
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

CITY OF MIAMI BEACH ORGANIZATIONAL CHART



CITY OF MIAMI BEACH, FLORIDA
List of Elected Officials and Administration

September 30, 2006

City Commission

David Dermer, Mayor

Matti Herrera Bower, Vice-Mayor

Simon Cruz, Commissioner
Luis R. Garcia, Jr., Commissioner
Saul Gross, Commissioner
Jerry Libbin, Commissioner
Richard L. Steinberg, Commissioner

Administration

Jorge M. Gonzalez, City Manager

Patricia D. Walker, Chief Financial Officer

Hilda Fernandez, Assistant City Manager
Timothy Hemstreet, Assistant City Manager
Robert C. Middaugh, Jr., Assistant City Manager

FINANCIAL SECTION

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To 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, 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, 2006, 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 Retirement System for Employees', the City of Miami Beach Florida Retirement System for Firefighters and Police Officers, the Firemen's Relief and Pension Fund, and the Policemen's Relief and Pension Fund (collectively the Plans), which financial statements represent 92% and 73%, of the assets and revenues/additions, respectively, of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Plans, is based solely on the report 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 Employees' Retirement System and the City of Miami Beach Florida Retirement System for Firefighters and Police Officers and the Policeman's Relief and Pension Fund 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 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, provides 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, each major fund and the aggregate remaining fund information of the City of Miami Beach, Florida, as of September 30, 2006, and the respective changes in financial position, and, where applicable, cash flows, 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 a report dated April 6, 2007 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 27, the schedules of funding progress – Retirement Systems, on page 81 and the budgetary comparison information for the general fund, resort tax revenue fund, and Miami Beach Redevelopment Agency fund on pages 82 through 84 are not a required part of the basic financial statements but are supplementary information required by the 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, the combining and individual nonmajor fund financial statements and schedules and the 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 financial 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 and statistical sections, 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.

McGladrey & Pullen, LLP

Miami-Dade County, Florida
April 6, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

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, 2006. 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, 2006 by \$733.8 million (net assets). Of this amount, \$440.8 million was invested in capital assets, net of related debt. Additionally, \$125.9 million was restricted by laws, agreements, or debt covenants. The City has unrestricted net assets of \$167.1 million.
- During fiscal year 2006, the City's net assets increased by \$98.6 million. Of this increase, \$83.3 million was in governmental activities and the remaining increase of \$15.3 million in business-type activities. Revenues from charges for services increased \$4 million or 2.9%, operating grants and contributions increased \$19.4 million or 43.4%, capital grants and contributions increased \$1 million or 43.4% and general revenues increased \$61.1 million or 39.4%. Expenses also increased \$5.9 million or 1.8%.
- The City's assets increased by \$107.9 million or 9.2%. The increase is mainly attributed to an increase in cash and investments of \$58.3 or 12.3% and an increase in capital assets, net of accumulated depreciation of \$41.7 million or 6.3%.
- The City's total long-term liabilities increased by \$11.2 million or 2.2 % during the year. The net increase is firstly attributed to the issue of \$60 million in new debt, which consisted of \$36.7 for refunding the 1995 water and sewer bonds and \$23.3 million in new money for the finance of water and sewer projects within the City. Secondly, annual scheduled debt payments decreased bonded debt by \$15.5 million. Other net increases included \$1.3 million for claims and judgments, \$1.2 million for compensated absences and \$1 million for loans.
- At September 30, 2006, unreserved fund balance in the City's governmental fund was \$255.2 million. This includes the general fund, with an unreserved fund balance of \$36.7 million. Revenues and transfers for the governmental funds were \$449.7 million while expenditures and transfers were \$407.6 million. The general fund accounted for \$216.9 million of the revenues and transfers and \$214.4 million of the expenditures and transfers.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

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 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 28-29 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 all of the above funds to demonstrate compliance with the 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 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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

accumulate and allocate costs 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 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 of 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, and 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 34-37 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 38-39 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 40-80 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 81-84 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 85-108 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	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 333,927	\$ 288,434	\$ 244,900	\$ 224,128	\$ 578,827	\$ 512,562
Capital assets	349,401	320,814	358,841	345,753	708,242	666,567
Total assets	<u>683,328</u>	<u>609,248</u>	<u>603,741</u>	<u>569,881</u>	<u>1,287,069</u>	<u>1,179,129</u>
Long-term liabilities						
outstanding	317,091	328,310	200,858	178,467	517,949	506,777
Other liabilities	23,202	21,189	12,103	15,953	35,305	37,142
Total liabilities	<u>340,293</u>	<u>349,499</u>	<u>212,961</u>	<u>194,420</u>	<u>553,254</u>	<u>543,919</u>
Net assets:						
Invested in capital assets,						
net of related debt	191,314	158,235	249,458	256,118	440,772	414,353
Restricted	117,342	97,309	37,970	12,920	155,312	110,229
Unrestricted	34,379	4,205	103,352	106,423	137,731	110,628
	<u>\$ 343,035</u>	<u>\$ 259,749</u>	<u>\$ 390,780</u>	<u>\$ 375,461</u>	<u>\$ 733,815</u>	<u>\$ 635,210</u>

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 \$733.8 million at September 30, 2006, an increase of \$98.6 million or 15.5% from the prior year.

By far the largest portion of the City's net assets, \$440.8 million or 60.1%, 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, \$155.3 million or 21.2% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$137.7 million or 18.8% includes \$22.5 designated for contingencies and \$2 million designated for the future funding of postemployment benefits other than pensions, under the provisions of Governmental Accounting Standards Board Statement No. 45. The remaining unrestricted net assets of \$113.2 million may be used to meet the City's ongoing obligations to citizens and creditors.

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 \$98.6 million or 15.5% during the current fiscal year. Governmental activities accounted for an increase of \$83.3 million or 84.5% while Business-type accounted for \$15.3 million or 15.5% of the increase.

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)

	2006	2005
Revenues:		
Program revenues:		
Charges for services	\$ 45,564	\$ 42,338
Operating grants and contributions	45,361	24,261
Capital grants and contributions	2,464	1,718
General revenues:		
Taxes:		
Property taxes, levied for general purposes	110,832	79,594
Property taxes, levied for debt services	9,848	10,059
Resort taxes	34,265	32,112
Tax increment	24,935	29,815
Utility taxes	12,999	12,785
Franchise taxes	9,258	8,030
Miscellaneous	170	224
Unrestricted investment earnings	13,696	8,164
Total revenues	<u>309,392</u>	<u>249,100</u>
Expenses:		
General government	43,639	39,320
Public safety	121,679	110,402
Physical environment	4,088	4,378
Transportation	694	10,666
Economic environment	233	6,976
Human services	1,840	2,323
Culture and recreation	40,288	36,737
Interest on long-term debt	12,991	19,285
Total expenses	<u>225,452</u>	<u>230,087</u>
Increase in net assets before transfers	83,940	19,013
Transfers	(654)	926
Loss on sale of land and building		(25,839)
(Decrease) increase in net assets	83,286	(5,900)
Net assets - beginning	259,749	265,649
Net assets - ending	<u>\$ 343,035</u>	<u>\$ 259,749</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

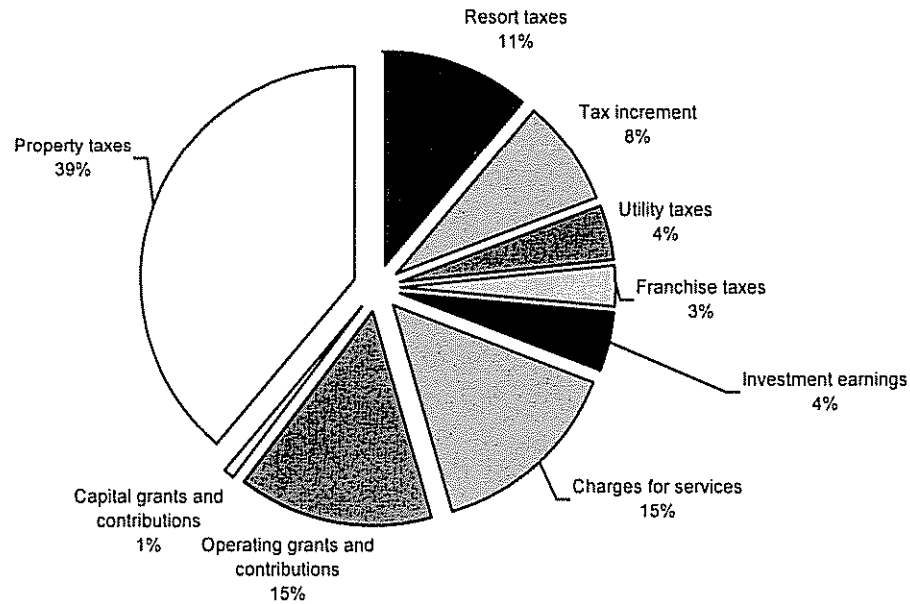
Governmental activities. Governmental activities increased the City's net assets by \$83.3 million, thereby accounting for 84.5% of the total growth in the net assets of the City.

Key elements of the net increase are as follows:

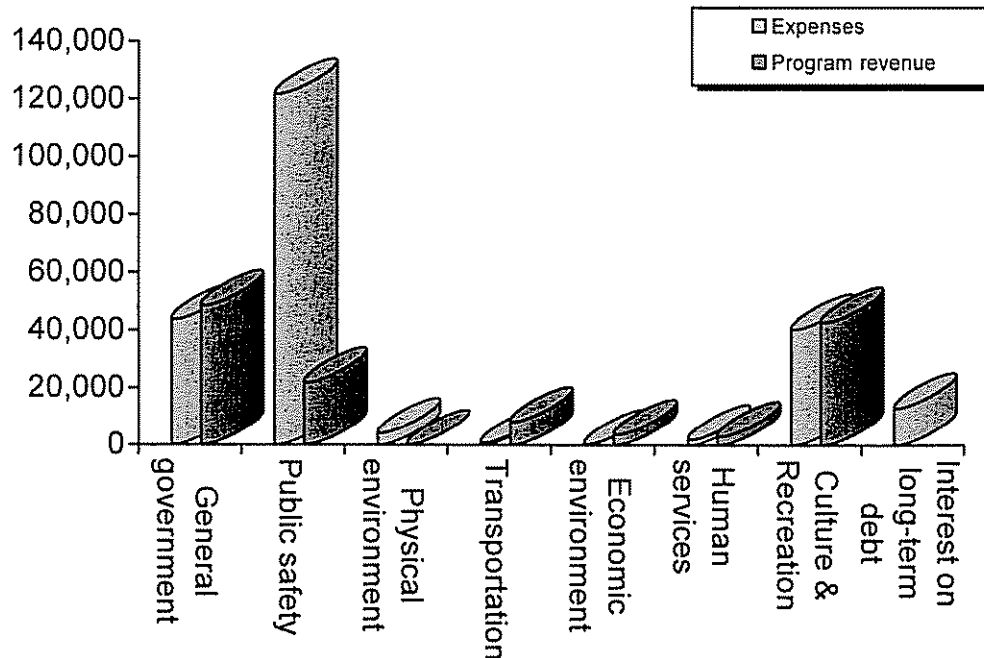
- Property taxes collected for general purposes increased by \$31.2 million or 39.2% over the prior year. This was attributed to an increase in taxable property values from \$14 billion to \$17.4 billion, which includes \$825.2 million in new construction. The City's operating millage rate increased from 7.425 mills to 7.481 mills, while the debt service millage rate decreased from .748 mills to .592 mills. In addition, with the expiration of the South Pointe redevelopment district, one half of the City's ad-valorem revenue previously collected as tax increments and restricted to the South Pointe district is now available for use Citywide.
- Operating grants and contributions increased by \$21 million or 87%. This resulted from an increase of \$20.4 million or 229.7% in intergovernmental revenue. Intergovernmental revenues are received by the City through interlocal agreements with Miami-Dade county, Bond proceeds from Miami-Dade county and Federal, State and local grants, including the U.S. Department of Housing and Urban Development, U.S. Department of Justice, U.S. Department of Homeland Security, Florida Housing Finance Corporation, Florida Department of State-Division of Cultural Affairs and Miami-Dade County.
- Charges for service related to programs had a net increase of \$3.2 million or 7.6%. \$2.2 million or 12.7% of the increase relates to general government programs and \$2.2 million or 12% relate to public safety programs. The City receives revenue from charges for parks and recreational activities, including the Miami Beach Golf Club, rents and leases, license and permits, fines and forfeitures and other miscellaneous revenues.
- Resort taxes increased by \$2.2, franchise taxes increased by \$1.2 million, capital contributions from business-type activities increased by \$1.2 million, charges for service increased \$3.2 million, and investment earnings increased \$5.5 million.
- Tax increments had a net decrease of \$4.8 million or 16.4% which resulted from the expiration of the South Pointe redevelopment district. At September 30, 2005, the City and Miami-Dade county ceased tax increment payment to the South Pointe redevelopment district.
- Total expenses for the governmental activities had a net decrease of \$4.6 million or 2%. Major components of the net decrease are as follows:
 - \$4.3 million or 11% increase in general government activities.
 - \$11.3 million or 10.2% increase in public safety activities.
 - \$10 million or 93.5% decrease in transportation activities.
 - \$6.7 million or 96.7% decrease in economic environment activities.
 - \$6.3 million or 32.6 % decrease in interest on long-term debt.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Revenue by Source – Governmental Activities
for the year ended September 30, 2006 (in thousands)



Expenses and Program Revenues – Governmental Activities
for the year ended September 30, 2006 (in thousands)



MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

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>2006</u>	<u>2005</u>
Revenues:		
Program revenues:		
Charges for services	\$ 94,110	\$ 93,373
Operating grants and contributions	18,750	20,459
General revenues:		
Unrestricted investment earnings	6,404	6,896
Total revenues	<u>119,264</u>	<u>120,728</u>
Expenses:		
Storm water	4,354	4,666
Water	20,974	17,673
Sewer	23,747	25,075
Parking	20,378	19,147
Convention Center	18,139	16,886
Sanitation	15,072	8,934
Redevelopment Agency's Parking	1,737	1,567
Redevelopment Agency's Leasing	197	119
Total expenses	<u>104,598</u>	<u>94,067</u>
Increase in net assets before transfers	14,666	26,661
Transfers	654	(926)
Increase in net assets	15,320	25,735
Net assets - beginning	375,460	349,725
Net assets - ending	<u>\$ 390,780</u>	<u>\$ 375,460</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Business-type activities. Business-type activities increased the City's net assets by \$15.3 million, thereby accounting for 15.5% of the total growth in the net assets of the City.

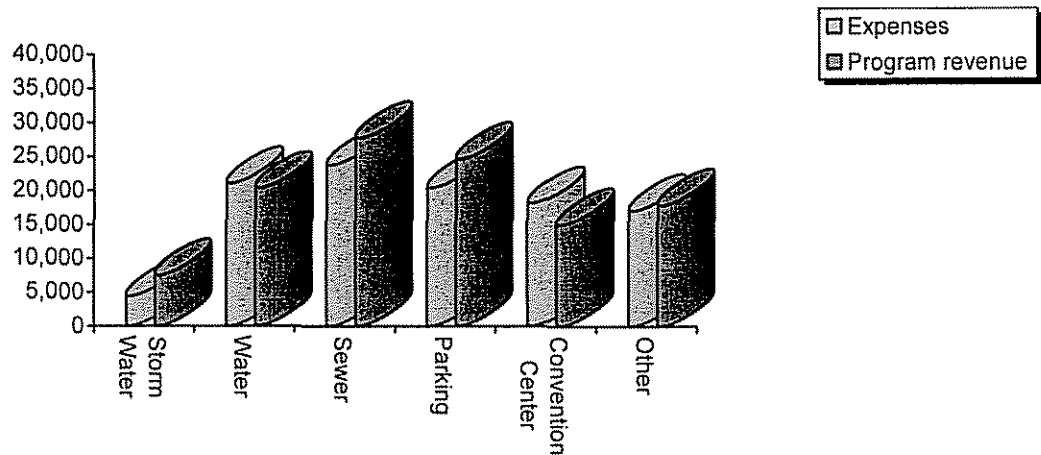
Key elements of the net increase are as follows:

- The Stormwater fund had a change in net assets of \$4.7 million. Operating revenues decreased by \$435 thousand or 5.5% and operating expenses decreased by \$198 thousand or 7.4% from the prior year. Non-operating revenues/expenses decreased by \$833 thousand or 72.7% from the prior year. Decreases in revenues resulted from increased renovation on multi-units properties within the City. While under renovation, only one unit of stormwater is charged to a property. The Stormwater rate was \$5.80 per unit during the fiscal year.
- The Water and Sewer fund had a change in net assets of \$5.8 million. Operating revenues decreased by \$3.4 million or 6.7% while operating expenses increased by \$781 thousand or 1.9% from the prior year. Non-operating revenues/expenses increased by \$1.6 million or 198.2 % from the prior year. Water usage charges remained constant, while related fees for firelines, tapping, connection, and water impact had decreases based on demand for such services. Sewer revenue accounted for approximately \$1.2 million of the decrease, this include decreases in sewer usage charges, sewer connection fees and sewer impact fees. Sewer usage fees are charged based on readings from a water and sewer meter. However, with the installation of a separate irrigation meter, City residents are no longer charged for units of sewer consumption. Each year, residents continue to install more irrigation meters which result in decrease sewer usage revenue to the City.
- The Parking Systems fund had a change in net assets of \$5.9 million. Operating revenues decreased by \$3.8 million or 13.3%, while operating expenses increased by \$1.3 million or 7.2% from the prior year. Non-operating revenues/expenses increased by \$395 thousand or 462.1% from the prior year. Overall changes resulted from the fact that in the prior fiscal year, the Parking Systems fund recorded a \$3.5 million one-time non-recurring lease revenue adjustment for straight-line revenue recognition provisions, increases in the cost for personal services, internal charges, and a decrease in transfers out.
- The Convention Center Fund had a change in net assets of (\$3 million). Operating revenues increased by \$1.3 million or 9.2% and operating expenses increased by \$1.3 million or 7.6% from the prior year. Non-operating revenues/expenses increased by \$109 thousand or 219.2% from the prior year. Historically the Convention Center fund has had net operating losses of approximately \$3 million annually, with \$3.8 million in 2004, \$3.1 million in 2005 and \$3.1 million in 2006.
- Other Enterprise Funds, which includes the Sanitation, RDA Parking and RDA leasing Funds, had a change in net assets of \$1.8 million. Operating revenues increased by \$5.4 million or 44.1% and operating expenses increased by \$6.4 million or 60.8% from the prior year. Non-operating revenues/expenses increased by \$301 thousand or 425% from the prior year. Overall changes which occurred primarily in the Sanitation fund resulted from the increase in reimbursements received from the Federal Emergency Management Agency (FEMA). The City received \$3.6 million in fiscal year 2006 for Hurricane Katrina and Wilma related expenses as compared to \$1.3 million in the prior year. In addition, \$2.6 million was received from Miami-Dade County as part of a post South Pointe District interlocal agreement. Major areas of increases in expenses over the prior year were in personal services which increased by \$1.2 million, operating supplies and other operating which increased by \$3.2 million and contractual services which increased by \$1.4 million.

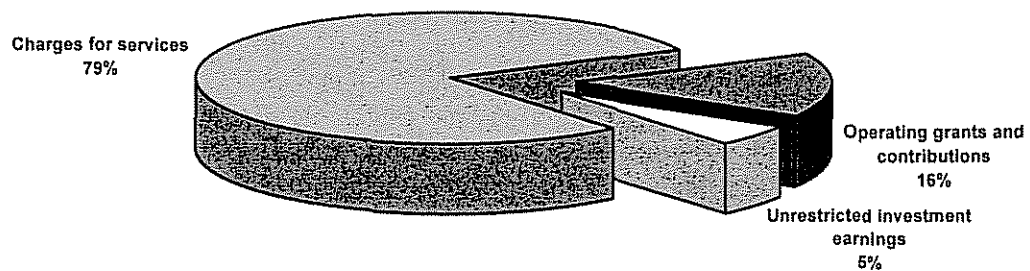
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

The following chart shows a comparison of expenses to program revenues for business-type activities for fiscal year 2006:

Expenses and Program Revenues – Business-type Activities
for the year ended September 30, 2006 (in thousands)



Revenue by Source – Business-type Activities
for the year ended September 30, 2006 (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.

Governmental Funds (in thousands)						
	<u>General</u>	<u>Resort Tax</u>	<u>Miami Beach Redevel- opment Agency</u>	<u>Capital Projects</u>	<u>Other Govern- mental Funds</u>	<u>Total Govern- mental Funds</u>
Fund balances						
Sep. 30, 2005	\$ 35,258	\$ 9,770	\$ 70,510	\$ 98,053	\$ 32,883	\$ 246,474
Revenues	195,921	35,532	26,765	24,781	24,631	307,630
Expenditures	(186,571)	(7,955)	(9,205)	(24,312)	(35,155)	(263,198)
Other financing sources (uses)	(6,790)	(28,755)	(47,259)	60,448	20,032	(2,324)
Fund balances						
Sept. 30, 2006	<u>\$ 37,818</u>	<u>\$ 8,592</u>	<u>\$ 40,811</u>	<u>\$ 158,970</u>	<u>\$ 42,391</u>	<u>\$ 288,582</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 City's general fund is required to adopt an annual budget prepared on a basis consistent with Accounting Principles Generally Accepted in the United States of America (GAAP). Surpluses from any prior fiscal years cannot be appropriated in future fiscal years. 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 \$36.7 million, while total fund balance reached \$37.8 million. The general fund's net change in fund balance for the fiscal year was \$2.6 million. One key factor in this growth was the ability to maintain expenditures under budgeted amounts. Overall revenues increased by \$41.9 million or 27.2%, with ad-valorem tax revenues increasing by \$30.2 million or 37.9%. Expenditures in the general fund also increased by \$27.3 million or 17.2%. General government expenditures increased by \$11.6 million, public safety expenditures increased by \$11.9 million and culture and recreation expenditures increased by \$2.9 million. As a measure of a 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 19.6% of total general fund expenditures, while total fund balance represents 20.3% of the same amount.

The resort tax fund accounts for the collection of special tax levied city-wide on food, beverage and room rents used to support tourist related activities. The resort tax fund balance decreased by \$1.2 million or 12.1% from the prior fiscal year. Resort taxes collected during the year increased \$3.2 million or 9.8% while other financing sources/uses increased by \$8.5 million or 41.6% and expenditure decreased by \$1 million or 6.8%. Unreserved fund balance represents 96.5% of total resort tax fund expenditures, while total fund balance represents 92.6% of the same amount.

The Miami Beach Redevelopment Agency (the 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 fund balance of the Miami Beach Redevelopment Agency Special

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Revenue Fund decreased \$29.7 million or 42.1% from the prior fiscal year. The net decrease resulted from a transfer out of \$34.6 million which represents the residual equity in the Agency's South Pointe District general fund. At September 30, 2005, the South Pointe District under the Agency's jurisdiction expired and the City assumed the full rights and responsibilities for such. As a result, on October 1, 2005 the residual equity, including the assets and liabilities of the Agency's South Pointe general fund was transferred into the City's Other Special Revenue fund. Unreserved fund balance represents 22.8% of total Agency fund expenditures, while total fund balance represents 22.6% of the same amount.

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 and intergovernmental revenues. The capital projects fund balance increased by \$60.9 million or 62.1% from the prior fiscal year. Intergovernmental revenues increased by \$19.5 million and transfers in increased by \$45.9 million. In addition, expenditures for transportation activities increased \$3.3 million while economic environment activities decreased \$2.8 million. Unreserved fund balance represents 6.6% of total capital project fund expenditures, while total fund balance represents 5.8% of the same amount.

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 \$15.3 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.

The net variance between the adopted budget and the amended budget for estimated revenues and other financing sources was approximately \$121 thousand dollars. This net variance consisted primarily of a negative variance in ad-valorem taxes of \$2 million, which includes \$1.1 million of delinquent taxes, and a negative variance in other revenues of \$1.8 million due to uncollectible revenues at September 30, 2006. Revenues and related receivables 90 days past due at September 30, are deemed uncollectible and an allowance is created for such. At September 30, 2006, \$395 thousand in revenue was deemed uncollectible in the general fund. In addition, the general fund had a positive variance from charges for services of \$1.1 million specifically from youth centers and summer and after school care programs.

The net variance between the adopted budget and the amended budget for appropriations was approximately \$2.9 million. This resulted mainly from a positive variance of \$1.2 million in general government functions, \$1 million from capital improvement/upkeep programs and special projects, \$5.2 million resulted from over appropriations for capital renewal and replacement and \$1 million from transfers out.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

General Fund Revenues
for the fiscal year ended September 30, 2006
(in thousands)

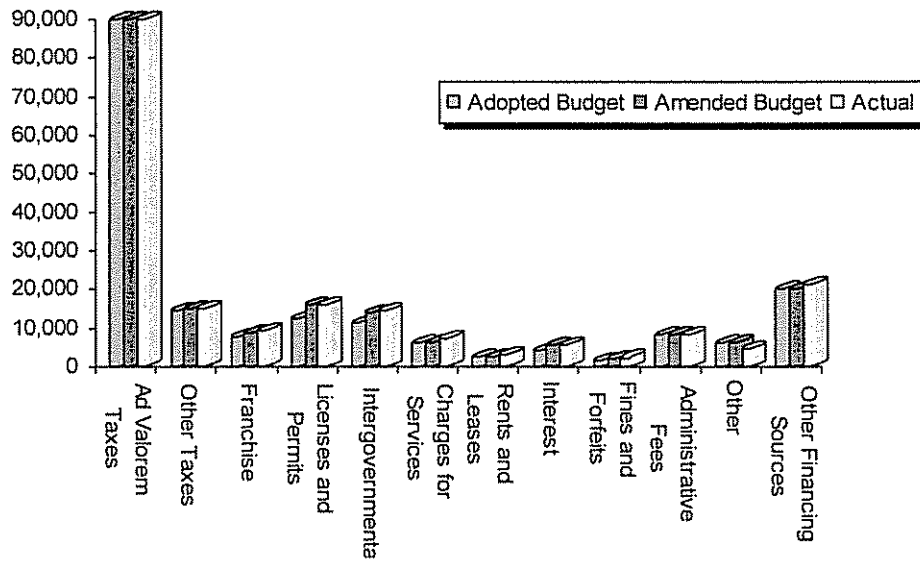
	Original Adopted Budget	Final Amended Budget	Actual
Taxes:			
Property	\$ 111,778	\$ 111,778	\$ 109,817
Sales, use, fuel	1,820	1,820	1,816
Utility	12,828	13,158	12,999
Taxes	<u>126,426</u>	<u>126,756</u>	<u>124,632</u>
Other than taxes:			
Franchise	7,935	9,008	9,258
Licenses and permits	12,485	15,839	16,049
Intergovernmental	11,567	14,114	14,383
Charges for services	6,337	6,337	7,439
Rents and leases	2,529	2,529	3,190
Interest income	4,240	5,794	5,795
Fines and forfeits	1,584	1,859	2,317
Administrative fees	8,414	8,414	8,427
Other	6,277	6,277	4,431
Other financing sources	<u>20,131</u>	<u>20,131</u>	<u>21,016</u>
Other than taxes	<u>81,499</u>	<u>90,302</u>	<u>92,305</u>
Total revenues	<u>\$ 207,925</u>	<u>\$ 217,058</u>	<u>\$ 216,937</u>

General Fund Expenditures
for the fiscal year ended September 30, 2006
(in thousands)

	Original Adopted Budget	Final Amended Budget	Actual
General government	\$ 37,072	\$ 38,053	\$ 36,848
Public safety	113,025	114,541	114,572
Physical environment	1,906	2,995	2,846
Transportation	3,791	3,572	3,360
Economic environment	1,739	1,703	1,636
Human services	982	918	919
Culture and recreation	26,428	24,909	24,637
Debt service	2,013	2,013	1,753
Other financing uses	<u>20,955</u>	<u>28,572</u>	<u>27,806</u>
Total expenditure	<u>\$ 207,911</u>	<u>\$ 217,276</u>	<u>\$ 214,377</u>

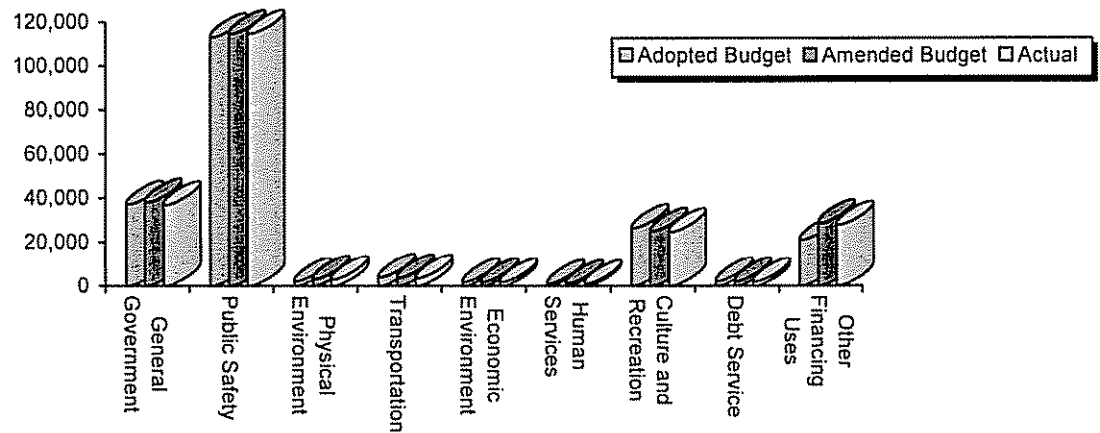
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

General Fund Revenues
for the year ended September 30, 2006 (in thousands).



The following chart and table summarizes actual expenditures by function/program for fiscal year 2006 and compares expenditures with Adopted Budget, Amended Budget and Actual

General Fund Expenditure
for the year ended September 30, 2006 (in thousands).



MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities at September 30, 2006 amounts to \$708.2 million (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):

	Capital Assets (in thousands)					
	Governmental		Business-Type		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 45,453	\$ 45,453	\$ 24,274	\$ 23,602	\$ 69,727	\$ 69,055
Construction						
work-in-progress	189,625	165,815	172,437	156,260	362,062	322,075
Building & Structure	44,382	41,355	128,632	131,584	173,014	172,939
Permanent						
improvements	11,090	14,506	2,039	2,112	13,129	16,618
Furniture, Fixtures &						
Equipment	23,398	20,701	13,137	13,243	36,535	33,944
Infrastructure	35,453	32,984	18,322	18,952	53,775	51,936
Total	<u>\$ 349,401</u>	<u>\$ 320,814</u>	<u>\$ 358,841</u>	<u>\$ 345,753</u>	<u>\$ 708,242</u>	<u>\$ 666,567</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:

- Improvements to the 26.34-acre Lummus Park per the City of Miami Beach Parks Master Plan, 1996. Proposed elements include: new restroom building at 14th Street without concession; restored restroom at 6th Street; beach volleyball and soccer area; resurfacing of serpentine walk; widening of sidewalk along Ocean Drive; 2 new tot lots; new playground; signage; park furnishings; landscaping including areas east of wall; irrigation; and new palm trees with up lighting.
- Construction of the "Beachwalk" project between 14th Terrace and 21st Street. The Beachwalk is an at-grade recreational path made of a pavers system which allows access for pedestrians, rollerbladers and bicyclists. The project was designed with turtle friendly lighting, native landscaping and other natural amenities to enhance the project. The purpose of the Beachwalk project is to create a multi-purpose public access corridor, within a public easement, which runs along the western edge (upland side) of the sand dunes, immediately east of the beachfront properties, in the City's South Beach District. The corridor will interconnect area business districts, cultural & tourism centers, residential neighborhoods, parking facilities, parks, schools and the beaches.
- Continued 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

- Completion of 41 Street Bridge with improvements to traffic flow and enhanced lighting and aesthetics.
- Full renovation of the Colony Theatre which includes seating, lighting, restoration of front façade, ticketing both, and marquee as well as expansion of back stage.
- Continued 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.
- Renovations to the La Gorce Neighborhood Right-of-Way Improvement project which may include street resurfacing, swale restoration, repairs of sidewalks, street lighting upgrades, enhanced landscaping and entryway features.
- Construction of Miami Beach Convention Center ADA improvements to include: restroom, door, and box office improvements.
- Continued 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 beach front restrooms located at 21st Street (Collins Park), 35th Street, 46th Street (Indian Beach Park), 64th Street (Allison Park).
- Continued 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 a green waste facility for residential green waste.
- Renovation consisting of milling, paving, and striping for the following roads were performed. Ocean Drive - 5th to 15th St and Bay Road - 15th Street to Lincoln Road.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Long-term Debt

At the end of the current fiscal year, the City had a total bonded debt, loans and other long-term debt of \$474.7 million. Governmental activities debt decreased by a net amount of \$13.3 million or 4.5% while, business-type activities debt increased by a net amount of \$20.8 million or 12.2%.

During the year, the City issued \$60 million in new debt, which consisted of \$36.7 for refunding the 1995 water and sewer bonds and \$23.3 million in new money for the financing of water and sewer projects within the City. In addition, the City drew an additional \$2.5 million on a loan agreement to purchase machinery and equipment.

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

	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
General obligation	\$ 81,440	\$ 87,500	\$	\$	\$ 81,440	\$ 87,500
Special obligation	184,905	191,907			184,905	191,907
Revenue bonds			191,665	170,763	191,665	170,763
Loans	12,905	12,295	495	561	13,400	12,856
Other debt	3,266	4,089			3,266	4,089
Total	<u>\$ 282,516</u>	<u>\$ 295,791</u>	<u>\$ 192,160</u>	<u>\$ 171,324</u>	<u>\$ 474,676</u>	<u>\$ 467,115</u>

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, FLORIDA
STATEMENT OF NET ASSETS
September 30, 2006

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and investments	\$ 310,992,798	\$ 61,099,581	\$ 372,092,379	\$ 2,243,247
Cash with fiscal agent	100,000		100,000	
Receivables (net)	12,996,073	17,158,159	30,154,232	276,035
Due from other governments	5,625,626	1,360,844	6,986,470	
Internal balances	(482,735)	482,735		
Prepaid expenses	876,095	146,172	1,022,267	
Inventories	442,025	1,940,085	2,382,110	
Restricted cash and investments		158,964,983	158,964,983	
Deferred charges	3,376,939	3,746,875	7,123,814	
Capital assets not being depreciated:				
Land	45,453,400	24,274,408	69,727,808	
Construction in progress	189,624,992	172,436,986	362,061,978	
Capital assets net of accumulated depreciation:				
Buildings and structures	44,381,880	128,631,973	173,013,853	
Permanent improvements	11,089,776	2,039,041	13,128,817	
Machinery and equipment	23,397,665	13,136,513	36,534,178	1,697
Infrastructure	35,453,388	18,322,328	53,775,716	
Total assets	683,327,922	603,740,683	1,287,068,605	2,520,979
LIABILITIES				
Accounts payable	11,655,845	5,881,843	17,537,688	1,872
Accrued expenses	5,275,174	5,139,834	10,415,008	291,331
Accrued interest payable	3,147,715		3,147,715	
Unearned/Deferred revenue	3,120,307	981,900	4,102,207	
Due to other governments	2,992	100,023	103,015	
Noncurrent liabilities:				
Due within one year	26,606,846	9,945,536	36,552,382	
Due in more than one year	290,484,291	190,911,562	481,395,853	
Total liabilities	340,293,170	212,960,698	553,253,868	293,203
NET ASSETS				
Invested in capital assets, net of related debt	191,314,123	249,458,274	440,772,397	1,697
Restricted for:				
Debt Service	24,519,644	15,292,073	39,811,717	
Economic development	45,959,720	13,685,359	59,645,079	
Transportation	18,154,273		18,154,273	
Other purposes	8,299,971		8,299,971	
Unrestricted	54,787,021	112,344,279	167,131,300	2,226,079
Total net assets	\$ 343,034,752	\$ 390,779,985	\$ 733,814,737	\$ 2,227,776

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, 2006

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		
Primary government:									
Governmental activities:									
General government	\$ 43,639,010	\$ 19,464,495	\$ 28,933,421	\$	\$ 4,758,906	\$	\$ 4,758,906	\$	
Public safety	121,678,913	20,452,808	920,629	370,154	(99,935,322)		(99,935,322)		
Physical environment	4,088,447			21,646	(4,066,801)		(4,066,801)		
Transportation	693,673	65,111	8,060,913		7,432,351		7,432,351		
Economic environment	232,748		3,643,259		3,410,511		3,410,511		
Human services	1,839,731		3,007,057		1,167,326		1,167,326		
Culture and recreation	40,288,229	5,581,803	795,760	2,072,439	(31,838,227)		(31,838,227)		
Interest on long-term debt	12,991,581				(12,991,581)		(12,991,581)		
Total governmental activities	225,452,332	45,564,217	45,361,039	2,464,239	(132,062,837)		(132,062,837)		
Business-type activities:									
Storm Water	4,353,932	7,415,170	25,343			3,086,581	3,086,581		
Water	20,974,282	20,131,642	192,210			(650,430)	(650,430)		
Sewer	23,747,056	27,492,458	216,586			3,961,988	3,961,988		
Parking	20,378,613	22,118,981	2,534,313			4,274,681	4,274,681		
Convention Center	18,139,037	9,486,466	5,440,359			(3,212,212)	(3,212,212)		
Sanitation	15,071,932	4,575,016	10,341,117			(155,799)	(155,799)		
Redevelopment Agency's									
Parking	1,736,765	2,224,215				487,450	487,450		
Redevelopment Agency's									
Leasing	196,637	666,285				469,648	469,648		
Total business-type activities	104,598,254	94,110,233	18,749,928			8,261,907	8,261,907		
Total primary government	\$ 330,050,586	\$ 139,674,450	\$ 64,110,967	\$ 2,464,239	(132,062,837)	8,261,907	(123,800,930)		
Component units:									
Visitor and Convention	\$ 1,210,462	\$	\$ 77,413	\$				(1,133,049)	
Health Facilities	1,000,831							(1,000,831)	
Total component units	\$ 2,211,293	\$	\$ 77,413	\$				(2,133,880)	
General revenues:									
Taxes:									
Property taxes, levied for general purposes					110,831,691		110,831,691		
Property taxes, levied for debt service					9,847,737		9,847,737		
Resort taxes					34,265,010		34,265,010		
Tax increment					24,934,704		24,934,704		
Utility taxes					12,998,955		12,998,955		
Franchise taxes					9,258,301		9,258,301		
Miscellaneous					169,664		169,664	1,497,180	
Unrestricted investment earnings					13,696,366	6,403,497	20,099,863		
Transfers					(654,166)	654,166		10,427	
Total general revenues and transfers					215,348,262	7,057,663	222,405,925	1,507,607	
Change in net assets					83,285,425	15,319,570	98,604,995	(626,273)	
Net assets - beginning					259,749,327	375,460,415	635,209,742	2,854,049	
Net assets - ending					\$ 343,034,752	\$ 390,779,985	\$ 733,814,737	\$ 2,227,776	

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

CITY OF MIAMI BEACH, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2006

	General	Resort Tax	Miami Beach Redevelopment Agency	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 39,640,455	\$ 6,984,214	\$ 41,783,933	\$ 157,027,502	\$ 43,507,785	\$ 288,943,889
Receivables (net of allowance for uncollectibles)	6,724,236	2,543,635		39,641	587,192	9,894,704
Accrued interest	2,117,289		191,749	466,144	208,053	2,983,235
Due from other funds	2,091,944		388,191		75,362	2,555,497
Due from other governments	186,638			5,170,830	268,158	5,625,626
Inventories				41,438		41,438
Prepaid expenditures			4,490	2,626	15,685	22,801
Total assets	<u>\$ 50,760,562</u>	<u>\$ 9,527,849</u>	<u>\$ 42,368,363</u>	<u>\$ 162,748,181</u>	<u>\$ 44,662,235</u>	<u>\$ 310,067,190</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 4,743,927	\$ 103,769	\$ 98,719	\$ 2,576,520	\$ 1,697,859	\$ 9,220,794
Accrued expenditures	4,148,519	471,687	42,081		185,298	4,847,585
Unearned/Deferred revenues	3,948,875			244,462	131,901	4,325,238
Due to other governments	700			2,292		2,992
Due to other funds	100,772	360,288	1,416,318	954,703	256,047	3,088,128
Total liabilities	<u>12,942,793</u>	<u>935,744</u>	<u>1,557,118</u>	<u>3,777,977</u>	<u>2,271,105</u>	<u>21,484,737</u>
Fund balances:						
Reserved for:						
Encumbrances	1,128,937	350,682	515,849	20,407,560	2,044,695	24,447,723
Debt service					8,904,571	8,904,571
Inventories				41,438		41,438
Prepaid			4,490	2,626	15,685	22,801
Unreserved:						
Designated for contingencies	22,547,282					22,547,282
Undesignated:						
General	14,141,550					14,141,550
Special Revenue		8,241,423	40,290,906		31,426,179	79,958,508
Capital Projects				138,518,580		138,518,580
Total fund balances	<u>37,817,769</u>	<u>8,592,105</u>	<u>40,811,245</u>	<u>158,970,204</u>	<u>42,391,130</u>	<u>288,582,453</u>
Total liabilities and fund balances	<u>\$ 50,760,562</u>	<u>\$ 9,527,849</u>	<u>\$ 42,368,363</u>	<u>\$ 162,748,181</u>	<u>\$ 44,662,235</u>	<u>\$ 310,067,190</u>

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

CITY OF MIAMI BEACH, FLORIDA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
For the Year Ended September 30, 2006

Total fund balances - governmental funds **\$ 288,582,453**

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. These assets consist of:

Land	\$	44,844,880	
Construction in progress		189,148,442	
Building and structure		80,679,311	
Permanent improvements		76,874,050	
Machinery and equipment		8,852,602	
Infrastructure		116,795,794	
Accumulated depreciation		<u>(190,864,617)</u>	
Total capital assets			326,330,462

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. 10,249,382

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds, loans and notes payable	\$	(269,611,420)	
Compensated absences		(13,851,818)	
Claims and judgments		(19,581,820)	
Accrued interest payable		(3,147,715)	
Other liabilities		<u>(98,462)</u>	
Total long term liabilities			(286,709,415)

Bond issuance costs are treated as expenditures in the governmental funds, but are deferred to future periods in the Statement of Net Assets and amortized over the life of the bonds. 3,376,939

Some Deferred Revenues have met the earned criteria for recognition in the Statement of Activities. 1,204,931

Net assets of governmental activities **\$ 343,034,752**

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, 2006

	General	Resort Tax	Miami Beach Redevelopment Agency	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes:						
Property	\$ 109,816,531	\$	\$	\$	\$ 9,809,320	\$ 119,625,851
Sales, use and fuel taxes	1,816,025				2,824,650	4,640,675
Utility	12,998,955					12,998,955
Resort		34,265,010				34,265,010
Other					602,729	602,729
Franchise fees	9,258,301					9,258,301
Licenses and permits	16,048,780					16,048,780
Intergovernmental	14,383,321		24,934,704	21,627,557	5,082,248	66,027,830
Charges for services	7,439,392				37,012	7,476,404
Rents and leases	3,190,274					3,190,274
Interest	5,794,945	341,728	1,831,006	2,870,265	2,434,688	13,272,632
Fines and forfeitures	2,316,731				360,708	2,677,439
Administrative fees	8,426,624					8,426,624
Other	4,430,962	926,116		283,719	3,479,393	9,120,190
Total revenues	195,920,841	35,532,854	26,765,710	24,781,541	24,630,748	307,631,694
EXPENDITURES						
Current:						
General government	36,848,170	832,897	2,494,678	1,282,058	716,359	42,174,162
Public safety	114,571,709		2,166,135	3,214,554	2,289,309	122,241,707
Physical environment	2,846,380			2,881,757	90,150	5,818,287
Transportation	3,359,687			6,722,569	1,669,437	11,751,693
Economic environment	1,635,602	97,829		38,088	3,230,165	5,001,684
Human services	919,060				934,721	1,853,781
Culture and recreation	24,637,087	7,024,421	4,544,031	10,173,307	1,779,378	48,158,224
Debt service:						
Principal retirement	1,002,403				12,881,592	13,883,995
Interest and fiscal charges	751,162				11,563,524	12,314,686
Total expenditures	186,571,260	7,955,147	9,204,844	24,312,333	35,154,635	263,198,219
Excess (deficiency) of revenues over (under) expenditures	9,349,581	27,577,707	17,560,866	469,208	(10,523,887)	44,433,475
OTHER FINANCING SOURCES (USES)						
Sale of capital assets	9,656				24,527	34,183
Transfers in	21,006,214		3,006,891	60,447,710	57,620,768	142,081,583
Transfers out	(27,805,694)	(28,755,333)	(50,265,888)		(37,613,151)	(144,440,066)
Total other financing sources (uses)	(6,789,824)	(28,755,333)	(47,258,997)	60,447,710	20,032,144	(2,324,300)
Net change in fund balances	2,559,757	(1,177,626)	(29,698,131)	60,916,918	9,508,257	42,109,175
Fund balances - beginning of year	35,258,012	9,769,731	70,509,376	98,053,286	32,882,873	246,473,278
Fund balances - end of year	\$ 37,817,769	\$ 8,592,105	\$ 40,811,245	\$ 158,970,204	\$ 42,391,130	\$ 288,582,453

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, 2006**

Net change in fund balance - total governmental funds **\$ 42,109,175**

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

Governmental funds report capital outlays as expenditures. However, in the
statement of activities the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense.
In the current period, these amounts are:

Capital outlay	\$	35,958,422	
Depreciation expense		(9,154,919)	
Excess of capital outlay over depreciation expense		26,803,503	26,803,503

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.

In the current year, these amounts consist of:

Amortization of bond issuance costs	\$	(188,963)	
Bonds, loans and notes principal retirement		13,883,995	
Total long term-debt retirement and related transactions		13,695,032	13,695,032

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.

These activities consist of:

Increase in compensated absences	\$	(1,023,534)	
Increase in accrued interest expense		(229,122)	
Decrease in other liabilities		213,352	
Total additional expense		(1,039,304)	(1,039,304)

Deferred revenue that meet the revenue recognition criteria in the Statement of Activities, but not the fund statements.	1,053,577
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Internal funds are used by management to charge the costs of fleet management, property management, central services, self insurance, and communications to individual funds.	663,442
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Change in net assets of governmental activities	\$ 83,285,425
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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, 2006

	Storm Water Utility Fund	Water and Sewer Fund	Parking System Fund	Convention Center Complex Fund	Other Enterprise Funds	Totals	Governmental Activities- Internal Service Funds
ASSETS							
Current assets:							
Cash and investments	\$ 6,877,485	\$ 1,817,397	\$ 37,021,375	\$ 4,777,810	\$ 10,605,514	\$ 61,099,581	\$ 22,048,909
Cash with fiscal agent							100,000
Restricted cash and investments:							
Revenue bonds covenant	1,040,000	3,285,000	1,510,176			5,835,176	
Accounts receivable (net of allowance for uncollectibles)	1,333,604	9,088,152	3,248,106	1,087,056	1,585,055	16,341,973	118,134
Accrued interest receivable	337,350	478,836				816,186	
Due from other governments					1,360,844	1,360,844	
Due from other funds					482,913	482,913	49,896
Prepaid expenses				50,627	95,545	146,172	853,294
Inventories		1,940,085				1,940,085	400,587
Total current assets	9,588,439	16,609,470	41,779,657	5,915,493	14,129,871	88,022,930	23,570,820
Noncurrent assets:							
Restricted cash and investments:							
Customer deposits		6,473,273	26,892	2,427,971	64,316	8,992,452	
Interlocal agreement				13,685,359		13,685,359	
Revenue bonds covenant	49,201,279	66,006,352	15,244,365			130,451,996	
Deferred charges	606,154	2,352,716	788,005			3,746,875	
Capital assets:							
Land		1,492,598	17,283,478	2,089,371	3,408,961	24,274,408	608,520
Buildings and structures	556,939	7,292,177	25,604,680	157,128,292	13,397,987	203,980,075	2,020,545
Parking lots			4,069,504			4,069,504	
Mains and lines		39,450,266				39,450,266	
Meters and hydrants		10,100,250	2,680,094			12,780,344	
Machinery and equipment	1,588,044	15,675,074	2,134,294	6,293,229	2,288,825	27,979,466	64,345,603
Construction in progress	20,959,461	109,013,787	22,472,283	19,664,674	326,781	172,436,986	476,550
Less accumulated depreciation	(841,832)	(41,112,617)	(19,238,148)	(60,004,317)	(4,932,886)	(126,129,800)	(44,380,579)
Total capital assets (net of accumulated depreciation)	22,262,612	141,911,535	55,006,185	125,171,249	14,489,668	358,841,249	23,070,639
Total assets	81,658,484	233,353,346	112,845,104	147,200,072	28,683,855	603,740,861	46,641,459
LIABILITIES							
Current liabilities:							
Accounts payable	706,695	2,398,396	1,311,143	540,893	924,716	5,881,843	2,435,051
Accrued expenses	248,623	3,247,754	397,807	1,098,557	147,093	5,139,834	427,589
Due to other funds					178	178	
Due to other governments			43,564	40,184	16,275	100,023	
Bonds payable	1,040,000	3,285,000	995,000			5,320,000	
Loans payable			515,176		148,028	663,204	2,284,147
Accrued compensated absences	63,784	256,672	273,510	6,808	175,180	775,954	362,660
Unearned revenue			559,297	422,603		981,900	
Pending insurance claims							6,860,000
Total current liabilities	2,059,102	9,187,822	4,095,497	2,109,045	1,411,470	18,862,936	12,369,447
Noncurrent liabilities:							
Pending insurance claims							1,841,938
Insurance claims incurred but not reported							10,879,882
Deposits		6,473,273	26,892	2,427,971	64,316	8,992,452	
Accrued compensated absences	48,921	79,965	164,376	29,268	224,693	547,223	680,391
Loans payable			5,764,892		346,648	6,111,540	10,620,419
Revenue bonds payable (net of unamortized discounts)	46,035,816	110,554,011	21,858,898			178,446,725	
Total noncurrent liabilities	46,084,737	117,107,249	27,813,058	2,457,239	635,657	194,097,940	24,022,630
Total liabilities	48,143,839	126,295,071	31,908,555	4,566,284	2,047,127	212,960,876	36,392,077
NET ASSETS							
Invested in capital assets, net of related debt	7,127,752	75,484,222	27,928,737	125,171,249	13,994,992	249,706,952	10,166,073
Restricted	3,571,221	8,751,855	2,868,997	13,685,359		28,977,432	
Unrestricted	22,815,672	22,822,198	50,038,815	3,777,180	12,641,736	112,095,601	83,309
Total net assets	\$ 33,514,645	\$ 107,058,275	\$ 80,936,549	\$ 142,633,788	\$ 26,636,728	\$ 390,779,985	\$ 10,249,382

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, 2006

	Storm Water Utility Fund	Water and Sewer Fund	Parking System Fund	Convention Center Complex Fund	Other Enterprise Funds	Totals	Governmental Activities- Internal Service Funds
Operating revenues:							
Charges for services	\$ 7,415,170	\$ 47,624,100	\$ 22,118,981	\$ 9,486,466	\$ 6,349,106	\$ 92,993,823	\$ 39,864,489
Permits, rentals, and other	23,967	380,296	2,525,512	5,441,716	11,452,953	19,824,444	343,250
Total operating revenues	7,439,137	48,004,396	24,644,493	14,928,182	17,802,059	112,818,267	40,207,739
Operating expenses:							
Personal services	1,108,986	5,060,701	6,356,133	5,298,034	4,461,669	22,285,523	9,445,677
Operating supplies	41,364	841,381	269,952	247,480	93,820	1,493,997	4,249,435
Contractual services	183,043	25,717,839	5,875,681	2,518,281	4,929,888	39,224,732	4,397,243
Utilities	9,252	371,767	586,653	2,115,605	120,504	3,203,781	2,037,279
Insurance				135,446		135,446	8,166,914
Internal charges	590,971	3,072,905	2,026,870	1,412,843	1,224,850	8,328,439	2,107,951
Depreciation	201,666	1,755,471	1,261,064	4,564,257	775,019	8,557,477	5,348,406
Administrative fees	264,500	3,062,800	2,433,400	740,600	264,500	6,765,800	963,981
Amortization	47,514	1,153,032	161,261			1,361,807	
Claims and judgements							6,163,089
Other operating	34,008	334,128	326,500	1,011,474	5,041,027	6,747,137	361,307
Total operating expenses	2,481,304	41,370,024	19,297,514	18,044,020	16,911,277	98,104,139	43,241,282
Operating income (loss)	4,957,833	6,634,372	5,346,979	(3,115,838)	890,782	14,714,128	(3,033,543)
Nonoperating revenues (expenses):							
Interest and fiscal charges	(1,832,104)	(3,139,933)	(942,425)		(7,403)	(5,921,865)	(447,773)
Gain (loss) on sale of capital assets	1,376	28,500	8,801	(1,357)	4,574	41,894	71,472
Interest income	2,143,943	2,309,346	1,414,637	160,706	374,865	6,403,497	423,734
Total nonoperating revenues (expenses)	313,215	(802,087)	481,013	159,349	372,036	523,526	47,433
Income (loss) before contributions and transfers	5,271,048	5,832,285	5,827,992	(2,956,489)	1,262,818	15,237,654	(2,986,110)
Capital contributions	(6,672)	6,672	672,482		(259)	672,223	700,762
Transfers in					584,000	584,000	3,020,000
Transfers out	(589,158)		(579,413)		(5,736)	(1,174,307)	(71,210)
Change in net assets	4,675,218	5,838,957	5,921,061	(2,956,489)	1,840,823	15,319,570	663,442
Total net assets - beginning	28,839,427	101,219,318	75,015,488	145,590,277	24,795,905	375,460,415	9,585,940
Total net assets - ending	\$ 33,514,645	\$ 107,058,275	\$ 80,936,549	\$ 142,633,788	\$ 26,636,728	\$ 390,779,985	\$ 10,249,382

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, 2006

	Storm Water Utility Fund	Water and Sewer Fund	Parking System Fund	Convention Center Complex Fund	Other Enterprise Funds	Totals	Governmental Activities- Internal Service Funds
Cash flows from operating activities:							
Cash received from customers	\$ 7,251,373	\$ 46,810,349	\$ 22,645,135	\$ 10,019,959	\$ 6,850,981	\$ 93,577,797	\$ 39,852,372
Cash paid to suppliers	(1,798,338)	(29,493,816)	(7,291,740)	(6,465,162)	(10,805,415)	(55,854,471)	(17,822,782)
Cash paid to employees	(1,115,259)	(4,977,129)	(6,359,602)	(5,023,811)	(4,272,993)	(21,748,794)	(9,484,646)
Cash paid for claims and judgements							(4,807,250)
Internal charges-payments made to other funds	(855,471)	(6,135,705)	(4,460,270)	(2,153,443)	(1,540,835)	(15,145,724)	(3,071,932)
Other operating revenues	25,270	397,330	2,601,395	5,441,716	10,272,293	18,738,004	316,530
Net cash provided by operating activities	3,507,575	6,601,029	7,134,918	1,819,259	504,031	19,566,812	4,982,292
Cash flows for non-capital financing activities:							
Transfers in					584,000	584,000	3,020,000
Transfers out	(589,158)		(579,413)		(5,736)	(1,174,307)	(71,210)
Net cash provided by (used in) non-capital financing activities	(589,158)		(579,413)		578,264	(590,307)	2,948,790
Cash flows from capital and related financing activities:							
Loans proceeds							2,509,760
Loan payable					85,174	85,174	
Repayment of loan					(151,310)	(151,310)	(1,900,500)
Interest and fiscal charges	(1,825,898)	(2,443,490)	(875,927)		(7,112)	(5,152,427)	(450,541)
Bond payments-principal	(995,000)	(36,660,000)	(1,443,400)			(39,098,400)	
Purchase of capital assets	(4,636,174)	(10,873,815)	(3,309,897)	(2,312,920)	(332,877)	(21,465,683)	(6,315,216)
Bond proceeds		58,853,651				58,853,651	
Proceeds from sale of capital assets		1,772	5,169		6,831	13,772	(44,562)
Net cash provided by (used in) capital and related financing activities	(7,457,072)	8,878,118	(5,624,055)	(2,312,920)	(399,294)	(6,915,223)	(6,201,059)
Cash flows from investing activities:							
Interest on investments	2,078,350	2,063,457	1,414,637	160,706	374,865	6,092,015	423,734
Net cash provided by investing activities	2,078,350	2,063,457	1,414,637	160,706	374,865	6,092,015	423,734
Net increase (decrease) in cash and equivalents	(2,460,305)	17,542,604	2,346,087	(332,955)	1,057,866	18,153,297	2,153,757
Cash and investments - beginning of year	59,579,069	60,039,418	51,456,721	21,224,095	9,611,964	201,911,267	19,995,152
Cash and investments - end of year	\$ 57,118,764	\$ 77,582,022	\$ 53,802,808	\$ 20,891,140	\$ 10,669,830	\$ 220,064,564	\$ 22,148,909
Classified as:							
Current assets	\$ 6,877,485	\$ 1,817,397	\$ 37,021,375	\$ 4,777,810	\$ 10,605,514	\$ 61,099,581	\$ 22,148,909
Restricted assets	50,241,279	75,764,625	16,781,433	16,113,330	64,316	158,964,983	
Total cash and investments	\$ 57,118,764	\$ 77,582,022	\$ 53,802,808	\$ 20,891,140	\$ 10,669,830	\$ 220,064,564	\$ 22,148,909
Non-cash transactions affecting financial position:							
Capital contributions of capital assets	\$ (6,672)	\$ 6,672	\$ 672,482	\$	\$ (259)	\$ 672,223	\$ 700,762

(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, 2006

(continued)

	Storm Water Utility Fund	Water and Sewer Fund	Parking System Fund	Convention Center Complex Fund	Other Enterprise Funds	Totals	Governmental Activities- Internal Service Funds
Operating income (loss)	\$ 4,957,833	\$ 6,634,372	\$ 5,346,979	\$ (3,115,838)	\$ 890,782	\$ 14,714,128	\$ (3,033,543)
Adjustments to reconcile operating income (loss) to cash provided by (used in) operating activities:							
Depreciation and amorti- zation	249,180	2,908,503	1,422,325	4,564,257	775,019	9,919,284	5,348,406
Provision for uncollectible accounts	(9,417)	(95,772)	17,250	(22,729)	244,618	133,950	1,635
Changes in assets and liabilities:							
(Increase) decrease in inventories		(173,883)				(173,883)	(44,212)
(Increase) decrease in accounts receivable	(154,380)	(860,471)	485,887	(201,311)	(474,186)	(1,204,461)	(89,942)
(Increase) decrease in due from other govern- ments	1,303	17,034	46,870		(64,250)	957	19,653
(Increase) decrease in due from other funds			2,500		(125,427)	(122,927)	8,248
(Increase) decrease in prepaid expense				5,445	43,947	49,392	122,934
Increase (decrease) in accounts payable	(1,217,139)	(1,974,883)	(270,878)	(434,714)	(669,756)	(4,567,370)	1,553,180
Increase (decrease) in accrued expenses	899	1,918,240	(122,654)	278,138	(235,124)	1,839,489	(149,743)
Increase (decrease) in deposits		142,492	(24,888)	546,811		664,415	
Increase (decrease) in due to other governments	(305,236)	(1,934,073)	29,720	(17,485)	3,641	(2,223,433)	
Decrease in due to other funds					(1,513)	(1,513)	
Increase (decrease) in deferred revenues			121,288	210,722		332,010	
Increase in pending insurance claims							545,969
Increase in insurance claims incurred but not reported							748,151
Increase (decrease) in accrued compensated absences	(15,468)	19,470	80,529	5,963	116,280	206,774	(48,444)
Total adjustments	(1,450,258)	(33,343)	1,787,939	4,935,097	(386,751)	4,852,684	8,015,835
Net cash provided by operating activities	\$ 3,507,575	\$ 6,601,029	\$ 7,134,918	\$ 1,819,259	\$ 504,031	\$ 19,566,812	\$ 4,982,292

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, 2006

	<u>Pension Trust Funds</u>	<u>Agency Fund</u>
Assets		
Cash and cash equivalents	\$ 1,255,816	\$ 3,723,142
Receivables:		
Accounts, net		41,768
Accrued interest	3,389,588	
Contributions	1,374,719	
Prepaid expenses	5,239	
Investments, at fair value:		
Short-term investments	12,276,267	
U.S. Government securities	81,580,681	
Corporate bonds	171,548,348	
Common stocks and index funds	491,312,151	
Aggregated bond index funds	64,800,497	
Money market funds	4,476,288	
Collective investment fund	71,761,896	
Mutual funds self-directed DROP participants	8,932,501	
Total investments	<u>906,688,629</u>	
 Total assets	 <u>912,713,991</u>	 <u>3,764,910</u>
Liabilities		
Accounts payable	10,352,933	526,100
Deposits		<u>3,238,810</u>
 Total liabilities	 <u>10,352,933</u>	 <u>3,764,910</u>
Net Assets		
Held in trust for pension benefits	<u>\$ 902,361,058</u>	<u>\$</u>

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, 2006

	<u>Pension Trust Funds</u>
Additions:	
Contributions -	
Employer	\$ 19,981,616
Employee	25,242,249
State of Florida	1,744,351
Buybacks/transfers from other systems	533,652
Other	4,972
Total contributions	<u>47,506,840</u>
Investment income -	
Net increase in fair value of investments	49,885,536
Interest income	13,997,004
Dividends	5,038,285
	<u>68,920,825</u>
Investment management expenses	(2,794,471)
Net investment income	<u>66,126,354</u>
Total additions	<u>113,633,194</u>
Deductions:	
Benefit paid	54,307,486
Contributions refunded	369,783
Administrative expenses	1,236,634
Total deductions	<u>55,913,903</u>
Net increase	<u>57,719,291</u>
Net assets held in trust for pension benefits - beginning of year	<u>844,641,767</u>
Net assets held in trust for pension benefits - end of year	<u>\$ 902,361,058</u>

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

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006
(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 Accounting Principles Generally Accepted in the United State of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. 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.

GASB statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, offers the option of following all Financial Accounting Standards Board (FASB) standards issued after November 30, 1989, unless the latter conflict with or contradict GASB pronouncements, or not following FASB standards issued after such date. The City and its enterprise funds elected the option not to follow the FASB standards issued after November 30, 1989.

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 2006.

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 2006.

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 2006.

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006
(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. Discretely Presented 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's Board 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 Visitor and Convention Authority
555 - 17th Street
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. Interfund services provided and used are not eliminated in the process of consolidation. 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 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.

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006
(Continued)

The governmental funds financial statements are presented on a current financial resource and modified accrual basis of accounting. 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 necessary to reconcile the fund based financial statements to 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 appropriate 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 City, these funds are not incorporated into the government-wide statements.

Separate fund 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, except for the agency fund which has no measurement focus and is reported using the accrual basis of accounting. Revenues, including charges for services 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, when levied for, charges for services, franchise taxes, licenses, grants and intergovernmental revenues, when eligibility requirements are met, and interest associated with the current fiscal period, if measurable and available 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 when the City receives the cash.

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.

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006
(Continued)

- 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, at 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. 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:

- *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
 - Policemen's Relief and Pension Fund
 - Firemen's Relief and Pension Fund
- *General Agency fund* – this fund accounts for general deposits held in trust until obligations are met or refunds are made.

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006
(Continued)

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 services 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

All 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. Investments are recorded at fair value, except for those investments with remaining maturities of one year or less at the time of purchase, which are recorded at amortized cost.

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.

The cash and investments for the retirement system are maintained in separate cash and investment accounts. 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. The retirement system's investments are recorded at fair market value.

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006
(Continued)

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. Accounts receivable in excess of 90 days, which approximates to the historical bad debt write off, comprise the allowance for uncollectibles.

Following are the significant components of the receivables due to the City at September 30, 2006:

- 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, 2006, but not collected as of that date;
- c. Resort Taxes Receivable – This amount represents resort taxes due by September 30, 2006, 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 Receivable – This amount represents the interest earned but not collected on the City's investments at September 30, 2006.

3. *Inventories, prepaid and deferred items*

Inventories are stated at the lower of cost or market value and 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, 2006.

Expenditures made for services that will benefit periods beyond September 30, 2006 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 appropriation.

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 statement of net assets 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).

Customer deposits are restricted for in the water and sewer fund, parking system fund, convention center fund and other non-major enterprise funds.

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006
(Continued)

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 and the proprietary fund 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 following is a schedule by fund, of interest expense and the amounts included as part of the cost of capital assets under construction.

	Interest Expense	Amount Capitalized
Storm Water Utility	\$ 2,582,202	\$ 753,936
Water and Sewer	5,364,216	2,299,351
Parking Systems	1,593,806	655,494

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

In the governmental funds, capital assets are recorded as expenditure and no depreciation expense is recorded.

6. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. When terminated, an employee is paid for accumulated vacation leave and a percent of unused sick leave hours, subject to certain limitations. All vacation and sick pay is accrued when earned in the government-wide and proprietary fund financial statements. A liability for those amounts is reported in governmental funds only if they have matured, as a result of employee resignations or retirements.

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

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
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(Continued)

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. *Unearned/Deferred Revenue*

Resources that do not meet revenue recognition requirements (not earned) are recorded as unearned revenue in the government-wide and the fund financial statements. In addition, amounts related to government fund receivables that are measurable, but not available, are recorded as deferred revenue in the governmental fund financial statement.

9. *Net Assets/ Fund Equity*

In the fund financial statements, governmental funds reserve fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Unreserved, undesignated fund balance indicates funds that are available for current expenditures. The government-wide and proprietary fund financial statements utilize a net asset presentation. Net assets are categorized as follows:

- a. Invested in Capital Assets (net of accumulated depreciation and related debt) – is intended to reflect the portion of net assets which are associated with capital assets, less outstanding capital assets related debt, net of unspent bond and loan proceeds.
- b. Restricted Net Assets – have third party (statutory, bond covenant or granting agency) limitations on their use.
- c. Unrestricted Net Assets – have no third party limitations on their use. While City management may have categorized and segmented portions for various purposes, the City Commission has the unrestricted authority to revisit or alter these managerial decisions.

10. *Restricted Net Assets*

On October 1, 2005, The City adopted GASB No. 46 "Net Assets Restricted by Enabling Legislation." The assets are restricted to comply with debt covenants, loan agreements, grant contracts and other externally imposed constraints or by legislation that are legally enforceable. At September 30, 2006, the Government-wide statement of net assets reports \$125,911,040 in restricted net assets.

11. *Use of estimates*

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

II. Stewardship, compliance, and accountability

A. Excess of expenditures over appropriations

For the year ended September 30, 2006, expenditures exceeded appropriations in the Miami Beach Redevelopment Agency's (the Agency) Special Revenue Fund in the culture and recreation function/ program by \$4,544,031. This variance is attributed to the purchase of the Miami Beach City Ballet building which was

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
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(Continued)

not budgeted. In addition, actual transfers out exceeded budgeted transfers out by \$27,826,044. This net variance resulted from a transfer out of \$34,645,373 which represents the residual equity in the Agency's South Pointe District general fund. At September 30, 2005, the South Pointe District under the Agency's jurisdiction was terminated and the City assumed the full rights and responsibilities for such. As a result, on October 1, 2005 the residual equity, including the assets and liabilities of the Agency's South Pointe general fund was transferred into the City's Other Special Revenue fund.

For the year ended September 30, 2006, actual transfers out exceeded budgeted transfers out by \$1,621,601 in the Resort Tax Revenue Fund. Transfers out of the Resort tax fund, includes funding for Quality of Life projects and the Arts in the South, Middle and North Beach areas. Funding is based on revenue received from resort tax, which is estimated at the time of budget, however, actual funding is based on actual revenue collected which in fiscal year 2006, exceeded the budgeted amount.

B. Deficit net assets

At September 30, 2006 the City's Internal Service Self Insurance Fund has a cumulative deficit of \$10.6 million. The net decrease of \$.5 million or 4.7% in the cumulative deficit, under the prior year, is a result of the increased liability based on an actuarial study and additional funding of \$2 million. It is the City's intention to continue to fund the liability and thus reduce the deficit in future years.

III. Detailed notes on all funds

A. Deposits and Investments

City's Pooled Portfolio Investments:

Interest Rate Risk Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates.

The City's Investments are made based on prevailing market conditions at the time of the transaction with the intent to hold the instrument until maturity. If the yield of the portfolio can be improved by the sale of an investment, prior to its maturity, with the reinvestment of the proceeds, then this provision is allowed. As a means of limiting exposure to fair value losses, the City's investment policy limits maturity of its investments to seven (7) years or less.

As of September 30, 2006, the City had the following investments in its portfolio:

City's Investment Type	Fair Value	Investment Maturities (in years)	
		Less Than 1	1-5
U.S. government agency	\$ 158,036,274	\$ 61,977,383	\$ 96,058,891
U.S. treasuries	223,242,841	210,870,941	12,371,900
Commercial paper	2,985,510	2,985,510	
Corporate bonds	12,460,300	3,450,300	9,010,000
Money Market Trust	23,131,411	23,131,411	
Repurchase agreement	88,679,711	88,679,711	
Total	\$ 508,536,047	\$ 391,095,256	\$ 117,440,791

Credit Risk This is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. State law limits investments in commercial paper and corporate bonds rated in one of the top two ratings issued by the Nationally Recognized Statistical Rating Organization (NRSROs). It is the City's policy to limit its investments in these investment types to the top rating issued by NRSROs.

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006
(Continued)

As of September 30, 2006 the City's investments were rated by Moody's Investors Service and Standard & Poor's as follow:

Investment Type	Issuer	Standard & Poor's	Moody's	Fair Value
Corporate Bonds:	Solomon Smith Barney	AA-	Aa1	\$ 4,066,000
	GE Capital	AAA	Aaa	3,450,300
	Bank of America Corp.	AA-	Aa2	4,944,000
U.S. Government Agencies:	FHLB	AAA	Aaa	53,221,859
	FHLMC	AAA	Aaa	50,775,300
	FNMA	AAA	Aaa	50,012,315
	FFCB	AAA	Aaa	4,026,800
Commercial Paper:	GE Capital	A-1+	P1	2,985,510
U.S. Government Treasuries:	U.S. Government	AAA	Aaa	223,242,841
Money Market Trust:	U.S. Government	AAA	Aaa	23,131,411

Concentration of Credit Risk The City's investment plan limits the amount that can be invested in any one issuer as well as maximum portfolio allocation percentages. The investment policy allows for a maximum of 100% of the portfolio in Time Deposits, U.S. Treasury Bills, U.S. Treasury Notes and Money Market Mutual/Trust Funds, 50% in U.S. Government Agencies and Municipal Obligations, 25% in Fixed Income Mutual Funds sponsored by the Florida League of Cities, 20% in Fixed Term Repurchase Agreements, Bankers Acceptances, Commercial Paper, Corporate Bond and Notes and Externally Managed Funds requiring specific approval by the City Commission, 15% in Mortgage Backed Securities, and 10% in Interest Rate Swaps.

The City's cash and investments held at September 30, 2006 (including restricted cash and cash with paying agent) are shown below:

	Carrying Amount	% of Portfolio
U.S. government agency	\$ 158,088,145	31.0 %
U.S. treasuries	225,145,022	44.0
Corporate bonds	12,538,065	2.5
Commercial paper	2,931,441	0.6
Money market trust	23,131,411	4.5
Repurchase agreements	88,679,710	17.4
Total City Investments	510,513,794	100.0
City funds managed by others:		
Money market	76,162	
Cash with fiscal agent	100,000	
Common stock	42,296	
Demand deposit	24,148,252	
Total cash and investments	\$ 534,880,504	

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006
(Continued)

Schedule of cash and investments by funds:

General	\$ 39,640,455
Resort Tax	6,984,214
Redevelopment Agency	41,783,933
Capital Projects	157,027,502
Storm Water	57,118,764
Water & Sewer	77,582,022
Parking	53,802,808
Convention Center Complex	20,891,140
Internal Service	22,148,909
Agency	3,723,142
Nonmajor Funds	54,177,615
Total cash and investments	<u>\$ 534,880,504</u>

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 \$65,047 is immaterial for the fiscal year ended September 30, 2006. Thus, the City recorded all investments, except retirement system investments, with maturities of greater than one year at the time of purchase, at historical costs.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. For deposits, custodial credit risk is the risk that in the event of a financial institutional failure, the City's deposits may not be returned to it.

Deposits 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.

Securities pledged as collateral are held by a third party. Joint custody safekeeping receipts are held in the name of the depository institution, but pledged to the City. The security can not be released, substituted or sold without the City's approval and release of the security.

Investments The City's investment policy requires that securities be registered in the name of the City. All safekeeping receipts for investment instruments are held in accounts in the City's name and all securities are registered in the City's name.

Employee Retirement Systems Investments:

The City has adopted ordinances which govern the investment of funds for all of the Employee's Retirement Systems (the System). 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.

Interest Rate Risk As a means of limiting exposure to interest rate risk, the System limits holdings in any one type of investment with any one issuer with various durations and maturities.

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006
(Continued)

Information about the sensitivity of fair value of the System's investments to market interest rate fluctuations is provided in the table below that shows the distribution of the Systems investment by maturity at September 30, 2006

City Pension Fund for Firefighters and Police Officers:

Investment Type	Fair Value	Investment Maturities (in years)		
		Less Than 1	1-5	More than 6
U.S. Government Securities	\$ 58,818,857	\$ 2,989,953	\$ 30,622,647	\$ 25,206,257
Corporate bonds and notes	131,955,158	17,843,955	65,098,829	49,012,374
Total	\$ 190,774,015	\$ 20,833,908	\$ 95,721,476	\$ 74,218,631

Employees' Retirement System:

Investment Type	Fair Value	Investment Maturities (in years)		
		Less Than 1	1-2	2-30
Aggregated index bond fund	\$ 64,800,497	\$ 129,601	\$ 7,387,265	\$ 57,283,631
U.S. Government Securities	19,130,130		1,199,295	17,930,835
Corporate bonds	37,278,261	1,013,641	2,364,745	33,899,875
Short-term obligations	5,925,050	5,925,050		
Total	\$ 127,133,938	\$ 7,068,292	\$ 10,951,305	\$ 109,114,341

Firemen's Relief and Pension Fund

Investment Type	Fair Value	Investment Maturities (in years)		
		Less Than 1	1-5	More than 6
U.S. Government Securities	\$ 2,078,728	\$ 299,058	\$ 877,463	\$ 902,207
Corporate bonds and notes	1,407,447	350,216	249,541	807,690
Total	\$ 3,486,175	\$ 649,274	\$ 1,127,004	\$ 1,709,897

Policemen's Relief and Pension Fund

Investment Type	Fair Value	Investment Maturities (in years)		
		Less Than 1	1-5	More than 6
U.S. Government Securities	\$ 1,552,966	\$ 199,125	\$ 803,375	\$ 550,466
Corporate bonds	907,482	250,414	309,991	347,077
Short-term obligations	351,217	351,217		
Total	\$ 2,811,665	\$ 800,756	\$ 1,113,366	\$ 897,543

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006
(Continued)

Credit Risk The System's investment policy utilizes portfolio diversification in order to control credit risk. The Systems have no limit imposed on fixed income securities issued directly by the U.S. Government or any agency or instrumentality thereof.

The City pension fund for firefighters and police officers limits corporate debt securities (bonds, notes, debentures at the time of purchase) to only the highest three categories of quality by any of the following listed services: Moody's, Standards and Poors or Fitch's Manual. Any issue which is downgraded to investment grade fourth category may be held. Any issue if downgraded below investment grade by two of the three of the above mentioned ratings services must either be sold or specifically approved for retention by the Board. Commercial paper must be rated Moody's P1 or Standard and Poors A1. Bonds issued by the State of Israel may also be purchased. The City employee's retirement system limits commercial paper to those rated only in the highest category. Other fixed income securities that are classified "Investment Grade" in the top four rating by Standard & Poor's and Moody's can also be purchased. The firefighters and police officers pension funds follows state law, which limit investments in debt securities to those with the top three ratings issued by a nationally recognized statistical rating organization.

Credit risk is generally measured by the assignment of a rating by a nationally recognized rating organization. The following table discloses credit ratings by investment type at September 30, 2006.

City Pension Fund for Firefighters and Police Officers:

	Fair Value	Percentage of Portfolio	
U.S. Government Securities	\$ 58,818,857	30.8	%
Quality rating of credit risk debt securities			
AAA	4,941,561	2.6	
AA	11,232,057	5.9	
AA+	2,019,564	1.0	
AA-	14,823,199	7.8	
A+	32,204,450	16.9	
A	36,293,060	19.0	
A-	18,482,356	9.7	
BBB+	6,247,614	3.3	
BBB	5,711,297	3.0	
Total credit risk debt securities	131,955,158	69.20	
Total fixed income securities	\$ 190,774,015	100.00	%

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006
(Continued)

Employees' Retirement System:

Investment Type	AAA	Aa	A	Unrated
Aggregated index bond fund	\$ 51,775,655	\$ 3,369,630	\$ 5,248,846	4,406,366
U.S. Government Securities	15,713,226	3,416,904		
Corporate bonds	3,378,386	15,945,276	8,943,558	9,011,041
Short-term obligations		1,294,708		4,630,342
Total	70,867,267	24,026,518	14,192,404	18,047,749
Percentage of Portfolio	55.7%	18.9%	11.2%	14.2%

Fireman's Relief and Pension Fund:

Investment Type	Aaa	Aa3	A1
U.S. Government Securities	\$ 2,078,728	\$	\$
Corporate bonds	95,916	101,695	490,075
Total	2,174,644	101,695	490,075

Percentage of Portfolio	62.4%	2.9%	14.1%
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Investment Type	A2	A3	BA1
U.S. Government Securities	\$		
Corporate bonds	388,961	243,276	87,524
Total	388,961	243,276	87,524

Percentage of Portfolio	11.2%	7.0%	2.5%
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Policeman's Relief and Pension Fund:

Investment Type	AAA	AA	A	BBB
U.S. Government Securities	\$ 1,552,966	\$	\$	
Corporate bonds		103,595	753,970	49,917
Short-term obligations	351,217			
Total	1,904,183	103,595	753,970	49,917

Percentage of Portfolio	67.7%	3.7%	26.8%	1.8%
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CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006
(Continued)

Concentration of Credit Risk The System's investment policy contains limitations on the amounts that can be invested in any one issuer as well as maximum portfolio allocation percentages. As of September 30, 2006 the System had the following investments in its portfolio:

	Fair Value
Short term investments	\$ 12,276,267
U.S. government securities	81,580,681
Corporate bonds	171,548,348
Common stock and index funds	491,312,151
Aggregated bond index fund	64,800,497
Money market funds	4,059,205
Collective investment funds	71,761,896
Mutual funds	8,932,501
Cash	1,672,899
Other	
Total cash and investments	<u>\$ 907,944,445</u>

Custodial Credit Risk Consistent with the System's investment policy, the investments are held in safe keeping by the System's custodial bank or a third party custodial institution, chartered by the United States Government or the State of Florida.

Discretely Presented Component Units

Component unit's cash and investment in the amount of \$2,243,247 consists of demand deposit and money market deposit accounts. These accounts are not subjected to interest rate risks, credit risks or concentration of credit risks. 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.

Securities pledged as collateral are held by a third party. Joint custody safekeeping receipts are held in the name of the depository institution, but pledged to the component unit. The security can not be released, substituted or sold without the component unit's approval and release of the security.

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006
(Continued)

B. Receivables

Receivables at September 30, 2006 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						
	General	Resort Tax	Redevelopment Agency	Capital Projects	Internal Service	Nonmajor Funds	Total
Receivables:							
Accounts	\$ 6,408,227	\$ 2,543,636		\$ 39,641	\$ 120,568	\$ 667,570	\$ 9,779,642
Taxes	2,587,203						2,587,203
Interest	2,117,289		191,749	466,144		208,053	2,983,235
Gross receivables	11,112,719	2,543,636	191,749	505,785	120,568	875,623	15,350,080
Less: allowance for uncollectible accounts	(2,271,194)				(2,434)	(80,378)	(2,354,006)
Net total receivables	\$ 8,841,525	\$ 2,543,636	\$ 191,749	\$ 505,785	\$ 118,134	\$ 795,245	\$ 12,996,074

	Business-type Activities					
	Storm Water	Water and Sewer	Parking	Convention Center Complex	Nonmajor Funds	Total
Receivables:						
Accounts	\$ 1,641,397	\$ 10,404,877	\$ 3,265,358	\$ 1,112,053	\$ 2,139,689	\$ 18,563,374
Interest	337,350	478,836				816,186
Gross receivables	1,978,747	10,883,713	3,265,358	1,112,053	2,139,689	19,379,560
Less: allowance for uncollectible accounts	(307,793)	(1,316,725)	(17,252)	(24,997)	(554,634)	(2,221,401)
Net total receivables	\$ 1,670,954	\$ 9,566,988	\$ 3,248,106	\$ 1,087,056	\$ 1,585,055	\$ 17,158,159

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.

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006
(Continued)

C. Capital assets

Capital asset activity for the year ended September 30, 2006 as follows:

Primary Government
Governmental activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 45,453,400	\$	\$	\$ 45,453,400
Construction work-in-progress	165,814,718	25,511,375	1,701,101	189,624,992
Total capital assets, not being depreciated	<u>211,268,118</u>	<u>25,511,375</u>	<u>1,701,101</u>	<u>235,078,392</u>
Capital assets, being depreciated:				
Building	78,657,333	4,404,031	361,508	82,699,856
Permanent improvements	76,372,637	501,413		76,874,050
Furniture & fixtures	1,677,925	409,495	82,593	2,004,827
Equipment	63,194,994	9,892,591	1,894,207	71,193,378
Infrastructure	116,795,794			116,795,794
Total capital assets, being depreciated	<u>336,698,683</u>	<u>15,207,530</u>	<u>2,338,308</u>	<u>349,567,905</u>
Less: accumulated depreciation for:				
Building	37,302,188	1,595,344	579,556	38,317,976
Permanent improvements	61,868,483	3,915,791		65,784,274
Furniture & fixtures	1,292,558	211,997		1,504,555
Equipment	42,877,097	6,077,364	658,476	48,295,985
Infrastructure	83,812,483	2,755,113	5,225,190	81,342,406
Total accumulated depreciation	<u>227,152,809</u>	<u>14,555,609</u>	<u>6,463,222</u>	<u>235,245,196</u>
Total capital assets, being depreciated, net	<u>109,545,874</u>	<u>651,921</u>	<u>(4,124,914)</u>	<u>114,322,709</u>
Governmental activities capital assets, net	<u>\$ 320,813,992</u>	<u>\$ 26,163,296</u>	<u>\$ (2,423,813)</u>	<u>\$ 349,401,101</u>

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006
(Continued)

Primary Government
Business-type activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 23,601,927	\$ 672,481	\$	\$ 24,274,408
Construction work-in-progress	156,259,758	19,747,980	3,570,752	172,436,986
Total capital assets, not being depreciated	<u>179,861,685</u>	<u>20,420,461</u>	<u>3,570,752</u>	<u>196,711,394</u>
Capital assets, being depreciated:				
Mains & lines	39,450,266			39,450,266
Building & structure	201,225,046	2,756,019	990	203,980,075
Meters & hydrants	12,780,344			12,780,344
Furniture, equipment & vehicles	26,926,525	2,142,293	1,089,352	27,979,466
Improvements other than building	4,069,504			4,069,504
Total capital assets, being depreciated	<u>284,451,685</u>	<u>4,898,312</u>	<u>1,090,342</u>	<u>288,259,655</u>
Less: accumulated depreciation for:				
Mains & lines	20,497,919	630,019		21,127,938
Building & structure	69,640,425	5,707,677		75,348,102
Meters & hydrants	8,162,264	221,769		8,384,033
Furniture, equipment & vehicles	18,301,953	2,006,766	1,069,455	19,239,264
Improvements other than building	1,958,298	72,165		2,030,463
Total accumulated depreciation	<u>118,560,859</u>	<u>8,638,396</u>	<u>1,069,455</u>	<u>126,129,800</u>
Total capital assets, being depreciated, net	<u>165,890,826</u>	<u>(3,740,084)</u>	<u>20,887</u>	<u>162,129,855</u>
Business-type activities, combined capital assets, net	<u>\$ 345,752,511</u>	<u>\$ 16,680,377</u>	<u>\$ 3,591,639</u>	<u>\$ 358,841,249</u>

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006
(Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 6,146,825
Public safety	1,714,894
Physical environment	1,595
Transportation	4,422,088
Economic environment	141,317
Human services	3,398
Culture and recreation	<u>2,073,208</u>
Total depreciation expense - governmental activities	<u>\$ 14,503,325</u>

Business-type activities

Storm Water	\$ 201,666
Water & Sewer	1,755,471
Parking Systems	1,261,064
Convention Center Complex	4,564,257
Nonmajor enterprise	<u>775,019</u>
Total depreciation expense - business-type activities	<u>\$ 8,557,477</u>

Accumulated Depreciation – For governmental activities, the Increase in accumulated depreciation includes \$5,348,406 of depreciation expenses for internal services \$9,154,919 in governmental funds depreciation and \$52,284 in adjustments. For business-type activities, the Increase in accumulated depreciation includes \$8,557,477 of depreciation expenses and \$80,919 in adjustments.

D. Construction commitments

At September 30, 2006 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	\$ 20,407,560
Storm Water Utility	2,894,795
Water & Sewer	7,285,238
Parking Systems	1,572,403
Convention Center Complex	<u>619,576</u>
	<u>\$ 32,779,572.00</u>

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006
(Continued)

E. Interfund receivables, payables and transfers

Interfund balances at September 30, 2006 consist of the following:

Due From	Due To						Total
	General	Resort Tax	Redevelopment Agency	Capital Projects	Other Governmental	Other Enterprise	
General	\$	\$	\$ 889,379	\$ 954,703	\$ 247,862	\$	\$ 2,091,944
Resort Tax							-
Redevelopment Agency	26,811	360,288			1,092		388,191
Capital Projects							-
Other Governmental	73,961		1,401				75,362
Other Enterprise			482,913				482,913
Internal Service			42,625		7,093	178	49,896
	<u>\$ 100,772</u>	<u>\$ 360,288</u>	<u>\$ 1,416,318</u>	<u>\$ 954,703</u>	<u>\$ 256,047</u>	<u>\$ 178</u>	<u>\$ 3,088,306</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, 2006 consisted of the following:

Transfer Out	Transfer In						Total
	General	Redevelopment Agency	Capital Projects	Other Governmental	Other Enterprise	Internal Service	
General	\$	\$	\$ 17,068,109	\$ 7,717,585	\$	\$ 3,020,000	\$ 27,805,694
Resort Tax	19,571,310	3,006,891	3,092,076	3,085,056			28,755,333
Redevelopment Agency			5,196,899	45,068,989			50,265,888
Other Governmental	884,904		35,090,626	1,637,621			37,613,151
Storm Water				5,158	584,000		589,158
Parking	550,000			29,413			579,413
Other Enterprise				5,736			5,736
Internal Service				71,210			71,210
	<u>\$ 21,006,214</u>	<u>\$ 3,006,891</u>	<u>\$ 60,447,710</u>	<u>\$ 57,620,768</u>	<u>\$ 584,000</u>	<u>\$ 3,020,000</u>	<u>\$ 145,685,583</u>

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006
(Continued)

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 borrowings 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 were:

- a. \$19,571,310 transferred from the Resort Tax Fund to the General Fund to support South Beach, Middle Beach and North Beach Services, various culture and recreation events, tourism related citywide expenditures.
- b. \$17,068,109 transferred from the General Fund to the Capital Projects Fund which includes \$5,000,000 transferred for Pay-As-You-Go capital projects and \$11,291,800 for capital reserves.
- c. \$5,196,899 transferred from the Redevelopment Agency Fund (RDA) to the Capital Projects Fund to fund various projects in the RDA City Center District.
- d. \$35,090,626 transferred from the City's South Pointe special revenue fund to the Capital Projects Fund to fund various projects in the South Pointe area.
- e. \$7,717,585 transferred from the General Fund to Other Governmental Funds, which includes \$4,857,189 for debt service payments and \$2,529,563 for capital renewal and replacement.
- f. \$45,068,989 transferred from the RDA Fund to Other Governmental Funds, which consist of \$34,645,373 transferred to the City's South Point special revenue fund and represents the residual equity of RDA South Pointe general fund. At September 30, 2005, the South Pointe District under the Agency's jurisdiction expired and the City assumed the full rights and responsibilities for such. As a result, on October 1, 2005 the residual equity, including the assets and liabilities of the Agency's South Pointe general fund was transferred into the City's Other Special Revenue fund. The remaining \$10,423,616 was transferred to the debt service funds for debt service payments.

F. Leases

1. Operating Leases

The City serves as the lessor for tenants leasing various parking facilities, marina, and offices and retail facilities. The tenant leases are considered operating leases, which expire at various dates through fiscal year 2053. Future minimum lease receivables under the operating leases at September 30, 2006, are as follows:

September 30	Governmental Operating Leases	Business-type Operating Leases
2007	\$ 957,523	\$ 1,455,705
2008	956,385	1,394,143
2009	765,405	1,378,534
2010	658,232	1,306,347
2011	658,232	1,291,909
2012 and thereafter	9,644,865	53,802,637
	<u>\$ 13,640,642</u>	<u>\$ 60,629,275</u>

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006
(Continued)

The following schedule provides an analysis of the City's investment in property under operating leases and property held for lease by major classes as of September 30, 2006:

Parking facility	\$ 2,656,411
Retail space	15,613,081
Marina	<u>5,654,752</u>
	23,924,244
Less: Accumulated depreciation	<u>(8,120,739)</u>
	<u>\$ 15,803,505</u>

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 \$81,440,000.

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, 2006 consist of the following:

Issue Name	Interest Rate	Year Issued	Final Maturity	Original Issue	Outstanding 9/30/2006
General Obligation - Series 1996	3.70-4.50	1997	2007	\$ 15,000,000	\$ 500,000
1985B Gulf Breeze	4.55-5.40	2000	2013	15,910,000	10,940,000
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	<u>62,465,000</u>	<u>55,910,000</u>
Total General Obligation Bonds				<u>\$ 107,465,000</u>	<u>\$ 81,440,000</u>

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006
(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
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	2,595,000	3,420,528	6,015,528
2011	2,705,000	3,312,847	6,017,847
2012-2016	15,455,000	14,556,040	30,011,040
2017-2021	19,770,000	10,136,191	29,906,191
2022-2026	12,170,000	6,218,206	18,388,206
2027-2031	14,255,000	3,461,675	17,716,675
2032-2033	6,630,000	450,675	7,080,675
	<u>\$ 81,440,000</u>	<u>\$ 52,414,920</u>	<u>\$ 133,854,920</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 were 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, 2006
(Continued)

2. Special Obligation Bonds – Governmental Activities

At September 30, 2006 the outstanding principal of special obligation bond issues and repayment sources are as follows:

Issue Name		Repayment Source	Total Original Issue	Total Outstanding Principal
1996	Resort Tax Revenue Refunding Bonds	2% Resort Tax	\$ 4,095,000	\$ 3,180,000
1985B	Gulf Breeze fixed rate	Non Ad-Valorem	2,200,000	1,715,000
1985C	Gulf Breeze fixed rate	Non Ad-Valorem	14,301,954	11,029,932
1985E	Gulf Breeze fixed rate	Non Ad-Valorem	22,500,000	18,575,000
1994	Sunshine State VRDS	Non Ad-Valorem	30,000,000	4,455,000
1996A	Tax Increment Revenue Bonds	RDA Tax increment Revenue	37,500,000	845,000
1996B	Tax Increment Revenue Bonds	RDA Tax increment Revenue	7,705,000	210,000
1998A	Tax Increment Revenue Bonds	RDA Tax increment Revenue	29,105,000	12,570,000
1998B	Tax Increment Revenue Bonds	RDA Tax increment Revenue	9,135,000	905,000
2005	Pension Refunding Bonds	Non Ad-Valorem	53,030,000	50,650,000
2005A	Tax Increment Revenue Refunding Bonds	RDA Tax increment Revenue	51,440,000	51,440,000
2005B	Tax Increment Revenue Refunding Bonds	RDA Tax increment Revenue	29,300,000	29,330,000
Total Special Obligation Bonds			<u>\$ 290,311,954</u>	<u>\$ 184,904,932</u>

On May 14, 1996 the City issued \$4,095,000 of Resort Tax Refunding Bonds by placing the proceeds of new bonds in an irrevocable trust, to provide for all future debt service payments on the old bonds. The Series 1996 bonds were issued with interest rates of 3.60% to 5.50% payable in annual installments through 2010.

During fiscal 1994, the City executed a loan agreement with The Sunshine State Governmental Financing Commission to borrow \$30,000,000 on a variable rate note, principal to be repaid in twenty annual installments commencing September 1, 1995 through September 1, 2014. Interest is paid monthly at a variable rate. Interest at September 30, 2006 was 3.49%. On August 1, 2001 the City executed a loan agreement to repay a portion of the outstanding principal for this loan of \$14,977,000.

On September 1, 2005 the City issued \$53,030,000 in taxable Series 2005 Special Obligation Bonds for the purposes of, together with other legally available funds of the City, refunding the City's outstanding Taxable Special Obligation Bonds(Pension Funding Project), Series 1994 maturing September 1, 2015 and September 1, 2021, making the required payment with respect to a Hedge Agreement and paying the costs of issuing the Series 2005 and refunding the Refunded Bonds, including the premiums for the Bond Insurance Policy and Reserve Account Surety Bond. The Series 2005 bonds were issued with interest rates of 4.24% to 5.23% payable semiannually on March 1 and September 1.

On August 1, 1996, the Miami Beach Redevelopment Agency (the "Agency") issued \$37,500,000 (Series 1996A) and \$7,705,000 (Series 1996B) in tax-increment bonds. These bonds are secured by a lien upon and pledge of the pledged funds, which include (a) the net trust fund revenue received by the Agency from the City Center/Historic Convention Village Redevelopment and Revitalization 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 1996A bonds were issued with interest rates of 7.86% to 8.95% payable semiannually on each June 1 and December 1, and will mature serially through December 1, 2006. The Series 1996B bonds were issued with interest rates of 4% to 6.35% payable semiannually on each June 1 and December 1, and will mature serially through December 1, 2006. 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. The Series 1996A and 1996B tax-increment bonds were partially refunded/defeased by the issuance of the Series 2005A

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006
(Continued)

and 1996B tax-increment bonds were partially refunded/defeased by the issuance of the Series 2005A and 2005B tax increment revenue refunding bonds on September 22, 2005. The Series 1996A and Series 1996B bonds had a remaining outstanding principal balance, after the refunding, of \$1,055,000 at September 30, 2006.

On July 1, 1998, the Agency issued \$29,105,000 (Series 1998A) and \$9,135,000 (Series 1998B) in tax-increment bonds. These bonds are secured by a lien upon and pledge of the pledged funds, which include (a) the net trust fund revenue received by the Agency from the City Center/Historic Convention Village Redevelopment and Revitalization Area, (b) the portion of the proceeds for 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 6.70% to 7.00% payable semiannually on each June 1 and December 1, and will mature serially through December 1, 2020. The Series 1998B bonds were issued with interest rates of 3.60% to 5.20% payable semiannually on each June 1 and December 1, and will mature serially through December 1, 2008. 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. The Series 1998A and 1998B tax-increment bonds were partially refunded/defeased by the issuance of the Series 2005A and 2005B tax increment revenue refunding bonds on September 22, 2005. The Series 1998A and Series 1998B bonds had a remaining outstanding principal balance, after the refunding, of \$13,475,000 at September 30, 2006.

On September 22, 2005, the Agency issued \$51,440,000 (Series 2005A) and \$29,330,000 (Series 2005B) in tax-increment bonds. These bonds are secured by a lien upon and pledge of the pledged funds, which include (a) the net trust fund revenue received by the Agency from the Redevelopment Area, (b) the portion of the proceeds for 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 2005A bonds were issued with interest rates of 4.31% to 5.22% payable semiannually on each June 1 and December 1, and will mature serially through December 1, 2022. The Series 2005B bonds were issued with interest rates of 3.25% to 5.00% 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.

At September 30, 2006, \$72,430,000 of the Agency's bonds outstanding are considered defeased.

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. 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 \$6,280,068 that relates to this debt.

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006
(Continued)

At September 30, 2006 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
2007	\$ 8,874,824	\$ 9,101,986	\$ 17,976,810
2008	9,303,056	8,678,797	17,981,853
2009	9,716,288	8,245,009	17,961,297
2010	10,172,706	7,792,129	17,964,835
2011	10,624,124	7,320,109	17,944,233
2012-2016	60,663,934	28,201,674	88,865,608
2017-2021	58,920,000	12,589,932	71,509,932
2022-2023	16,630,000	874,626	17,504,626
	<u>\$ 184,904,932</u>	<u>\$ 82,804,262</u>	<u>\$ 267,709,194</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, 2006:

Indebtedness	Balance 10/1/2005	Debt Repaid	Balance 9/30/2006
Bonds & Loan	\$ 31,188,468	\$ 1,443,400	\$ 29,745,068
	<u>\$ 31,188,468</u>	<u>\$ 1,443,400</u>	<u>\$ 29,745,068</u>

Parking Revenue Fund indebtedness at September 30, 2006, 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>\$ 2,915,000</u>
\$21,000,000	1997 Special Obligation Bonds due in annual installments through 2022: interest at 4.00% - 5.125%	<u>\$ 20,550,000</u>
\$ 8,143,046	2001 Gulf Breeze Loan Pool due in annual installments through 2015: interest at 3.875% - 4.75%	<u>\$ 6,280,068</u>

At September 30, 2006, \$2,965,000 of bonds outstanding are considered defeased.

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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006
(Continued)

The aggregate maturities of Long-Term Debt at September 30, 2006, are as follows:

Fiscal Year Ending September 30	Bonded Debt		
	Principal	Interest	Total
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	1,727,294	1,240,684	2,967,978
2011	1,810,876	1,158,622	2,969,498
2012-2016	10,461,066	4,348,758	14,809,824
2017-2021	8,940,000	1,950,576	10,890,576
2022	2,070,000	106,088	2,176,088
	29,745,068	12,971,825	42,716,893
Less: Unamortized Bond Discount	613,102		613,102
	<u>\$ 29,131,966</u>	<u>\$ 12,971,825</u>	<u>\$ 42,103,791</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. This bond was refunded by the issuance of the Water and Sewer Revenue Refunding Bonds, Taxable Series 2006B-1 and 2006C on May 1, 2006.

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.

On May 1, 2006, the City obtained four loans from the City of Gulf Breeze, Florida Local Government Loan Pool Program. The City of Miami Beach intends to use a loan from the City of Gulf Breeze, Florida, Series 1985B Bond proceeds and a loan from the City of Gulf Breeze, Florida, Series 1985C proceeds to refund all of the City of Miami Beach's outstanding Water & Sewer Revenue Bonds, Series 1995.

In addition, the City intends to use a loan from the City of Gulf Breeze, Florida, Series 1985B Bond proceeds and a loan of the City of Gulf Breeze, Florida, Series 1985E Bond proceeds to pay the cost of certain improvements to its water and sewer utility. As evidence of such loans, the City's Water and Sewer Fund issued \$8,500,000 in Water and Sewer Revenue Refunding Bonds, Taxable Series 2006B-1, \$18,300,000 in Water and Sewer Revenue Bonds, Taxable Series 2006B-2, \$27,500,000 in Water and Sewer Revenue Refunding Bonds, Taxable Series, 2006C, and \$5,700,000 in Water and Sewer Revenue Bonds, Taxable Series 2006E. The bonds will be repaid solely from pledged revenues of the Water and Sewer system. They are registered transcripts and insured. The Refunding bonds were issued to refund the Water and Sewer Revenue Bonds, Series 1995, and the other two bonds were issued to construct various improvements and extensions to the Water and Sewer utility.

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006
(Continued)

Indebtedness of the Water and Sewer Fund at September 30, 2006 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>
\$ 8,500,000	2006B-1 Water & Sewer Revenue Refunding Bonds Gulf Breeze Loan Series 1985B due in annual installments through 2015: Interest at 4.25% - 4.50%	<u>\$ 8,500,000</u>
\$ 18,300,000	2006B-2 Water & Sewer Revenue Bonds Gulf Breeze Loan Series 1985B due in annual installments through 2019: Interest at 4.40% - 4.50%	<u>\$ 18,300,000</u>
\$ 27,500,000	2006C Water & Sewer Revenue Refunding Bonds Gulf Breeze Loan Series 1985C due in annual installments through 2013: Interest at 4.00% - 4.50%	<u>\$ 27,500,000</u>
\$ 5,700,000	2006E Water & Sewer Revenue Bonds Gulf Breeze Loan Series 1985E due in annual installments through 2020: Interest at 5.00%	<u>\$ 5,700,000</u>

At September 30, 2006, \$33,785,000 of bonds outstanding are considered defeased.

The aggregate maturities of Long-term debt as of September 30, 2006 are as follows:

Fiscal Year Ending September 30	Bonded Debt		
	Principal	Interest	Total
2007	\$ 3,285,000	\$ 5,466,855	\$ 8,751,855
2008	3,480,000	5,331,556	8,811,556
2009	3,740,000	5,187,155	8,927,155
2010	3,775,000	5,036,856	8,811,856
2011	3,930,000	4,882,755	8,812,755
2012-2016	22,685,000	21,927,017	44,612,017
2017-2021	35,735,000	15,238,050	50,973,050
2022-2026	18,675,000	8,150,388	26,825,388
2027-2030	19,005,000	2,456,975	21,461,975
	<u>114,310,000</u>	<u>73,677,607</u>	<u>187,987,607</u>
Less: Unamortized Bond Discount	470,989		470,989
	<u>\$ 113,839,011</u>	<u>\$ 73,677,607</u>	<u>\$ 187,516,618</u>

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006
(Continued)

c. Storm Water

The Storm Water Fund issued \$52,170,000 in Storm Water Revenue Bonds, Series 2000, on November 7, 2000. The bonds will be repaid solely from pledged revenues of the Storm Water System. They are registered transcripts and insured. The bonds were issued to construct certain improvements to the Storm Water utility. Indebtedness of the Storm Water Fund at September 30, 2006 is as follows:

\$52,170,000	2000 Storm Water Revenue Bonds Due in annual installments through 2030:	
	Interest at 4.5%-5.75%	<u>\$47,610,000</u>

The aggregate maturities of Long-term debt at September 30, 2006 are as follows:

Fiscal Year Ending September 30	Bonded Debt		
	Principal	Interest	Total
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	1,190,000	2,381,166	3,571,166
2011	1,245,000	2,324,641	3,569,641
2012-2016	7,320,000	10,529,469	17,849,469
2017-2021	9,615,000	8,228,069	17,843,069
2022-2026	12,430,000	5,414,107	17,844,107
2026-2030	12,550,000	1,730,750	14,280,750
	47,610,000	38,058,355	85,668,355
Less: Unamortized Bond Discount	534,184		534,184
	\$ 47,075,816	\$ 38,058,355	\$ 85,134,171

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.

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006
(Continued)

As of September 30, 2006, the estimated remaining costs of such performance as per the settlement agreement was approximately \$98,462.

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, 2006, the City was indebted for \$13,399,242.

The aggregate maturities of loans at September 30, 2006, is as follows:

Fiscal Year Ending September 30	Loans		
	Principal	Interest	Total
2007	\$ 2,437,517	\$ 460,934	\$ 2,898,451
2008	2,507,344	377,083	2,884,427
2009	2,155,717	290,831	2,446,548
2010	1,704,708	216,674	1,921,382
2011	1,338,823	158,032	1,496,855
2012-2016	3,231,003	283,956	3,514,959
2017	24,130	830	24,960
	<u>\$ 13,399,242</u>	<u>\$ 1,788,340</u>	<u>\$ 15,187,582</u>

The above debt has been recorded in the following funds:

Internal Service	\$ 12,904,566
Other Enterprise	494,676
	<u>\$ 13,399,242</u>

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, 2006 the City was indebted for \$1,376,488.

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 \$4,000,000 of this loan for improvements to neighborhood Streets, North Shore Park and Youth Center. At September 30, 2006, the outstanding balance on the amount drawn was \$1,890,000. The interest rate on this loan is a variable rate (LIBOR plus 20 basis points or .2%) Principal payments are made annually on the first of August and interest payments are made quarterly. This loan matures on August 1, 2015.

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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006
(Continued)

The aggregate maturities of other long-term obligations at September 30, 2006, is as follows:

Fiscal Year Ending September 30	Long-term Obligation	Interest	Total
2007	\$ 647,465	\$ 166,089	\$ 813,554
2008	668,493	133,303	801,796
2009	690,530	99,506	790,036
2010	210,000	70,560	280,560
2011	210,000	58,800	268,800
2012-2015	840,000	117,600	957,600
	<u>\$ 3,266,488</u>	<u>\$ 645,858</u>	<u>\$ 3,912,346</u>

7. Refunding

On May 1, 2006, the City issued the \$8,500,000 Water and Sewer Revenue Refunding Bonds, Taxable Series 2006B-1, and the \$27,500,000 Water and Sewer Revenue Refunding Bonds, Taxable Series 2006C, with interest rates ranging from 4.00% to 4.50%, depending on maturity. The proceeds of these bonds were used to refund the Water and Sewer Revenue Bonds, Series 1995. As a result of this refunding, \$36,660,000 of the Water and Sewer Revenue Bonds, Series 1995 are considered to be defeased and the liability for these bonds has been removed from the governmental activities column of the statement of net assets. The City's refunding of these bonds obtained a net present value economic gain of approximately \$600,000. The debt service for the refunded bond was \$47,348,576, while the debt service of the refunding bonds is \$43,418,120, a difference of \$3,930,456.

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006
(Continued)

8. Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2006, was as follows:

Governmental activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
General obligation	\$ 87,500,000	\$	\$ 6,060,000	\$ 81,440,000	\$ 2,820,000
Special obligation	191,906,524		7,001,592	184,904,932	8,874,824
Total bonds payable	279,406,524	-	13,061,592	266,344,932	11,694,824
Due to developer	311,814		213,352	98,462	98,462
Claims and judgments	18,287,700	6,101,370	4,807,250	19,581,820	6,860,000
Compensated absences	13,919,780	5,997,037	5,021,948	14,894,869	5,021,948
Other obligations	4,088,890		822,402	3,266,488	647,465
Loans payable	12,295,306	2,509,760	1,900,500	12,904,566	2,284,147
Governmental activity					
Long-term liabilities	328,310,014	14,608,167	25,827,044	317,091,137	26,606,846
Business-type activities:					
Revenue bonds payable	170,763,468	60,000,000	39,098,400	191,665,068	5,835,176
Less deferred amounts:					
for issuance discounts					
on refunding	2,301,604		683,329	1,618,275	80,202
Total bonds payable	168,461,864	60,000,000	38,415,071	190,046,793	5,754,974
Loans payable	560,811	85,175	151,310	494,676	148,028
Compensated absences	1,117,465	981,666	775,954	1,323,177	775,954
Deposits	8,326,975	3,932,057	3,266,580	8,992,452	3,266,580
Business-type activity					
Long-term liabilities	\$ 178,467,115	\$ 64,998,898	\$ 42,608,915	\$ 200,857,098	\$ 9,945,536

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, 2006, \$1,043,051 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, 2006
(Continued)

9. 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	\$	\$ 6,473,273	\$ 26,892	\$ 2,427,971	\$ 64,316	\$ 8,992,452
Interlocal agreement	.			13,685,359		13,685,359
Revenue Bonds - construction	46,669,066	62,658,785	12,066,337			121,394,188
Revenue Bonds - debt service	3,572,213	6,632,567	2,969,498			13,174,278
Revenue Bonds - future debt service			1,718,706			1,718,706
Total Restricted Cash	\$ <u>50,241,279</u>	\$ <u>75,764,625</u>	\$ <u>16,781,433</u>	\$ <u>16,113,330</u>	\$ <u>64,316</u>	\$ <u>158,964,983</u>

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 2006, the City's total property insurance premium cost decreased 20% due to the limitation of windstorm insurance available for purchase. The City's windstorm insurance coverage was reduced from \$45 million to \$10 million.

The Fund derives revenue from all City departments through an allocation formula and from investment income earned on cash and investments within the Fund. The Fund accrues an amount based on an external actuarial computation which includes known claims and an estimate for claims incurred but not yet reported, regardless of the ultimate date of payment or disposition.

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006
(Continued)

The following are the changes in the funds' claims liability amount during fiscal year 2006 and 2005 respectively:

	2006	2005
Unpaid claims, beginning of year	\$ 18,287,700	\$ 16,332,775
Incurring claims (include incurred but not yet reported)	6,101,370	6,898,945
Less: claim payments	4,807,250	4,944,020
Unpaid claims, end of year	<u>\$ 19,581,820</u>	<u>\$ 18,287,700</u>

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.

3. Post Retirement Benefits

The City paid \$5,264,230 for health, life and dental insurance coverage for its participating retirees and beneficiaries during the fiscal year ended September 30, 2006. Under City ordinances, retirees hired prior to March 18, 2006 are entitled to 50% of the cost of health, life and dental insurance to be paid by the City. Retirees hired after March 18, 2006 shall receive from the City, a monthly payment towards the cost of continued participation in the City's health insurance plan in the initial amount of \$10 per year of creditable service, up to a maximum of \$250 per month until age 65; and \$5 per year of creditable service up to a maximum of \$125 per month thereafter. The benefit is paid during the lifetime of the retired employee, and shall cease upon the retired employee's death. These expenditures are considered current costs and no provision for future funding has been made.

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006
(Continued)

4. Pension Plan

a. Miami Beach Employees' Retirement System

i. Summary of Significant Accounting Principles

The Plan financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenue in the period in which the employee services are performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Accounting Principles Generally Accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, the actual results could differ from those estimates. Investments in common stock, stock index funds and aggregate bond index funds are recorded at fair value as determined by quoted published prices. Short-term investments are recorded at cost which approximates value. Dividends and interest are recognized when earned. Gains and losses on sales and exchanges of investments are recognized on the trade date.

ii 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 Firemen, are covered by the City of Miami Beach, Florida, Miami Beach Employees' Retirement Plan (the "Plan"). A classified employee and/or an unclassified 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 pension plan that was established by the City under Ordinance #2006-3504. Effective on March 18, 2006, the Miami Beach Employees' Retirement System was created under and by the authority of Chapter 18691, Laws of Florida, Acts of 1937, as amended, by merging the "Retirement System for General Employees of the City of Miami Beach created by Ordinance 1901 with the "Retirement System for Unclassified Employees and Elected Officials of the City of Miami Beach created by Ordinance 88-2603, as amended.

Combined Pro Forma Presentation at September 30, 2005 – For financial statement presentation purposes the balances as of September 30, 2005 of the presently merged Retirement Plans, formerly known as Retirement System for General Employees Plan and Retirement System for Unclassified Employees and Elected Officials Plan are hereby presented combined as if the plans would have been one plan at September 30, 2005. This presentation will conform with the presentation of the balances at September 30, 2006. Actuarial schedules and numbers herein included in these financial statements are presented under the Retirement System for General Employees Plan and Retirement System for Unclassified Employees and Elected Officials Plan as originally reported by the actuary of the Systems, as these schedules referred to dates prior to the merge of the Plans as one Plan on March 18, 2006.

At October 1, 2005 and 2004, membership consisted of:

	<u>As Pro Forma 2005</u>	<u>As Pro Forma 2004</u>
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	<u>1,042</u>	<u>1,066</u>
Current Employees	<u>736</u>	<u>725</u>

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
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(Continued)

Principally all full-time classified and unclassified employees of the City, except those who joined the 401(a) Plan, must participate in the Plan. Classified employees in the Plan are segregated into three unions: American Federation 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". Unclassified employees are not represented by a bargaining unit. The Plan provides retirement benefits as well as death and disability benefits at two different tiers depending on when the employees entered the Plan. The First Tier is for members that entered the Plan prior to the Second Tier Dates. The Second Tier Dates were established when each of the unions bargained with the City to establish new guidelines for retirement benefits relating to employees associated with their Unions. The Second Tier Dates are April 30, 1993 for members of AFSCME; August 1, 1993 for those classified as "Other and GSA" and February 21, 1994 for members of CWA. The Second Tier is for members that entered the Plan on or after the Second Tier Dates.

Classified members administered under the First Tier are eligible for Normal Retirement at age 50 and incrementally over five years of Creditable Service and are entitled to benefits of 3% of Final Average Monthly Earnings ("FAME") multiplied by the first 15 years of Creditable Service plus 4% of FAME multiplied by years of service in excess of 15, with the total not to exceed 90% of the FAME. FAME for the First Tier members is defined as one-twelfth of the average annual earnings during the two highest paid years of Creditable Service. First Tier unclassified members accrued 4% for Creditable Service before October 18, 1992. Unclassified First Tier members accrued 3% per year of service after October 18, 1992, with the total not to exceed 80% of FAME. Classified and unclassified members administered under the Second Tier are eligible for Normal Retirement at age 55 and incrementally over five years of Creditable Service and are entitled to benefits of 3% of FAME multiplied by Creditable Service, with a maximum of 80% of FAME. FAME for the Second Tier members is defined as one-twelfth of average annual earnings during the two highest paid years of Creditable Service.

New employees to the Plan will vest over ten years instead of five years and the retirement age will be age 60 instead of age 50.

All First Tier employees who participate are required to contribute 10% of their salary to the Plan. All Second Tier employees are required to contribute 8% of their salary. Employee contributions, including buybacks, are disclosed in the financial statements.

Any First Tier member who terminates employment may either request a refund of his or her own contributions plus interest or receive his or her accrued benefit beginning at age 50, if at least five years of Creditable Service are completed, or at age 62, if less than five years of Creditable Service are completed. Any Second Tier member who entered on or after the Second Tier Date and who terminates employment after five years of Creditable Service may either request a refund of his or her own contributions plus interest or receive his or her accrued benefit beginning at age 55.

iii. 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, 2005, the date of the latest actuarial report, was \$5,731,179 and \$36,638,143 for the Former Retirement System for Unclassified Employees and Elected Officials Plan and the Former Retirement System for General Employees Plan, respectively. Effective October 1, 1996, the asset valuation method was changed to recognize the difference between actual investment return and expected return and will be amortized over five (5) years.

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(Continued)

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.

For the year ended September 30, 2006, the City was required to make contributions of \$1,674,339 and \$3,825,990, to the former Retirement System for Unclassified Employees and former Retirement System for General Employees Plans, respectively, in accordance with actuarially determined requirements computed through an actuarial valuation performed as of October 1, 2004. Contributions of \$1,616,217 and \$3,466,378 were required for the year ended September 30, 2005, based on an actuarial valuation report performed as of October 1, 2003. For the year ended September 30, 2006, the employees contributed \$11,433,278 and \$9,427,353, to the former Retirement System for Unclassified Employees and Elected Officials and the former Retirement System for General Employees Plans, respectively, which represents 45.75% and 29.34% of covered payroll. These employee contributions include migrated pension balances from the City of Miami Beach Employees 401(a) accounts which amounted to \$10,187,256 and \$6,775,877, respectively.

The Plan uses the following actuarial valuations at 10/01/05:

Actuarial Cost Method	Entry Age Normal
Actuarial Asset Valuation Method	5 year smoothed market
Amortization Method	Level dollar, closed
Actuarial Assumptions:	
Investment rate of return	9%
Projected salary increases	6%
Inflation	4%
Cost of living adjustment (COLA)	1.5%

v. 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, 2006, for the Miami Beach Employee' Retirement System is as follows:

Formerly Retirement System for General Employees
Schedule of Employer Contributions

<u>Year Ended September 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2004	\$ 1,806,367	100 %
2005	3,466,378	100
2006	3,825,990	100

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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006
(Continued)

Formerly Retirement System for Unclassified Employees and Elected Officials
Schedule of Employer Contributions

Year Ended September 30,	Annual Required Contribution	Percentage Contributed
2004	\$ 670,335	100 %
2005	1,616,217	100
2006	1,674,339	100

b. Retirement System for Firefighters and Police Officers

i. Summary of Significant Accounting Principles

The Plan financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenue in the period in which the employee services are performed. Accounting Principles Generally Accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, the actual results could differ from those estimates. The fair value of quoted investments securities is based on the closing sale price as of September 30, 2006, as reported by recognized securities exchanges. Short term obligations are stated at cost which approximates market value. Gains and losses on the sale of investments are based on the first-in, first-out identification method. Dividends and interest are recognized when earned.

ii. 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. The former plans were merged and the name was changed to City Pension Fund for Firefighters and Police Officers in the City of Miami Beach. The Plan is defined benefit pension plans covering substantially all police officers and firefighters of the City, as established by Chapter 23414, Laws of Florida, Special Acts of 1945 as amended through November 4, 2003.

Any member may retire on a service retirement pension upon the attainment of age 50 or, if earlier, the date when age and length of creditable service equals to at least 70. If a member resigns or is lawfully discharged before retirement, their contributions with 3% interest per annum are returned to them. The Plan also provides a special provision for vested benefits for employees who terminate after 10 years of service.

Upon retirement, a member will receive a monthly pension, payable for life, equal to 3% of the average monthly salary for each of the first 15 years of creditable service and 4% of the average monthly salary for each year of creditable service in excess of 15 years, provided that the pension does not exceed 90% of the average monthly salary. The average monthly salary of the member is computed based on the salary for the two highest paid years prior to the date of retirement or the average of the last 2 paid years of the member prior to the date of retirement.

Effective November 4, 2003, a member who retires, enters the deferred retirement option plan, or separate from the City employment, and is entitled to service or disability benefits, may elect in lieu of such benefit, a joint and contingent survivor option, at any time prior to retirement. Under the joint and contingent survivor option, the member shall receive an actuarially adjustment retirement benefit during the member's lifetime, and have monthly benefit (or designated percentage of 25%, 50%, 66.67% or 75% thereof) continued after the member's death to and for the lifetime of the member's designated joint pensioner. The election of the joint and contingent survivor option shall be null and void if the designated joint pensioner dies before the member's

CITY OF MIAMI BEACH, FLORIDA
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(Continued)

retirement. The value of the joint and contingent survivor option shall be actuarially equivalent to the value otherwise payable.

In the alternative and in lieu of the normal form of benefit, the member may, at any time prior to retirement, elect to receive a lifetime retirement benefit with 120 monthly payments guaranteed. If the member should die before 120 monthly payments are made, benefits will continue to be paid to the member's designated beneficiary for the balance of the 120 month period. If the retired member is living after 120 monthly payments are made, the payment shall be continued for the member's remaining lifetime.

iii. Deferred retirement option plan

An active employee member may enter into the Deferred Retirement Option Plan (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. DROP participants 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 earnings, is payable to them and they also begin to receive their previously fixed monthly retirement benefit. The DROP is administrated by the Plan's Board of Trustees. At September 30, 2006, \$8,932,501 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.

At October 1, 2005 and 2004, the plan membership consisted of the following:

	As of October 1, 2005	As of October 1, 2004
Active Members	454	488
Deferred Vested Members	10	8
Retired Members:		
a. Service	395*	360*
b. Disabled	60	61
c. Beneficiaries	92	94
	<u>547</u>	<u>515</u>
Total	<u>1,011</u>	<u>1,011</u>

* Including members in the DROP

iv. 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, 2006, of \$19,517,106 were made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of October 1, 2004. The contributions consisted of \$19,517,106 normal cost and amortization of unfunded liability. The City and State of Florida contributed \$14,601,836 (33.3%

CITY OF MIAMI BEACH, FLORIDA
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(Continued)

of current covered payroll) and employees contributed \$4,915,270 (11.2% of current covered payroll) including buybacks of \$533,652.

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 at 10/01/05:

Actuarial Cost Method	Entry age Normal
Amortization Method	Level percentage, closed
Remaining amortization period	26 – 30 years
Asset Valuation Method	Market related value
Actuarial Assumptions:	
Investment rate of return*	8.5%
Projected salary increases	4.53% - 10.17%
Cost of living adjustment	2.5%

*Includes inflation at: 3.5%

v. 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, 2006, for the Retirement System for Fire Fighters and Police Officers is as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Annual</u> <u>Pension Cost</u>	<u>Percentage of</u> <u>Annual Pension Cost</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
2004	\$ 9,494,091	100%	\$ -
2005	11,978,155	100%	-
2006	14,601,836	100%	-

c. Firemen's and Police Relief and Pension Funds

The City's firefighters and police officers are members of two separate non-contributory money purchase benefit plans established under the provisions of Florida Statutes, Chapters 175 and 185, respectively. These plans are funded solely from proceeds of certain excise taxes levied by the City and imposed upon property and casualty insurance coverage within City limits. This tax, which is collected from insurers by the State of Florida, is remitted to the Plans' Boards of Trustees. The City is under no obligation to make any further contributions to the plans. The excise taxes received from the State of Florida and remitted to the plans for the year ended September 30, 2006 was \$74,091 for firefighters and \$528,638 for police officers.

Plan benefits are allocated to participants based upon their service during the year and the level of funding received during the year. Participants are fully vested after 10 years of service with no benefits vested prior to 10 years of service, except those prior to June 1983. All benefits are paid in a lump sum format, except for the Police Relief Funds, where participants may also elect not to withdraw, or to partially withdraw, his or her retirement funds.

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006
(Continued)

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, employees of the City who were members 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. Effective March 19, 2006 the Plan is no longer offered to new employees of the City. Employees participating in the Plan prior to March 19, 2006 were given the option to transfer membership to the System.

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.

Employees in the Plan hired prior to February 21, 1994 are required to contribute 10% of their salary while those hired subsequent to February 21, 1994 are required to contribute 8% of their salary. The City matches with an 8% 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 – PEBSCO).

Plan information as of and for the fiscal year ended September 30, 2006 is as follows:

Members in the Plan		129
City's contribution	\$1,314,863	
Percentage of covered payroll		8.83%
Employees' contribution	1,369,172	
Percentage of covered payroll		9.19%

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
Employee Retirement System
1700 Convention Center Drive, Miami Beach, Florida 33139

City of Miami Beach
Retirement System for Firefighters and Police Officers
1691 Michigan Ave. Suite 555, Miami Beach, Florida 33139

Miami Beach Policemen's Relief and Pension Fund
999 11th Street, Miami Beach, Florida 33139

Miami Beach Firemen's Relief and Pension Fund
City of Miami Beach
1700 Convention Center Drive, Miami Beach, Florida 33139

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF MIAMI BEACH, FLORIDA
SCHEDULE OF FUNDING PROGRESS
RETIREMENT SYSTEMS (in Millions)
(Unaudited)**

**Miami Beach Employees' Retirement System
formally Retirement System for General Employees**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL As % of Covered Payroll (b-a)/c
10/1/03	\$ 240.2	\$ 252.8	\$ 12.6	95.0 %	\$ 25.9	48.8 %
10/1/04	236.6	262.5	26.0	90.1	24.9	104.2
10/1/05	235.7	272.4	36.6	86.5	25.8	141.8

**Miami Beach Employees' Retirement System
formally Retirement System for Unclassified Employees and Elected Officials**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL As % of Covered Payroll (b-a)/c
10/1/03	\$ 79.9	\$ 86.1	\$ 6.2	92.7 %	\$ 8.6	72.3 %
10/1/04	84.2	89.6	5.4	94.0	9.7	55.7
10/1/05	90.0	95.7	5.7	94.0	10.8	52.9

Firefighters and Police Officers

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL As % of Covered Payroll (b-a)/c
10/1/03	\$ 410.4	\$ 468.3	\$ 57.9	87.6 %	\$ 32.1	180.2 %
10/1/04	418.1	512.0	93.9	81.7	32.7	287.1
10/1/05	457.7	551.9	94.2	82.9	31.3	301.4

CITY OF MIAMI BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended September 30, 2006
(Unaudited)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes:				
Property	\$ 111,778,090	\$ 111,778,090	\$ 109,816,531	\$ (1,961,559)
Sales, use and fuel taxes	1,820,000	1,820,000	1,816,025	(3,975)
Utility	12,828,300	13,158,300	12,998,955	(159,345)
Franchise	7,935,000	9,008,000	9,258,301	250,301
Licenses and permits	12,485,013	15,839,013	16,048,780	209,767
Intergovernmental	11,566,686	14,113,686	14,383,321	269,635
Charges for services	6,337,400	6,337,400	7,439,392	1,101,992
Rents and leases	2,528,768	2,528,768	3,190,274	661,506
Interest income	4,240,000	5,794,000	5,794,945	945
Fines and forfeits	1,584,000	1,859,000	2,316,731	457,731
Administrative fees	8,413,518	8,413,518	8,426,624	13,106
Other	6,277,033	6,277,033	4,430,962	(1,846,071)
Total revenues	187,793,808	196,926,808	195,920,841	(1,005,967)
Expenditures				
General government:				
Mayor and Commission	1,338,104	1,190,104	1,189,637	467
City Manager	2,151,229	2,151,229	2,172,387	(21,158)
City Clerk	1,480,117	1,330,117	1,317,548	12,569
Budget and Performance Management	1,713,293	1,634,293	1,607,527	26,766
Finance	3,940,145	3,560,145	3,554,264	5,881
Human Resources	1,623,107	1,623,107	1,610,290	12,817
Procurement	763,675	796,675	796,302	373
City Attorney	3,904,584	3,687,584	3,687,330	254
Planning	2,883,501	2,629,501	2,459,479	170,022
Media Relations	1,067,074	947,074	940,788	6,286
Public Works	2,575,611	2,498,348	2,458,997	39,351
Capital Improvement / Upkeep	4,672,090	3,895,090	3,255,261	639,829
Special Projects	942,366	1,341,220	1,101,443	239,777
Unclassified	8,016,728	10,768,515	10,696,917	71,598
Total general government	37,071,624	38,053,002	36,848,170	1,204,832
Public safety:				
Ocean Rescue	6,219,032	6,571,882	6,571,869	13
Building Services	9,217,730	9,340,130	9,377,769	(37,639)
Fire	32,065,840	32,141,435	31,946,414	195,021
Police	64,992,447	65,957,996	65,989,510	(31,514)
Emergency 911	530,000	530,000	686,147	(156,147)
Total public safety	113,025,049	114,541,443	114,571,709	(30,266)
Physical Environment	1,906,293	2,994,493	2,846,380	148,113
Transportation	3,790,561	3,571,624	3,359,687	211,937
Economic Environment	1,739,437	1,703,437	1,635,602	67,835
Human Services	981,649	917,649	919,060	(1,411)
Culture and recreation	26,428,042	24,908,733	24,637,087	271,646
Debt service:				
Principal retirement	1,209,449	1,209,449	1,002,403	207,046
Interest and fiscal charges	804,100	804,100	751,162	52,938
Total expenditures	186,956,204	188,703,930	186,571,260	2,132,670
Excess (deficiency) of revenues over (under) expenditures	837,604	8,222,878	9,349,581	1,126,703
Other financing sources (uses)				
Transfers in	20,121,309	20,121,309	21,006,214	884,905
Transfers out	(20,955,293)	(28,571,602)	(27,805,694)	765,908
Sale of capital assets	10,000	10,000	9,656	(344)
Total other financing sources	(823,984)	(8,440,293)	(6,789,824)	1,650,469
Net change in fund balances	13,620	(217,415)	2,559,757	2,777,172
Fund balances - beginning of year	35,258,012	35,258,012	35,258,012	
Fund balances - end of year	\$ 35,271,632	\$ 35,040,597	\$ 37,817,769	\$ 2,777,172

CITY OF MIAMI BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended September 30, 2006
(Unaudited)

	Resort Tax Revenue Fund			Miami Beach Redevelopment Agency		
	Original and Final Budgeted Amounts	Actual Amounts	Variance Favorable (Unfavorable)	Original and Final Budgeted Amounts	Actual Amounts	Variance Favorable (Unfavorable)
Revenues						
Resort taxes	\$ 34,151,000	\$ 34,265,010	\$ 114,010	\$	\$	\$
Intergovernmental				24,679,920	24,934,704	254,784
Interest income	125,000	341,728	216,728	197,000	1,831,006	1,634,006
Miscellaneous	270,000	926,116	656,116			
Total revenues	34,546,000	35,532,854	986,854	24,876,920	26,765,710	1,888,790
Expenditures						
General government	858,380	832,897	25,483	2,897,379	2,494,678	402,701
Public safety				2,512,197	2,166,135	346,062
Economic environment		97,829	(97,829)			
Culture and recreation	7,253,888	7,024,421	229,467		4,544,031	(4,544,031)
Total expenditures	8,112,268	7,955,147	157,121	5,409,576	9,204,844	(3,795,268)
Excess (deficiency) of revenues over (under) expenditures	26,433,732	27,577,707	1,143,975	19,467,344	17,560,866	(1,906,478)
Other financing sources (uses)						
Transfers in				2,972,500	3,006,891	34,391
Transfers out	(27,133,732)	(28,755,333)	(1,621,601)	(22,439,844)	(50,265,888)	(27,826,044)
Total other financing sources (uses)	(27,133,732)	(28,755,333)	(1,621,601)	(19,467,344)	(47,258,997)	(27,791,653)
Net change in fund balances	(700,000)	(1,177,626)	(477,626)		(29,698,131)	(29,698,131)
Fund balances - beginning of year	9,769,731	9,769,731		70,509,376	70,509,376	
Fund balances - end of year	\$ 9,069,731	\$ 8,592,105	\$ (477,626)	\$ 70,509,376	\$ 40,811,245	\$ (29,698,131)

CITY OF MIAMI BEACH, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2006
(Unaudited)

1. Budgetary Policy

A. Budgetary Data

The City is required to prepare, approve, adopt and execute an annual budget for such funds as may be required by law or by sound financial practices and generally accepted accounting principles.

The City's governmental funds have legally adopted annual budgets for the General Fund, Resort Tax Fund, Miami Beach Redevelopment Agency Fund, General Obligation Debt Service Fund and Miami Beach Redevelopment Agency Special Obligation Debt Service Fund.

Budget to actual comparisons for the General Fund, Resort Tax Fund and Miami Beach Redevelopment Agency Fund are presented in the Required Supplementary Information section of this report. Budget to actual comparisons for the General Obligation Debt Service Fund and Miami Beach Redevelopment Agency Special Obligation Debt Service Fund are presented in the Supplementary Information section of this report.

At least 65 days prior to the beginning of the fiscal year, the City Commission is presented with a proposed budget. The proposed budget includes anticipated expenditures and the means of financing them. After Commission review and public hearings, the budget is adopted prior to October 1st. The budgets are approved by fund and department, and controlled at the department level. Management may transfer amounts between line items within a department as long as the transfer does not result in an increase in the department's budget. Increases to funds or department budgets and transfers between departments require City Commission approval.

There was one (1) supplemental budgetary appropriations during fiscal year ended September 30, 2006.

Budgets are considered a management control and planning tool and as such are incorporated into the accounting system of the City. Budgets are adopted on the modified accrual basis of accounting. Appropriations not encumbered lapse at year end.

Encumbrance accounting, under which purchase order commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances, since they do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Community Development Block Grant Fund: This fund accounts for the receipt and expenditure of funds under this Federal Program.

State Housing Initiatives Partnership Fund: This fund accounts for the receipt and expenditure of funds under this State Program.

Parking Impact Fees Fund: This fund accounts for impact fee revenue paid, primarily by owners of new and existing construction, in lieu of their ability to provide adequate parking spaces as defined by City Ordinance. The fund is also responsible for the disbursement of funds for various parking related projects in the impacted areas.

Transportation Concurrency Management Fund: This fund oversees, maintains, directs the City's concurrency management system, the land use/transportation planning and traffic management efforts and projects.

Police Confiscation and Training Fund: This fund accounts for revenues received that are restricted to police related expenditures with multiple restrictions.

Other Special Revenue Fund: This fund accounts for the revenues and expenditures of a series of small grants.

Debt Service Funds

Debt Service Funds account for the payment of interest and principal of the current portion on long-term debt, primarily from tax proceeds and earnings on temporary investments.

General Obligation Fund: This fund accounts for principal and interest payments made for general obligations.

Excise Tax Fund: This fund accounts for Resort Tax Special Obligation payments made for principal and interest.

Gulf Breeze Special Obligation Fund: This fund accounts for principal and interest payments made for the Gulf Breeze VRDS.

Miami Beach Redevelopment Agency Fund: This fund accounts for principal and interest payments made for the Tax Increment Revenue Special Obligation Bonds.

Sunshine State Special Obligation Fund: This fund accounts for principal and interest payments made for the Sunshine State VRDS.

Pension Special Obligation Fund: This fund accounts for principal and interest payments made for the Pension Special Obligation Bonds.

CITY OF MIAMI BEACH, FLORIDA
COMBINED BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2006

	Total Nonmajor Special Revenue Funds	Total Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and investments	\$ 34,769,496	\$ 8,738,289	\$ 43,507,785
Receivables, net	319,104	268,088	587,192
Accrued interest	176,638	31,415	208,053
Due from other funds	75,362		75,362
Due from other governments	268,158		268,158
Prepaid		15,685	15,685
Total assets	<u>\$ 35,608,758</u>	<u>\$ 9,053,477</u>	<u>\$ 44,662,235</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,697,859	\$	\$ 1,697,859
Accrued expenditures	183,978	1,320	185,298
Deferred revenues		131,901	131,901
Due to other funds	256,047		256,047
Total liabilities	<u>2,137,884</u>	<u>133,221</u>	<u>2,271,105</u>
FUND BALANCES			
Reserved for:			
Prepaid		15,685	15,685
Encumbrances	2,044,695		2,044,695
Debt service		8,904,571	8,904,571
Unreserved	31,426,179		31,426,179
Total fund balances	<u>33,470,874</u>	<u>8,920,256</u>	<u>42,391,130</u>
Total liabilities and fund balances	<u>\$ 35,608,758</u>	<u>\$ 9,053,477</u>	<u>\$ 44,662,235</u>

CITY OF MIAMI BEACH, FLORIDA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2006

	Total Nonmajor Special Revenue Funds	Total Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
REVENUES			
Property taxes	\$	\$ 9,809,320	\$ 9,809,320
Sales , Use and Fuel Taxes	2,824,650		2,824,650
Other taxes	602,729		602,729
Federal grants	3,819,697		3,819,697
State grants	986,349		986,349
Grants from other local units	276,202		276,202
Charges for services	37,012		37,012
Fines and forfeitures	360,708		360,708
Impact Fees	2,759,185		2,759,185
Interest income	2,165,306	269,382	2,434,688
Miscellaneous	720,208		720,208
	<hr/>	<hr/>	<hr/>
Total revenues	14,552,046	10,078,702	24,630,748
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
Current:			
General government	716,359		716,359
Public safety	2,289,309		2,289,309
Physical environment	90,150		90,150
Transportation	1,669,437		1,669,437
Economic environment	3,230,165		3,230,165
Human services	934,721		934,721
Culture and recreation	1,779,378		1,779,378
Debt Service:			
Principal	405,000	12,476,592	12,881,592
Interest	101,085	11,422,440	11,523,525
Other		39,999	39,999
	<hr/>	<hr/>	<hr/>
Total expenditures	11,215,604	23,939,031	35,154,635
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over (under) expenditures	3,336,442	(13,860,329)	(10,523,887)
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	24,527		24,527
Transfers in	39,039,550	18,581,218	57,620,768
Transfers out	(36,041,965)	(1,571,186)	(37,613,151)
	<hr/>	<hr/>	<hr/>
Total other financing sources	3,022,112	17,010,032	20,032,144
	<hr/>	<hr/>	<hr/>
Net change in fund balances	6,358,554	3,149,703	9,508,257
	<hr/>	<hr/>	<hr/>
Fund balances - beginning of year	27,112,320	5,770,553	32,882,873
	<hr/>	<hr/>	<hr/>
Fund balances - end of year	\$ 33,470,874	\$ 8,920,256	\$ 42,391,130
	<hr/>	<hr/>	<hr/>

**CITY OF MIAMI BEACH, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS**

September 30, 2006

	Community Development Block Grant Fund	State Housing Initiatives Partnership Fund	Parking Impact Fees Fund	Transportation Concurrency Management Fund	Police Confiscation and Training Fund	Other Special Revenue Fund	Total
ASSETS							
Cash and investments	\$ 115,837	\$ 1,791,718	\$ 12,163,570	\$ 6,408,580	\$ 1,079,804	\$ 13,209,987	\$ 34,769,496
Receivables, net					56,058	263,046	319,104
Accrued interest						176,638	176,638
Due from other funds	73,961					1,401	75,362
Due from other governments	171,808					96,350	268,158
Total assets	<u>\$ 361,606</u>	<u>\$ 1,791,718</u>	<u>\$ 12,163,570</u>	<u>\$ 6,408,580</u>	<u>\$ 1,135,862</u>	<u>\$ 13,747,422</u>	<u>\$ 35,608,758</u>
LIABILITIES AND FUND BALANCE							
Liabilities:							
Accounts payable	\$ 215,563	\$ 9,629	\$ 2,000	\$ 416,057	\$ 53,206	\$ 1,001,404	\$ 1,697,859
Accrued expenditures	10,715	1,453			1,642	170,168	183,978
Due to other funds	135,328					120,719	256,047
Total liabilities	<u>361,606</u>	<u>11,082</u>	<u>2,000</u>	<u>416,057</u>	<u>54,848</u>	<u>1,292,291</u>	<u>2,137,884</u>
Fund balances:							
* Reserved for encumbrances				45,342		1,999,353	2,044,695
Unreserved		1,780,636	12,161,570	5,947,181	1,081,014	10,455,778	31,426,179
Total fund balances		<u>1,780,636</u>	<u>12,161,570</u>	<u>5,992,523</u>	<u>1,081,014</u>	<u>12,455,131</u>	<u>33,470,874</u>
Total liabilities and fund balances	<u>\$ 361,606</u>	<u>\$ 1,791,718</u>	<u>\$ 12,163,570</u>	<u>\$ 6,408,580</u>	<u>\$ 1,135,862</u>	<u>\$ 13,747,422</u>	<u>\$ 35,608,758</u>

CITY OF MIAMI BEACH, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS

For the Fiscal Year Ended September 30, 2006

	Community Development Block Grant Fund	State Housing Initiatives Partnership Fund	Parking Impact Fees Fund	Transportation Concurrency Management Fund	Police Confiscation and Training Fund	Other Special Revenue Fund	Total
Revenues:							
Sales, Use and Fuel Taxes	\$	\$	\$	\$	\$	\$ 2,824,650	\$ 2,824,650
Other taxes						602,729	602,729
Federal grants	2,242,853					1,576,844	3,819,697
State grants		617,612				368,737	986,349
Grants from other local units						276,202	276,202
Charges for services						37,012	37,012
Fines and forfeitures					360,708		360,708
Impact Fees			1,078,600	1,680,585			2,759,185
Interest income		46,619	348,358		31,085	1,739,244	2,165,306
Miscellaneous	26,998	145,923	227,937		35,001	284,349	720,208
Total revenues	2,269,851	810,154	1,654,895	1,680,585	426,794	7,709,767	14,552,046
Expenditures:							
Current:							
General government						716,359	716,359
Public safety	80,000				598,347	1,610,962	2,289,309
Physical environment						90,150	90,150
Transportation				596,215		1,073,222	1,669,437
Economic environment	1,407,639					1,822,526	3,230,165
Human services	52,597	531,066				351,058	934,721
Culture and recreation	84,478					1,694,900	1,779,378
Debt Service:							
Principal	405,000						405,000
Interest						101,085	101,085
Total expenditures	2,029,714	531,066		596,215	598,347	7,460,262	11,215,604
Excess (deficiency) of revenues over (under) expenditures	240,137	279,088	1,654,895	1,084,370	(171,553)	249,505	3,336,442
OTHER FINANCING SOURCES (USES)							
Sale of capital assets					24,527		24,527
Transfers in						39,039,550	39,039,550
Transfers out	(240,137)	(2,400)		(64,034)		(35,735,394)	(36,041,965)
Total other financing sources (uses)	(240,137)	(2,400)		(64,034)	24,527	3,304,156	3,022,112
Net change in fund balances		276,688	1,654,895	1,020,336	(147,026)	3,553,661	6,358,554
Fund balances - beginning of year		1,503,948	10,506,675	4,972,187	1,228,040	8,901,470	27,112,320
Fund balances - end of year	\$	\$ 1,780,636	\$ 12,161,570	\$ 5,992,523	\$ 1,081,014	\$ 12,455,131	\$ 33,470,874

**CITY OF MIAMI BEACH, FLORIDA
NONMAJOR DEBT SERVICE FUNDS
COMBINING BALANCE SHEET**

September 30, 2006

	General Obligation Debt Service Fund	Excise Tax Debt Service Fund	Gulf Breeze Special Obligation Debt Service Fund	Miami Beach Redevelopment Agency Debt Service Fund	Sunshine State Special Obligation Debt Service Fund	Pension Special Obligation Debt Service Fund	Total
<u>Assets</u>							
Cash and investments	\$ 953,029	\$ 529,059	\$ 31,552	\$ 7,094,938	\$ 128,270	\$ 1,441	\$ 8,738,289
Receivables, net	268,088						268,088
Accrued interest	2,269			29,146			31,415
Prepaid expenses					15,685		15,685
Total assets	<u>\$ 1,223,386</u>	<u>\$ 529,059</u>	<u>\$ 31,552</u>	<u>\$ 7,124,084</u>	<u>\$ 143,955</u>	<u>\$ 1,441</u>	<u>\$ 9,053,477</u>
<u>Liabilities and fund balances</u>							
Liabilities:							
Accrued expenditures	\$	\$	\$	\$	\$ 1,320	\$	\$ 1,320
Deferred revenues	131,901						131,901
Total liabilities	<u>131,901</u>				<u>1,320</u>		<u>133,221</u>
Fund balances:							
Reserved for prepaid					15,685		15,685
Reserved for debt service	1,091,485	529,059	31,552	7,124,084	126,950	1,441	8,904,571
Total fund balances	<u>1,091,485</u>	<u>529,059</u>	<u>31,552</u>	<u>7,124,084</u>	<u>142,635</u>	<u>1,441</u>	<u>8,920,256</u>
Total liabilities and fund balances	<u>\$ 1,223,386</u>	<u>\$ 529,059</u>	<u>\$ 31,552</u>	<u>\$ 7,124,084</u>	<u>\$ 143,955</u>	<u>\$ 1,441</u>	<u>\$ 9,053,477</u>

**CITY OF MIAMI BEACH, FLORIDA
NONMAJOR DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE**

For the Fiscal Year Ended September 30, 2006

	General Obligation Debt Service Fund	Excise Tax Debt Service Fund	Gulf Breeze Special Obligation Debt Service Fund	Miami Beach Redevelopment Agency Debt Service Fund	Sunshine State Special Obligation Debt Service Fund	Pension Special Obligation Debt Service Fund	Total
Revenues							
Property taxes	\$ 9,809,320	\$	\$	\$	\$	\$	\$ 9,809,320
Interest income	18,580	1,800	99	248,866		37	269,382
Total revenues	<u>9,827,900</u>	<u>1,800</u>	<u>99</u>	<u>248,866</u>		<u>37</u>	<u>10,078,702</u>
Expenditures							
Debt Service:							
Principal	6,060,000	110,000	1,451,592	2,000,000	475,000	2,380,000	12,476,592
Interest	3,889,277	187,206	880,426	3,686,226	167,216	2,612,089	11,422,440
Other	<u>17,515</u>	<u>1,078</u>	<u>9,439</u>	<u>5,736</u>		<u>6,231</u>	<u>39,999</u>
Total expenditures	<u>9,966,792</u>	<u>298,284</u>	<u>2,341,457</u>	<u>5,691,962</u>	<u>642,216</u>	<u>4,998,320</u>	<u>23,939,031</u>
Excess of expenditures over revenues	<u>(138,892)</u>	<u>(296,484)</u>	<u>(2,341,358)</u>	<u>(5,443,096)</u>	<u>(642,216)</u>	<u>(4,998,283)</u>	<u>(13,860,329)</u>
Other financing sources (uses):							
Transfers in		298,284	2,259,471	10,423,616	613,025	4,986,822	18,581,218
Transfers out				<u>(1,571,186)</u>			<u>(1,571,186)</u>
Total other financing sources		<u>298,284</u>	<u>2,259,471</u>	<u>8,852,430</u>	<u>613,025</u>	<u>4,986,822</u>	<u>17,010,032</u>
Net change in fund balances	(138,892)	1,800	(81,887)	3,409,334	(29,191)	(11,461)	3,149,703
Fund balances at beginning of year	<u>1,230,377</u>	<u>527,259</u>	<u>113,439</u>	<u>3,714,750</u>	<u>171,826</u>	<u>12,902</u>	<u>5,770,553</u>
Fund balances at end of year	<u>\$ 1,091,485</u>	<u>\$ 529,059</u>	<u>\$ 31,552</u>	<u>\$ 7,124,084</u>	<u>\$ 142,635</u>	<u>\$ 1,441</u>	<u>\$ 8,920,256</u>

CITY OF MIAMI BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
BUDGETED NONMAJOR DEBT SERVICE FUNDS

For the Fiscal Years Ended September 30, 2006

	General Obligation Debt Service Fund			Miami Beach Redevelopment Agency Special Obligation Debt Service Fund		
	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Revenues						
Property taxes	\$ 9,966,418	\$ 9,809,320	\$ (157,098)	\$	\$	\$
Interest income		18,580	18,580		248,866	248,866
Total revenues	9,966,418	9,827,900	(138,518)		248,866	248,866
Expenditures						
Debt Service:						
Principal payments	6,060,000	6,060,000		3,285,000	2,000,000	1,285,000
Interest payments	3,889,278	3,889,277	1	6,626,663	3,686,226	2,940,437
Other	17,140	17,515	(375)		5,736	(5,736)
Total expenditures	9,966,418	9,966,792	(374)	9,911,663	5,691,962	4,219,701
Excess (deficiency) of revenues over (under) expenditures		(138,892)	(138,892)	(9,911,663)	(5,443,096)	4,468,567
Other financing sources (uses)						
Transfers in				11,481,159	10,423,616	1,057,543
Transfers out				(1,569,496)	(1,571,186)	(1,690)
Total other financing sources				9,911,663	8,852,430	1,055,853
Net change in fund balances		(138,892)	(138,892)		3,409,334	5,524,420
Fund balances - beginning	1,230,377	1,230,377		3,714,750	3,714,750	
Fund balances - ending	\$ 1,230,377	\$ 1,091,485	\$ (138,892)	\$ 3,714,750	\$ 7,124,084	\$ 5,524,420

CITY OF MIAMI BEACH, FLORIDA
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
September 30, 2006

	Sanitation Fund	Miami Beach Redevelopment Agency's Parking Fund	Miami Beach Redevelopment Agency's Leasing Fund	Totals
ASSETS				
Current assets:				
Cash and investments	\$ 3,104,442	\$ 4,417,086	\$ 3,083,986	\$ 10,605,514
Accounts receivable (net of allowance for uncollectibles)	1,173,105	12,268	399,682	1,585,055
Due from other governments	1,360,844			1,360,844
Due from other funds	482,913			482,913
Prepaid expenses		7,000	88,545	95,545
Total current assets	<u>6,121,304</u>	<u>4,436,354</u>	<u>3,572,213</u>	<u>14,129,871</u>
Noncurrent assets:				
Cash and investments				
Customer deposits		4,130	60,186	64,316
Capital assets:				
Land	405,680	2,793,051	210,230	3,408,961
Buildings and structures	542,339	11,955,752	899,896	13,397,987
Machinery and equipment	2,267,596	11,825	9,404	2,288,825
Construction in progress	326,781			326,781
Less accumulated depreciation	<u>(1,751,677)</u>	<u>(2,957,672)</u>	<u>(223,537)</u>	<u>(4,932,886)</u>
Total capital assets (net of accumulated depreciation)	<u>1,790,719</u>	<u>11,802,956</u>	<u>895,993</u>	<u>14,489,668</u>
Total noncurrent assets	<u>1,790,719</u>	<u>11,807,086</u>	<u>956,179</u>	<u>14,553,984</u>
Total assets	<u>7,912,023</u>	<u>16,243,440</u>	<u>4,528,392</u>	<u>28,683,855</u>
LIABILITIES				
Current liabilities:				
Accounts payable	802,375	117,926	4,415	924,716
Accrued expenses	147,063	30		147,093
Due to other funds		178		178
Due to other governments		10,176	6,099	16,275
Loan payable	148,028			148,028
Accrued compensated absences	175,180			175,180
Total current liabilities	<u>1,272,646</u>	<u>128,310</u>	<u>10,514</u>	<u>1,411,470</u>
Noncurrent liabilities:				
Deposits		4,130	60,186	64,316
Accrued compensated absences	224,693			224,693
Loan payable	346,648			346,648
Total noncurrent liabilities	<u>571,341</u>	<u>4,130</u>	<u>60,186</u>	<u>635,657</u>
Total liabilities	<u>1,843,987</u>	<u>132,440</u>	<u>70,700</u>	<u>2,047,127</u>
NET ASSETS				
Invested in capital assets, net of related debt	1,296,043	11,802,956	895,993	13,994,992
Unrestricted	4,771,993	4,308,044	3,561,699	12,641,736
Total net assets	<u>\$ 6,068,036</u>	<u>\$ 16,111,000</u>	<u>\$ 4,457,692</u>	<u>\$ 26,636,728</u>

CITY OF MIAMI BEACH, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended September 30, 2006

	Sanitation Fund	Miami Beach Redevelopment Agency's Parking Fund	Miami Beach Redevelopment Agency's Leasing Fund	Totals
Operating revenues:				
Charges for services	\$ 4,575,016	\$ 1,774,090	\$	\$ 6,349,106
Permits, rentals, and other	10,336,543	450,125	666,285	11,452,953
Total operating revenues	14,911,559	2,224,215	666,285	17,802,059
Operating expenses:				
Personal services	4,461,669			4,461,669
Operating supplies	71,330	22,490		93,820
Contractual services	3,627,173	1,181,713	121,002	4,929,888
Utilities	44,055	76,449		120,504
Internal charges	1,224,850			1,224,850
Depreciation	341,472	401,983	31,564	775,019
Administrative fees	264,500			264,500
Other operating	4,946,237	50,719	44,071	5,041,027
Total operating expenses	14,981,286	1,733,354	196,637	16,911,277
Operating income	(69,727)	490,861	469,648	890,782
Nonoperating revenues (expenses):				
Interest and fiscal charges	(7,403)			(7,403)
Disposal of assets	4,574			4,574
Interest income	69,353	174,253	131,259	374,865
Total nonoperating expenses	66,524	174,253	131,259	372,036
Income before contributions and transfers	(3,203)	665,114	600,907	1,262,818
Capital contributions	(259)			(259)
Transfers in	584,000			584,000
Transfers out	(5,736)			(5,736)
Change in net assets	574,802	665,114	600,907	1,840,823
Total net assets - beginning	5,493,234	15,445,886	3,856,785	24,795,905
Total net assets - ending	\$ 6,068,036	\$ 16,111,000	\$ 4,457,692	\$ 26,636,728

CITY OF MIAMI BEACH, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended September 30, 2006

	Sanitation Fund	Miami Beach Redevelopment Agency's Parking Fund	Miami Beach Redevelopment Agency's Leasing Fund	Totals
Cash flows from operating activities:				
Cash received from customers	\$ 3,994,389	\$ 2,229,789	\$ 626,803	\$ 6,850,981
Cash paid to suppliers	(9,461,069)	(1,223,611)	(120,735)	(10,805,415)
Cash paid to employees	(4,272,993)			(4,272,993)
Internal activity-payments to other funds	(1,489,350)	(51,485)		(1,540,835)
Other operating	10,272,293			10,272,293
Net cash provided by (used in) operating activities	<u>(956,730)</u>	<u>954,693</u>	<u>506,068</u>	<u>504,031</u>
Cash flows for non-capital financing activities:				
Transfers in	584,000			584,000
Transfers out	(5,736)			(5,736)
Net cash provided by non-capital financing activities	<u>578,264</u>			<u>578,264</u>
Cash flows from capital and related financial activities:				
Loan payable	85,174			85,174
Repayment of loan	(151,310)			(151,310)
Interest and fiscal charges	(7,112)			(7,112)
Purchase of capital assets	(323,473)		(9,404)	(332,877)
Proceeds from sale of capital assets	6,831			6,831
Net cash used in capital and related financial activities	<u>(389,890)</u>		<u>(9,404)</u>	<u>(399,294)</u>
Cash flows from investing activities:				
Interest on investments	69,353	174,253	131,259	374,865
Net cash provided by investing activities	<u>69,353</u>	<u>174,253</u>	<u>131,259</u>	<u>374,865</u>
Net increase in cash and investments	(699,003)	1,128,946	627,923	1,057,866
Cash and investments - beginning of year	3,803,445	3,292,270	2,516,249	9,611,964
Cash and investments - end of year	<u>\$ 3,104,442</u>	<u>\$ 4,421,216</u>	<u>\$ 3,144,172</u>	<u>\$ 10,669,830</u>
Classified as:				
Current assets	\$ 3,104,442	\$ 4,417,086	\$ 3,083,986	\$ 10,605,514
Restricted assets		4,130	60,186	64,316
Total cash and investments	<u>\$ 3,104,442</u>	<u>\$ 4,421,216</u>	<u>\$ 3,144,172</u>	<u>\$ 10,669,830</u>
Non-cash transactions affecting financial position:				
Capital contributions of capital assets	<u>\$ (259)</u>	<u>\$</u>	<u>\$</u>	<u>\$ (259)</u>

(continued)

CITY OF MIAMI BEACH, FLORIDA
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY
OPERATING ACTIVITIES
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended September 30, 2006

(continued)

	Sanitation Fund	Miami Beach Redevelopment Agency's Parking Fund	Miami Beach Redevelopment Agency's Leasing Fund	Totals
Operating income (loss)	\$ (69,727)	\$ 490,861	\$ 469,648	\$ 890,782
Adjustments to reconcile operating income				
(loss) to cash provided by (used in) operating activities:				
Depreciation	341,472	401,983	31,564	775,019
Provision for uncollectible accounts	260,602		(15,984)	244,618
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(455,200)	5,164	(24,150)	(474,186)
Increase (decrease) in due from other governments	(64,250)			(64,250)
Increase (decrease) in due from other funds	(125,427)			(125,427)
(Increase) decrease in prepaid expense			43,947	43,947
Increase (decrease) in accounts payable	(735,887)	67,767	(1,636)	(669,756)
Increase (decrease) in accrued expenses	(222,784)	(12,340)		(235,124)
Increase (decrease) in deposits		410	652	1,062
Increase (decrease) in due to other governments		1,614	2,027	3,641
Increase (decrease) in due to other funds	(747)	(766)		(1,513)
Increase (decrease) in accrued compensated absences	115,218			115,218
Total adjustments	(887,003)	463,832	36,420	(386,751)
Net cash provided by (used in) operating activities	\$ (956,730)	\$ 954,693	\$ 506,068	\$ 504,031

CITY OF MIAMI BEACH, FLORIDA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
September 30, 2006

	Fleet Management Fund	Property Management Fund	Central Services Fund	Self Insurance Fund	Communications Fund	Total
ASSETS						
Current assets:						
Cash and investments	\$ 9,592,240	\$ 612,431	\$ 123,141	\$ 8,399,226	\$ 3,321,871	\$ 22,048,909
Cash with fiscal agent				100,000		100,000
Accounts receivable, net	47,696	19,201			51,237	118,134
Due from other funds	10,641	5,837	5,065	21,569	6,784	49,896
Prepaid expenses				853,294		853,294
Inventories	158,311	212,388	29,888			400,587
Total current assets	9,808,888	849,857	158,094	9,374,089	3,379,892	23,570,820
Capital assets:						
Land	608,520					608,520
Buildings and structures	2,001,269	19,276				2,020,545
Machinery and equipment	30,994,749	3,110,394	103,501	62,471	30,074,488	64,345,603
Construction in progress					476,550	476,550
Less accumulated depreciation	(21,866,387)	(2,052,030)	(103,353)	(53,131)	(20,305,678)	(44,380,579)
Total capital assets (net of accumulated depreciation)	11,738,151	1,077,640	148	9,340	10,245,360	23,070,639
Total assets	21,547,039	1,927,497	158,242	9,383,429	13,625,252	46,641,459
LIABILITIES						
Current liabilities:						
Accounts payable	1,290,846	228,298	33,583	253,882	628,442	2,435,051
Accrued expenses	109,192	113,293	9,914	24,496	170,694	427,589
Accrued compensated absences	34,671	161,674	3,904	21,154	141,257	362,660
Loan payable	1,769,181				514,966	2,284,147
Pending insurance claims				6,860,000		6,860,000
Total current liabilities	3,203,890	503,265	47,401	7,159,532	1,455,359	12,369,447
Noncurrent liabilities:						
Accrued compensated absences	148,176	104,001	39,982	75,686	312,546	680,391
Loan payable	5,723,279				4,897,140	10,620,419
Pending insurance claims				1,841,938		1,841,938
Insurance claims incurred but not reported				10,879,882		10,879,882
Total noncurrent liabilities	5,871,455	104,001	39,982	12,797,506	5,209,686	24,022,630
Total liabilities	9,075,345	607,266	87,383	19,957,038	6,665,045	36,392,077
NET ASSETS						
Invested in capital assets, net of related debt	4,245,691	1,077,640	148	9,340	4,833,254	10,166,073
Unrestricted	8,226,003	242,591	70,711	(10,582,949)	2,126,953	83,309
Total net assets	\$ 12,471,694	\$ 1,320,231	\$ 70,859	\$ (10,573,609)	\$ 6,960,207	\$ 10,249,382

CITY OF MIAMI BEACH, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended September 30, 2006

	<u>Fleet Management Fund</u>	<u>Property Management Fund</u>	<u>Central Services Fund</u>	<u>Self Insurance Fund</u>	<u>Communications Fund</u>	<u>Total</u>
Operating revenues:						
Charges for services	\$ 6,898,404	\$ 7,933,210	\$ 680,543	\$ 14,848,285	\$ 9,504,047	\$ 39,864,489
Miscellaneous	164,632	96,073		7,485	75,060	343,250
Total operating revenues	<u>7,063,036</u>	<u>8,029,283</u>	<u>680,543</u>	<u>14,855,770</u>	<u>9,579,107</u>	<u>40,207,739</u>
Operating expenses:						
Personal services	1,316,864	3,680,882	327,846	556,419	3,563,666	9,445,677
Operating supplies	3,098,933	805,518	4,003	2,319	338,662	4,249,435
Contractual services	108,071	1,577,517	293,937	745,905	1,671,813	4,397,243
Utilities	57,421	859,869	2,424	1,148	1,116,417	2,037,279
Internal charges	554,043	648,319	82,144	52,085	771,360	2,107,951
Administrative fees	105,800	79,350	25,000	674,481	79,350	963,981
Depreciation	2,980,127	245,830	4,391	4,666	2,113,392	5,348,406
Insurance				8,166,914		8,166,914
Claims and judgements	61,719			6,101,370		6,163,089
Other operating		37,071	41,826	48,031	234,379	361,307
Total operating expenses	<u>8,282,978</u>	<u>7,934,356</u>	<u>781,571</u>	<u>16,353,338</u>	<u>9,889,039</u>	<u>43,241,282</u>
Operating income (loss)	<u>(1,219,942)</u>	<u>94,927</u>	<u>(101,028)</u>	<u>(1,497,568)</u>	<u>(309,932)</u>	<u>(3,033,543)</u>
Nonoperating revenues (expenses):						
Interest and fiscal charges	(191,548)				(256,225)	(447,773)
Disposal of assets	128,375	16,310	3,939		(77,152)	71,472
Interest income	205,245	16,183	895	180,528	20,883	423,734
Total nonoperating revenues (expenses)	<u>142,072</u>	<u>32,493</u>	<u>4,834</u>	<u>180,528</u>	<u>(312,494)</u>	<u>47,433</u>
Income (loss) before contributions and transfers	<u>(1,077,870)</u>	<u>127,420</u>	<u>(96,194)</u>	<u>(1,317,040)</u>	<u>(622,426)</u>	<u>(2,986,110)</u>
Capital contributions	330,082	337,522	(465)	(152,663)	186,286	700,762
Transfers in				2,000,000	1,020,000	3,020,000
Transfers out		(4,750)	(2,704)	(4,233)	(59,523)	(71,210)
Change in net assets	<u>(747,788)</u>	<u>460,192</u>	<u>(99,363)</u>	<u>526,064</u>	<u>524,337</u>	<u>663,442</u>
Net assets--beginning	<u>13,219,482</u>	<u>860,039</u>	<u>170,222</u>	<u>(11,099,673)</u>	<u>6,435,870</u>	<u>9,585,940</u>
Net assets--ending	<u>\$ 12,471,694</u>	<u>\$ 1,320,231</u>	<u>\$ 70,859</u>	<u>\$ (10,573,609)</u>	<u>\$ 6,960,207</u>	<u>\$ 10,249,382</u>

CITY OF MIAMI BEACH, FLORIDA
COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS
INCREASE (DECREASE) IN CASH AND INVESTMENTS

For the Fiscal Year Ended September 30, 2006

	<u>Fleet Management Fund</u>	<u>Property Maintenance Fund</u>	<u>Central Services Fund</u>	<u>Self Insurance Fund</u>	<u>Communications Fund</u>	<u>Totals</u>
Cash flows from operating activities:						
Cash received from users	\$ 6,898,404	\$ 7,933,210	\$ 677,141	\$ 14,848,285	\$ 9,495,332	\$ 39,852,372
Cash paid to suppliers	(2,244,636)	(3,315,193)	(351,983)	(8,694,892)	(3,216,078)	(17,822,782)
Cash paid to employees	(1,261,407)	(3,843,787)	(317,408)	(533,480)	(3,528,564)	(9,484,646)
Cash paid for claims and judgements				(4,807,250)		(4,807,250)
Internal charges-payments to other funds	(659,843)	(727,669)	(107,144)	(726,566)	(850,710)	(3,071,932)
Other operating	146,286	87,699		7,485	75,060	316,530
Net cash provided by (used in) operating activities	<u>2,878,804</u>	<u>134,260</u>	<u>(99,394)</u>	<u>93,582</u>	<u>1,975,040</u>	<u>4,982,292</u>
Cash flows for non-capital financing activities:						
Transfers in				2,000,000	1,020,000	3,020,000
Transfers out		(4,750)	(2,704)	(4,233)	(59,523)	(71,210)
Net cash provided by (used in) non-capital financing activities		<u>(4,750)</u>	<u>(2,704)</u>	<u>1,995,767</u>	<u>960,477</u>	<u>2,948,790</u>
Cash flows from capital and related financial activities:						
Loan proceeds	1,717,904				791,856	2,509,760
Repayment of loan	(1,510,619)				(389,881)	(1,900,500)
Interest and fiscal charges	(178,499)				(272,042)	(450,541)
Purchase of capital assets	(2,679,326)	6,207	(791)	(151,871)	(3,489,435)	(6,315,216)
Proceeds from sale of capital assets	129,304	(180,543)	3,939		2,738	(44,562)
Net cash used in capital and related financial activities	<u>(2,521,236)</u>	<u>(174,336)</u>	<u>3,148</u>	<u>(151,871)</u>	<u>(3,356,764)</u>	<u>(6,201,059)</u>
Cash flows from investing activities:						
Interest on investments	205,245	16,183	895	180,528	20,883	423,734
Net cash provided by investing activities	<u>205,245</u>	<u>16,183</u>	<u>895</u>	<u>180,528</u>	<u>20,883</u>	<u>423,734</u>
Net increase (decrease) in cash and investments	562,813	(28,643)	(98,055)	2,118,006	(400,364)	2,153,757
Cash and investments - beginning of year	<u>9,029,427</u>	<u>641,074</u>	<u>221,196</u>	<u>6,381,220</u>	<u>3,722,235</u>	<u>19,995,152</u>
Cash and investments - end of year	<u>\$ 9,592,240</u>	<u>\$ 612,431</u>	<u>\$ 123,141</u>	<u>\$ 8,499,226</u>	<u>\$ 3,321,871</u>	<u>\$ 22,148,909</u>
Classified as:						
Cash and investments-current	\$ 9,592,240	\$ 612,431	\$ 123,141	\$ 8,499,226	\$ 3,321,871	\$ 22,148,909
Non-cash transactions affecting financial position:						
Capital contributions of capital assets	<u>\$ 330,082</u>	<u>\$ 337,522</u>	<u>\$ (465)</u>	<u>\$ (152,663)</u>	<u>\$ 186,286</u>	<u>\$ 700,762</u>

(continued)

CITY OF MIAMI BEACH, FLORIDA
 COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES
 For the Fiscal Year Ended September 30, 2006

(continued)

	Fleet Management Fund	Property Maintenance Fund	Central Services Fund	Self Insurance Fund	Communications Fund	Totals
Operating income (loss)	\$ (1,219,942)	\$ 94,927	\$ (101,028)	\$ (1,497,568)	\$ (309,932)	\$ (3,033,543)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	2,980,127	245,830	4,391	4,666	2,113,392	5,348,406
Provision for uncollectible accounts					1,635	1,635
Changes in assets and liabilities:						
(Increase) decrease in inventories	(73)	(35,548)	(8,591)			(44,212)
(Increase) decrease in accounts receivable	(33,902)	(14,328)			(41,712)	(89,942)
(Increase) decrease in due from other funds	7,545	(5,688)	(3,402)	(21,569)	31,362	8,248
Increase in due from other governments	8,011	11,642				19,653
Increase in prepaid expense				122,934		122,934
Increase (decrease) in accounts payable	1,170,591	21,034	33,092	165,268	163,195	1,553,180
Increase (decrease) in accrued compensated absences	32,348	(88,585)	11,342	11,691	(15,240)	(48,444)
Increase in pending insurance claims				545,969		545,969
Increase in insurance claims incurred but not reported				748,151		748,151
Increase in accrued expenses	(65,901)	(95,024)	(35,198)	14,040	32,340	(149,743)
Total adjustments	4,098,746	39,333	1,634	1,591,150	2,284,972	8,015,835
Net cash provided by (used in) operating activities	\$ 2,878,804	\$ 134,260	\$ (99,394)	\$ 93,582	\$ 1,975,040	\$ 4,982,292

CITY OF MIAMI BEACH, FLORIDA
COMBINING STATEMENT OF PLAN NET ASSETS
PENSION TRUST FUNDS

September 30, 2006

	Employees' Retirement System	Retirement System for Firefighters and Police Officers	Firemen's Relief and Pension Fund *	Policemen's Relief and Pension Fund	Totals
Assets					
Cash and cash equivalents	\$ 699,489	\$ 20,022	\$ 10,216	\$ 526,089	\$ 1,255,816
Accrued interest receivable	491,916	2,803,517	55,307	38,848	3,389,588
Contribution receivable		159,006	1,215,713		1,374,719
Prepaid insurance				5,239	5,239
Investments, at fair value:					
Short-term investments	5,925,050	6,000,000		351,217	12,276,267
U.S. Government securities	19,130,130	58,818,857	2,078,728	1,552,966	81,580,681
Corporate bonds	37,278,261	131,955,158	1,407,447	907,482	171,548,348
Common stocks and index funds	247,493,861	236,005,144	4,268,514	3,544,632	491,312,151
Aggregated bond index funds	64,800,497				64,800,497
Money market funds		4,059,205	417,083		4,476,288
Collective investment fund		71,761,896			71,761,896
Mutual funds self-directed DROP participants		8,932,501			8,932,501
Total investments	<u>374,627,799</u>	<u>517,532,761</u>	<u>8,171,772</u>	<u>6,356,297</u>	<u>906,688,629</u>
Total assets	<u>375,819,204</u>	<u>520,515,306</u>	<u>9,453,008</u>	<u>6,926,473</u>	<u>912,713,991</u>
Liabilities					
Accounts payable	<u>1,329,285</u>	<u>9,006,448</u>	<u>4,700</u>	<u>12,500</u>	<u>10,352,933</u>
Total liabilities	<u>1,329,285</u>	<u>9,006,448</u>	<u>4,700</u>	<u>12,500</u>	<u>10,352,933</u>
Net Assets					
Held in trust for pension benefits	<u>\$ 374,489,919</u>	<u>\$ 511,508,858</u>	<u>\$ 9,448,308</u>	<u>\$ 6,913,973</u>	<u>\$ 902,361,058</u>

* Balance at June 30, 2006

CITY OF MIAMI BEACH, FLORIDA
COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUNDS

For the Fiscal Year Ended September 30, 2006

	Employees' Retirement System	Retirement System for Firefighters and Police Officers	Firemen's Relief and Pension Fund *	Policemen's Relief and Pension Fund	Totals
Additions:					
Contributions -					
Employer	\$ 5,500,329	\$ 14,481,287	\$	\$	\$ 19,981,616
Employee	20,860,631	4,381,618			25,242,249
State of Florida		120,549	1,165,833	457,969	1,744,351
Buybacks/transfers from other systems		533,652			533,652
Other	4,660		312		4,972
Total contributions	26,365,620	19,517,106	1,166,145	457,969	47,506,840
Investment income -					
Net increase in fair value of investments	21,667,566	27,226,025	586,360	405,585	49,885,536
Interest income	2,010,482	11,610,813	192,072	183,637	13,997,004
Dividends	2,288,152	2,710,106	40,027		5,038,285
	25,966,200	41,546,944	818,459	589,222	68,920,825
Investment management expenses	(755,105)	(1,993,291)	(22,900)	(23,175)	(2,794,471)
Net investment income	25,211,095	39,553,653	795,559	566,047	66,126,354
Total additions	51,576,715	59,070,759	1,961,704	1,024,016	113,633,194
Deductions:					
Benefit paid	23,105,121	30,048,732	537,741	615,892	54,307,486
Contributions refunded	309,286	60,497			369,783
Administrative expenses	517,594	633,113	25,715	60,212	1,236,634
Total deductions	23,932,001	30,742,342	563,456	676,104	55,913,903
Net increase	27,644,714	28,328,417	1,398,248	347,912	57,719,291
Net assets held in trust for pension benefits - beginning of year	346,845,205	483,180,441	8,050,060	6,566,061	844,641,767
Net assets held in trust for pension benefits - end of year	\$ 374,489,919	\$ 511,508,858	\$ 9,448,308	\$ 6,913,973	\$ 902,361,058

* For the period ended June 30, 2006

**CITY OF MIAMI BEACH, FLORIDA
AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**

For the Fiscal Year Ended September 30, 2006

	<u>September 30, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>September 30, 2006</u>
<u>Assets</u>				
Cash and investments	\$ 14,836,338	\$ 75,244,055	\$ 86,357,251	\$ 3,723,142
Accounts receivable	<u>27,557</u>	<u>25,293</u>	<u>11,082</u>	<u>41,768</u>
Total Assets	<u>\$ 14,863,895</u>	<u>\$ 75,269,348</u>	<u>\$ 86,368,333</u>	<u>\$ 3,764,910</u>
<u>Liabilities</u>				
Accounts payable	\$ 588,739	\$ 64,614,762	\$ 64,677,401	\$ 526,100
Deposits	<u>14,275,156</u>	<u>76,792,642</u>	<u>87,828,988</u>	<u>3,238,810</u>
Total Liabilities	<u>\$ 14,863,895</u>	<u>\$ 141,407,404</u>	<u>\$ 152,506,389</u>	<u>\$ 3,764,910</u>

**CITY OF MIAMI BEACH, FLORIDA
STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS**

September 30, 2006

	Miami Beach Visitor and Convention Authority	Miami Beach Health Facilities Authority	Total
Assets			
Cash and investments	\$ 1,944,240	\$ 299,007	\$ 2,243,247
Accounts receivable	162,245	113,790	276,035
Capital assets, net of accumulated depreciation	<u>1,697</u>	<u></u>	<u>1,697</u>
Total assets	<u>2,108,182</u>	<u>412,797</u>	<u>2,520,979</u>
Liabilities			
Accounts payable	1,872		1,872
Accrued expenses	<u>291,331</u>	<u></u>	<u>291,331</u>
Total liabilities	<u>293,203</u>	<u></u>	<u>293,203</u>
Net Assets			
Invested in capital assets	1,697		1,697
Unrestricted	1,813,282	412,797	2,226,079
Total net assets	<u>\$ 1,814,979</u>	<u>\$ 412,797</u>	<u>\$ 2,227,776</u>

CITY OF MIAMI BEACH, FLORIDA
STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS

For the Fiscal Year Ended September 30, 2006

	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Assets		Totals
		Operating Grants and Contributions	Visitor and Convention Authority	Health Facilities Authority	
Miami Beach Visitor and Convention Authority					
Cultural - grant program	\$ 1,018,626	\$ 77,413	\$ (941,213)	\$	\$ (941,213)
General administrative	191,836		(191,836)		(191,836)
Total Miami Beach Visitor and Convention Authority	<u>1,210,462</u>	<u>77,413</u>	<u>(1,133,049)</u>		<u>(1,133,049)</u>
Miami Beach Health Facilities Authority					
General administrative	1,000,831			(1,000,831)	(1,000,831)
Total component units	<u>\$ 2,211,293</u>	<u>\$ 77,413</u>			<u>(2,133,880)</u>
General revenues:					
Resort tax allocation			1,383,390		1,383,390
Financing fees				113,790	113,790
Interest			9,363	1,064	10,427
Total general revenues			<u>1,392,753</u>	<u>114,854</u>	<u>1,507,607</u>
Change in net assets			259,704	(885,977)	(626,273)
Net assets - beginning			1,555,275	1,298,774	2,854,049
Net assets - ending			<u>\$ 1,814,979</u>	<u>\$ 412,797</u>	<u>\$ 2,227,776</u>

**CAPITAL ASSETS
USED IN THE OPERATIONS
OF GOVERNMENTAL FUNDS**

CITY OF MIAMI BEACH, FLORIDA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES BY SOURCE¹

September 30, 2006 and 2005
(Unaudited)

	<u>2006</u>	<u>2005</u>
Governmental funds capital assets:		
Land	\$ 44,844,880	\$ 44,844,880
Buildings	80,679,311	76,636,788
Permanent improvements	76,874,050	76,372,637
Furniture and fixtures	1,783,705	1,677,925
Equipment	7,068,897	6,848,376
Infrastructure	116,795,794	116,795,794
Construction in progress	<u>189,148,442</u>	<u>163,865,003</u>
Total governmental funds capital assets	<u>\$ 517,195,079</u>	<u>\$ 487,041,403</u>
Investment in governmental funds capital assets by source:		
Balance at 9/30/86	\$ 122,768,007	\$ 122,768,007
General fund	7,357,471	6,928,740
Bond fund	308,298,589	290,383,477
Special revenue funds	16,955,008	16,531,506
Trust and agency funds	4,059,838	4,059,838
Redevelopment agency funds	<u>57,756,166</u>	<u>46,369,835</u>
Total governmental funds capital assets	<u>\$ 517,195,079</u>	<u>\$ 487,041,403</u>

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF MIAMI BEACH, FLORIDA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY¹
September 30, 2006
(Unaudited)

Function and Activity	Land	Buildings	Furniture and Fixtures	Equipment	Permanent Improvements	Infrastructure	Constuction Work-in-progress	Total
General government:								
Mayor and commission	\$	\$	\$ 17,298	\$ 73,449	\$	\$	\$	\$ 90,747
City manager			25,423	17,903				43,326
City clerk			26,643	499,812				526,455
Internal audit			11,800					11,800
Budget and performance management			17,734	6,525				24,259
Finance			149,145	49,675				198,820
Human resources				18,054				18,054
Procurement			3,641	2,509				6,150
City attorney			36,018	5,826				41,844
Planning			11,376	17,197				28,573
Media relations			10,268	15,831				26,099
Engineering			3,610	86,050				89,660
Construction and financial management			51,843	75,959				127,802
Special projects			14,503	164,439	256,935			435,877
Unclassified	14,321,214	27,636,659		27,748	15,059,261		4,910,131	61,955,013
Total general government	14,321,214	27,636,659	379,302	1,060,977	15,316,196		4,910,131	63,624,479
Public safety:								
Beach patrol			85,622	43,938	10,000			139,560
Building services			42,289	298,517				340,806
Fire	1,340,550	2,014,526	34,384	1,640,022	1,687,724		9,814,687	16,531,893
Police		29,708,037	664,306	2,368,516	12,058,396		482,836	45,282,091
Emergency 911			49,451	173,851			1,321,956	1,545,258
Total public safety	1,340,550	31,722,563	876,052	4,524,844	13,756,120		11,619,479	63,839,608
Physical environment				7,973			7,335,726	7,343,699
Transportation	966,037		6,385	173,438	398,068	115,265,559	76,940,957	193,750,444
Economic environment								
Redevelopment Agency	17,900,482	4,404,031	14,148		1,375,317		1,069,723	24,763,701
Unclassified			504	12,761	69,392		248,337	330,994
Total economic environment	17,900,482	4,404,031	14,652	12,761	1,444,709		1,318,060	25,094,695
Human services			13,024	26,649			870,415	910,088
Culture and recreation	10,316,597	16,916,058	494,290	1,262,255	45,958,957	1,530,235	86,153,674	162,632,066
Total governmental funds capital assets	\$ 44,844,880	\$ 80,679,311	\$ 1,783,705	\$ 7,068,897	\$ 76,874,050	\$ 116,795,794	\$ 189,148,442	\$ 517,195,079

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF MIAMI BEACH, FLORIDA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2006
(Unaudited)

Function and Activity	Governmental Funds Capital Assets October 1, 2005	Additions	Deletions	Governmental Funds Capital Assets September 30, 2006
General government:				
Mayor and commission	\$ 74,982	\$ 15,765		\$ 90,747
City manager	34,647	8,679		43,326
City clerk	470,011	56,444		526,455
Budget and performance management	27,202	8,857		36,059
Finance	198,820			198,820
Human resources	16,909	1,145		18,054
Procurement	8,978		2,828	6,150
City attorney	39,017	2,827		41,844
Planning	26,873	1,700		28,573
Media relations	2,880	24,548	1,329	26,099
Engineering	82,711	6,949		89,660
Construction and financial management	93,128	34,674		127,802
Special projects	357,951	77,926		435,877
Unclassified	62,879,155	132,257		63,011,412
Total general government	64,313,264	371,771	4,157	64,680,878
Public safety:				
Beach patrol	151,560		12,000	139,560
Building services	321,289	19,517		340,806
Fire	12,816,035	3,715,859		16,531,894
Police	44,575,316	705,258		45,280,574
Emergency 911	1,545,258			1,545,258
Total public safety	59,409,458	4,440,634	12,000	63,838,092
Physical environment	5,867,835	518,794		6,386,629
Transportation	173,160,860	19,777,449	589,444	192,348,865
Economic environment				
Redevelopment Agency	50,813,113	10,776,708	30,688,845	30,900,976
Unclassified	266,239	38,088	14,553	289,774
Total economic environment	51,079,352	10,814,796	30,703,398	31,190,750
Human services	867,521	42,567		910,088
Culture and recreation	132,343,113	25,496,664		157,839,777
Total governmental funds capital assets	\$ 487,041,403	\$ 61,462,675	\$ 31,308,999	\$ 517,195,079

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

STATISTICAL SECTION

STATISTICAL SECTION

This part of the City of Miami Beach's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current level of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF MIAMI BEACH, FLORIDA
NET ASSETS BY COMPONENT,
LAST FIVE FISCAL YEARS
(accrual basis of accounting - Unaudited)

	<u>2002</u>	<u>2003</u>	<u>Fiscal Year 2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 94,230,869	\$ 158,422,795	\$ 177,687,648	\$ 158,234,524	\$ 191,314,123
Restricted	72,627,548	71,828,095	83,373,860	97,309,826	96,933,608
Unrestricted	48,712,498	9,319,319	4,587,330	4,204,977	54,787,021
Total governmental activities net assets	<u>215,570,915</u>	<u>239,570,209</u>	<u>265,648,838</u>	<u>259,749,327</u>	<u>343,034,752</u>
Business-type activities					
Invested in capital assets, net of related debt	207,522,214	219,819,296	230,924,728	256,118,268	249,458,274
Restricted				12,919,888	28,977,432
Unrestricted	100,091,722	102,118,142	118,799,978	106,422,259	112,344,279
Total business-type activities net assets	<u>307,613,936</u>	<u>321,937,438</u>	<u>349,724,706</u>	<u>375,460,415</u>	<u>390,779,985</u>
Primary government					
Invested in capital assets, net of related debt	301,753,083	378,242,091	408,612,376	414,352,792	440,772,397
Restricted	72,627,548	71,828,095	83,373,860	110,229,714	125,911,040
Unrestricted	148,804,220	111,437,461	123,387,308	110,627,236	167,131,300
Total primary government net assets	<u>\$ 523,184,851</u>	<u>\$ 561,507,647</u>	<u>\$ 615,373,544</u>	<u>\$ 635,209,742</u>	<u>\$ 733,814,737</u>

CITY OF MIAMI BEACH, FLORIDA
CHANGES IN NET ASSETS,
LAST FIVE FISCAL YEARS
(accrual basis of accounting)

	2002	2003	Fiscal Year 2004	2005	2006
Expenses					
Governmental activities:					
General government	\$ 25,829,313	\$ 23,628,047	\$ 28,795,043	\$ 39,320,007	\$ 43,639,010
Public safety	84,602,292	91,078,245	100,472,672	110,402,334	121,676,913
Physical environment	2,895,202	2,727,148	2,740,147	4,377,740	4,088,447
Transportation	8,933,603	9,529,725	11,602,611	10,665,897	693,673
Economic environment	8,501,119	7,557,709	4,053,198	6,975,706	232,748
Human services	1,495,853	1,546,396	1,480,826	2,323,536	1,839,731
Culture and recreation	31,672,707	29,579,682	36,733,315	36,736,715	40,288,229
Interest on long-term debt	16,334,853	16,051,074	17,369,780	19,284,911	12,991,581
Total governmental activities expenses	180,264,942	181,698,026	203,247,592	230,086,846	225,452,332
Business-type activities:					
Stormwater	4,020,379	3,968,799	4,891,358	4,665,458	4,353,932
Water	14,939,612	15,615,833	17,266,977	17,672,606	20,974,282
Sewer	25,460,076	24,948,514	23,854,749	25,074,812	23,747,056
Parking	15,172,305	16,739,868	17,459,943	19,147,189	20,378,613
Convention Center	13,469,379	15,615,399	15,022,623	16,885,954	18,139,037
Other	7,270,318	7,756,058	8,855,196	10,620,399	17,005,334
Total business-type activities expenses	80,332,069	84,644,471	87,350,846	94,066,218	104,598,254
Total primary government expenses	260,597,011	266,342,497	290,598,438	324,153,064	330,050,586
Program Revenues					
Governmental activities:					
Charges for services:	\$ 31,434,807	\$ 37,618,533	\$ 42,664,644	\$ 42,337,766	\$ 45,564,217
Operating grants and contributions (Note 1)	9,526,279	12,003,130	17,874,829	24,260,946	45,361,039
Capital grants and contributions	3,929,445	2,529,706	1,719,812	1,718,649	2,464,239
Total governmental activities program revenue	44,890,531	52,151,369	62,259,285	68,317,361	93,389,495
Business-type activities:					
Charges for services:	81,990,080	84,667,139	87,138,892	93,372,696	94,110,233
Operating grants and contributions	7,885,883	9,627,672	11,075,929	20,459,284	18,749,928
Capital grants and contributions			15,000,000		
Total business-type activities program revenue	89,875,963	94,294,811	113,214,821	113,831,980	112,860,161
Total primary government program revenue	\$ 134,766,494	\$ 146,446,180	\$ 175,474,106	\$ 182,149,341	\$ 206,249,656
Net (Expense)/Revenue					
Governmental activities	\$ (135,374,411)	\$ (129,546,657)	\$ (140,988,307)	\$ (161,769,485)	\$ (132,062,837)
Business-type activities	9,543,894	9,650,340	25,863,975	19,765,762	8,261,907
Total primary government net expense	\$ (125,830,517)	\$ (119,896,317)	\$ (115,124,332)	\$ (142,003,723)	\$ (123,800,930)
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes					
Property taxes	\$ 63,314,474	\$ 71,191,120	\$ 79,064,889	\$ 89,653,321	\$ 120,679,428
Resort taxes	21,021,618	24,002,336	27,406,669	32,112,039	34,265,010
Tax increment	20,731,456	23,705,214	31,351,525	29,814,708	24,934,704
Utility taxes	13,348,286	12,481,722	12,436,407	12,785,676	12,998,955
Franchise taxes	7,037,263	6,936,623	7,628,488	8,029,982	9,258,301
Miscellaneous	8,919,382	9,965,739	107,920	224,200	169,664
Unrestricted investment earnings	5,300,943	3,399,593	4,649,415	8,163,573	13,696,366
Loss on disposal of capital assets	(213,893)			(25,839,322)	
Transfers	1,336,584	1,863,604	4,421,623	925,797	(654,166)
Total governmental activities	140,796,113	153,545,951	167,066,936	155,869,974	215,348,262
Business-type activities:					
Unrestricted investment earnings	5,581,455	6,536,766	6,344,916	6,895,744	6,403,497
Loss on disposal of capital assets	(6,871)				
Transfers	(1,336,584)	(1,863,604)	(4,421,623)	(925,797)	654,166
Total business-type activities	4,238,000	4,673,162	1,923,293	5,969,947	7,057,663
Total primary government	\$ 145,034,113	\$ 158,219,113	\$ 168,990,229	\$ 161,839,921	\$ 222,405,925
Change in Net Assets					
Governmental activities	\$ 5,421,702	\$ 23,999,294	\$ 26,078,629	\$ (5,899,511)	\$ 83,285,425
Business-type activities	13,781,894	14,323,502	27,787,268	25,735,709	15,319,570
Total primary government	\$ 19,203,596	\$ 38,322,796	\$ 53,865,897	\$ 19,836,198	\$ 98,604,995

Note 1: Amounts from 2002 - 2005 restated to exclude Resort taxes

CITY OF MIAMI BEACH, FLORIDA
FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Fund										
Reserved	\$ 47,076,974	\$ 759,218	\$ 2,003,527	\$ 2,177,324	\$ 2,837,608	\$ 2,056,937	\$ 2,186,082	\$ 198,934	\$ 610,236	\$ 1,128,937
Unreserved	12,681,625	13,710,859	19,319,828	24,508,329	25,092,399	26,869,846	26,982,549	29,457,359	34,647,776	36,688,832
Total general fund	<u>\$ 59,758,599</u>	<u>\$ 14,470,077</u>	<u>\$ 21,323,355</u>	<u>\$ 26,685,653</u>	<u>\$ 27,930,007</u>	<u>\$ 28,926,783</u>	<u>\$ 29,168,631</u>	<u>\$ 29,655,293</u>	<u>\$ 35,258,012</u>	<u>\$ 37,817,769</u>
All Other Governmental Funds										
Reserved	\$ 14,588,324	\$ 14,932,139	\$ 10,644,232	\$ 11,612,658	\$ 13,014,935	\$ 31,225,271	\$ 33,769,368	\$ 37,170,427	\$ 30,916,933	\$ 32,287,596
Unreserved, reported in:										
Special revenue funds	(6,264,436)	7,848,214	18,431,375	26,421,292	37,550,511	34,138,001	44,483,861	49,884,099	103,530,139	79,958,508
Capital projects funds	34,144,956	54,934,569	46,228,497	69,432,948	77,937,850	49,012,669	92,031,329	81,069,050	76,768,194	138,518,580
Total all other governmental funds	<u>\$ 42,468,844</u>	<u>\$ 77,714,922</u>	<u>\$ 75,304,104</u>	<u>\$ 107,466,898</u>	<u>\$ 128,503,296</u>	<u>\$ 114,375,941</u>	<u>\$ 170,284,558</u>	<u>\$ 168,123,576</u>	<u>\$ 211,215,266</u>	<u>\$ 250,764,684</u>

CITY OF MIAMI BEACH, FLORIDA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenues										
Taxes	\$ 79,924,661	\$ 83,116,163	\$ 90,992,993	\$ 97,614,880	\$ 103,991,090	\$ 109,575,081	\$ 124,719,734	\$ 125,249,142	\$ 139,029,149	\$ 172,133,220
Franchise fees	6,167,992	6,627,409	6,721,850	6,440,426	8,013,954	7,037,263	6,936,623	7,628,488	8,029,982	9,258,301
Licenses and permits	7,623,771	8,119,683	8,579,138	8,425,325	9,707,800	9,627,491	10,245,029	12,547,560	13,529,531	16,048,780
Intergovernmental	23,769,707	24,490,609	28,142,226	34,625,741	36,747,497	41,839,284	40,270,683	45,582,476	49,003,996	66,027,830
Charges for services	5,659,359	5,999,608	6,442,465	7,254,522	10,214,631	3,852,911	6,956,702	7,655,072	7,640,117	7,476,404
Rents & leases	629,104	937,310	940,731	1,272,651	1,395,175	2,111,845	3,960,075	5,544,185	2,948,474	3,190,274
Interest	8,278,223	7,696,734	8,082,323	8,987,845	10,228,765	4,898,871	3,148,635	4,478,882	7,979,609	13,272,632
Fines and forfeitures	1,391,765	1,203,373	1,373,528	1,556,047	1,745,578	3,172,906	2,701,470	2,255,900	2,883,403	2,677,439
Administrative fees	7,247,896	7,567,896	7,572,896	7,572,896	7,672,896	8,143,990	8,143,990	8,862,655	8,951,878	8,426,624
Other revenues	17,951,277	8,201,355	7,341,337	7,404,629	6,850,277	8,215,828	9,858,436	7,804,412	9,087,699	9,120,190
Total revenues	158,643,755	153,960,140	166,189,487	181,154,962	196,567,663	198,475,470	216,941,377	227,608,772	249,083,838	307,631,694
Expenditures										
General government	22,384,898	18,283,711	18,428,875	21,954,415	24,220,165	23,347,222	24,825,487	26,139,386	26,144,200	40,892,104
Public safety	66,644,842	61,807,053	64,164,996	67,191,160	73,861,795	80,517,633	89,038,942	97,018,702	108,222,980	119,027,153
Physical environment	1,224,000	1,137,695	1,378,702	1,804,023	2,102,658	1,947,904	2,502,004	1,905,956	2,529,500	2,936,530
Transportation	4,337,123	4,254,646	4,210,852	5,730,066	5,881,028	5,884,156	6,032,825	5,463,443	7,300,392	5,029,124
Economic environment	14,397,098	28,664,258	16,283,449	19,922,509	23,147,260	23,481,387	24,528,718	14,164,911	10,635,422	4,963,596
Human services	1,429,734	1,319,429	1,394,266	1,770,716	1,471,135	1,444,552	1,513,389	1,428,008	2,299,429	1,853,781
Culture and recreation	17,301,031	18,597,410	20,053,650	20,547,893	22,085,980	24,816,696	27,410,140	30,309,135	31,845,348	37,984,917
Capital Outlay	32,838,592	23,730,228	8,831,803	8,420,864	7,949,884	25,237,295	21,982,379	21,825,113	22,776,313	24,312,333
Debt service										
Principal	11,835,000	12,085,000	12,335,000	13,070,000	45,259,400	12,750,863	15,050,118	13,135,827	13,832,993	13,883,995
Interest	12,548,669	13,853,074	16,304,486	15,627,593	16,143,147	16,315,401	15,916,328	17,468,552	20,036,401	12,314,686
Total expenditures	184,940,987	183,732,504	163,386,079	176,039,239	222,122,452	215,743,109	228,800,330	230,859,633	245,622,978	263,198,219
Excess of revenue over (under) expenditures	(26,297,232)	(29,772,364)	2,803,408	5,115,723	(25,554,789)	(17,267,639)	(11,858,953)	(3,250,261)	3,460,860	44,433,475
Other Financing Sources (Uses)										
Refunding Bond Issued									135,726,047	
Payment to refunding bond scrow agent									(137,712,609)	
Proceeds of debt issuance		53,297,029		30,000,000	47,240,342		62,465,000			
Proceeds from loan							1,042,000		2,957,930	
Sale of assets	2,494,734	4,250				448,005			1,844,513	34,183
Proceeds from sale of land and building									39,898,102	
Transfers in	13,459,216	61,932,386	35,171,142	36,161,780	71,749,238	44,804,824	60,360,472	58,686,788	66,683,853	142,081,583
Transfers out	(13,266,245)	(60,502,728)	(34,234,628)	(35,147,883)	(70,014,879)	(43,398,768)	(55,858,054)	(57,109,847)	(64,165,287)	(144,440,066)
Total other financing sources (uses)	2,687,705	54,730,937	936,514	31,013,897	48,974,701	1,854,061	68,009,418	1,576,941	45,232,549	(2,324,300)
Net change in fund balances	\$ (23,609,527)	\$ 24,958,573	\$ 3,739,922	\$ 36,129,620	\$ 23,419,912	\$ (15,413,578)	\$ 56,150,465	\$ (1,673,320)	\$ 48,693,409	\$ 42,109,175
Debt service as a percentage of noncapital expenditures	19.09%	19.35%	22.75%	20.66%	40.19%	18.00%	17.61%	17.15%	17.92%	12.32%

CITY OF MIAMI BEACH, FLORIDA
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY,
LAST FIVE FISCAL YEARS
(in thousands of dollars)

<u>Fiscal Year Ended September 30,</u>	<u>Residential Property</u>	<u>Commercial Property</u>	<u>Industrial Property</u>	<u>Other Property</u>	<u>Less: Tax-Exempt Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>
2001 ^A	\$	\$	\$	\$	\$	\$	8.376
2002 ^A							8.376
2003 ^A							8.322
2004	12,131,669	2,366,866	214,344	1,562,860	1,405,322	14,870,417	8.173
2005	13,757,424	3,266,081	44,880	1,612,480	1,327,774	17,353,091	8.173

Source: City of Miami Beach Economic Development Division & Florida Statistical Abstract.

Note: Property in the city is reassessed each year. Property is assessed at actual value; therefore, the assessed values are equal to actual value. Tax rates are per \$1,000 of assessed value.

^{A:} Data not available in individual property categories for this year.

CITY OF MIAMI BEACH, FLORIDA
DIRECT AND OVERLAPPING PROPERTY TAX RATES,
LAST TEN FISCAL YEARS
(rate per \$1,000 of assessed value)

Fiscal Year Ended September 30,	City of Miami Beach Direct Rates			Overlapping Rates ^A			Total
	Operating Millage	Debt Service Millage	Total Direct Millage	School District Millage	County Millage	State Millage	
1997	7.499	1.879	9.378	10.366	7.582	0.710	28.036
1998	7.499	1.711	9.210	10.462	7.268	0.747	27.687
1999	7.499	1.484	8.983	10.160	7.194	0.744	27.081
2000	7.499	1.199	8.698	9.644	6.946	0.741	26.029
2001	7.399	1.156	8.555	9.617	6.754	0.738	25.664
2002	7.299	1.077	8.376	9.376	6.716	0.736	25.204
2003	7.299	1.023	8.322	9.252	6.765	0.736	25.075
2004	7.299	0.874	8.173	9.100	7.240	0.736	25.249
2005	7.425	0.748	8.173	8.687	7.150	0.736	24.746
2006	7.481	0.592	8.073	8.438	7.035	0.736	24.281

Source: Miami-Dade County, Florida; Department of Property Appraisal
2005 Millage Table

Note: The city's basic property tax rate may be increased only by a majority vote of the city's residents. Rates for debt service are set based on each year's requirement.

^{A:} Overlapping rates are those of local and county governments that apply to owners within the City of Miami Beach. Not all overlapping rates apply to all Miami Beach property owners.

CITY OF MIAMI BEACH, FLORIDA
PRINCIPAL PROPERTY TAX PAYERS,
CURRENT YEAR AND NINE YEARS AGO

2006			1997		
Taxpayer	Taxable Assessed Value	Percentage of The City's Certified Taxable Assessed Value (a)	Taxpayer	Taxable Assessed Value	Percentage of The City's Certified Taxable Assessed Value (b)
MB Redev. Inc./Lowes Hotel	\$ 143,400,000	0.82 %	Hotelerama Assoc., Ltd.	88,051,861	1.44 %
Morton Towers	110,675,000	0.63	Roney Plaza Assoc., Ltd.	46,500,000	0.76
Micheal S. Angeli Tr/Fontainebleau	104,449,118	0.60	Richard & Alan Morton Towers	40,085,375	0.66
Sandy Lane Residential LLC	72,230,700	0.41	Portofino Real Estate Fund	36,548,585	0.60
DiLido Beach Hotel Corp.	61,900,000	0.35	IHC/ Miami Beach Corp.	30,000,000	0.49
Eden Roc Acquisition LP	49,500,000	0.28	Tri-County Community Hospital	25,800,000	0.42
Philips S Beach LTD/Shore Club	48,500,000	0.28	5600 Collins Corp.	21,370,790	0.35
Morton Towers Expansion LLC	48,325,000	0.28	Suncoast Towers South Assoc.	18,800,000	0.31
South Gate Apartments	48,000,000	0.28	Forte Towers South Inc.	17,000,000	0.28
2201 Collins Fee LLC	44,583,667	0.26	South Gate Towers	15,000,000	0.25
	<u>\$ 731,563,485</u>	<u>4.19 %</u>		<u>\$ 339,156,611</u>	<u>5.56 %</u>

Source: 2005 and 1996 Miami-Dade County, Florida Ad Valorem Assessment Roll for the City of Miami Beach.

**CITY OF MIAMI BEACH, FLORIDA
PROPERTY TAX LEVIES AND COLLECTIONS,
FISCAL YEARS 1996 THRU 2005**

Tax Year (1)	Total Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1996	\$ 54,155,090	\$ 55,496,245	(2) 102.4 %	\$ N/A	\$ 55,506,751.0	102.5 %
1997	57,000,248	57,193,099	(2) 100.3	N/A	57,219,660.0	100.4
1998	59,543,025	60,611,944	(2) 101.8	N/A	60,707,288.0	102.0
1999	63,294,354	64,235,654	(2) 101.5	N/A	64,462,487.0	101.8
2000	67,851,578	68,603,879	(2) 101.1	N/A	71,635,745.0	105.6
2001	74,551,384	75,205,177	(2) 100.9	N/A	80,330,981.0	107.8
2002	83,590,412	80,460,485	96.3	2,072,167	82,532,652.0	98.7
2003	93,492,337	90,447,232	96.7	1,544,967	91,992,199.0	98.4
2004	109,298,076	107,543,916	98.4	836,947	108,380,863.0	99.2
2005	133,573,759	131,074,911	98.1	-	131,074,911.0	98.1

Source: City of Miami Beach Certification of Taxable Value.

(1) Assessments as of January 1 of the year listed; bills mailed in October of that year; taxes become delinquent at the end of April of the subsequent year.

(2) Breakdown between current and delinquent collections not available. Collections represent total of current and delinquent collections received during the year.

N/A - Information not available

CITY OF MIAMI BEACH
RATIOS OF OUTSTANDING DEBT BY TYPE,
LAST TEN FISCAL YEARS
(in thousands of dollars, except per capita)

Governmental Activities										
Fiscal Year	General Obligation Bonds	Resort Tax Revenue Bonds	Gulf Breeze Government Loan Program	Sunshine State Loan Program	Pension Obligation Bonds	Redevelopment Agency Tax Increment Revenue Bonds	Loans Payable ^A	Other Obligation ^B	Total Governmental Activities	
1997	\$ 35,505	\$ 4,020	\$ 19,815	\$ 26,660	\$ 53,475	\$ 73,070	\$	\$	212,545	
1998	42,635	3,940	19,215	25,470	52,555	109,885			253,700	
1999	34,725	3,860	18,615	24,240	51,565	108,360		3,941	245,306	
2000	57,535	3,775	17,915	22,970	50,085	136,525		3,611	292,416	
2001	50,985	3,685	47,145	6,678	48,485	103,510		3,281	263,769	
2002	43,810	3,590	39,002	6,265	46,765	100,830	1,125	3,317	244,704	
2003	98,990	3,495	37,196	5,835	44,905	97,960	940	3,655	292,976	
2004	93,475	3,395	35,316	5,390	43,525	94,890	11,629	2,909	290,529	
2005	87,500	3,290	33,357	4,930	53,030	97,300	12,295	4,089	295,791	
2006	81,440	3,180	31,320	4,455	50,650	95,300	12,905	3,266	282,516	
Business-type activities								Total		
Fiscal Year	Storm Water Revenue Bonds ^C	Water and Sewer Revenue Bonds	Parking Revenue Bonds/Loan	Loan Payable ^A	Capital Leases ^D	Total Business Activities	Total Primary Government	Debt per Capita		
1997	\$	\$ 55,335	\$ 30,670	\$	\$	\$ 86,005	\$ 298,550	\$ 3.25		
1998		53,350	30,030			83,380	337,080	3.63		
1999		51,280	29,320			80,600	325,906	3.49		
2000		103,425	28,585		2,357	134,367	426,783	4.54		
2001	52,170	101,160	27,820		1,866	183,016	446,785	5.08		
2002	50,712	97,455	34,396	883	1,320	184,766	429,470	4.87		
2003	49,864	95,055	33,166	751	795	179,631	472,607	5.31		
2004	48,976	95,531	31,879	622	240	177,248	467,777	5.15		
2005	48,049	89,876	30,537	561		169,023	464,814	5.08		
2006	47,076	113,839 ^E	29,132	495		190,542	473,058	5.06		

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

A Loan begin in 2002

B Other obligation began in 1999

C Bond was issued in 2000

D

E

Bond was issued in 2000

New debt issued during fiscal year 2006

**CITY OF MIAMI BEACH
RATIOS OF GENERAL BONDED DEBT OUTSTANDING,
FISCAL YEARS 1997 THRU 2006**

(in thousands of dollars, except per capita)

Fiscal Year	General Obligation Bonds	Total Direct Tax Rate	Per Capita
1997	\$ 35,505	9.378 %	\$ 0.39
1998	42,635	9.210	0.46
1999	34,725	8.983	0.37
2000	57,535	8.698	0.61
2001	50,985	8.555	0.58
2002	43,810	8.376	0.50
2003	98,990	8.322	1.11
2004	93,475	8.173	1.03
2005	87,500	8.173	0.96
2006	81,440	8.073	0.87

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

**CITY OF MIAMI BEACH, FLORIDA
LEGAL DEBT MARGIN INFORMATION,
LAST TEN FISCAL YEARS**

	1997	1998	1999	2000	2001
Debt limit	\$ 902,296,050	\$ 962,013,275	\$ 1,131,122,196	\$ 1,131,122,196	\$ 1,232,832,050
Total net debt applicable to limit	2,689,269	2,091,867	757,807	757,807	1,256,416
Legal Debt margin	<u>\$ 899,606,781</u>	<u>\$ 959,921,408</u>	<u>\$ 1,130,364,389</u>	<u>\$ 1,130,364,389</u>	<u>\$ 1,231,575,634</u>
Total net debt applicable to the limit centage of debt limit	0.30%	0.22%	0.07%	0.07%	0.10%
	2002	2003	2004	2005	2006
Debt limit	\$ 1,383,512,145	\$ 1,561,322,746	\$ 1,778,109,377	2,078,715,000	2,584,651,615
Total net debt applicable to limit	30,975,211	87,161,948	82,062,643	86,269,623	80,348,515
Legal Debt margin	<u>\$ 1,352,536,934</u>	<u>\$ 1,474,160,798</u>	<u>\$ 1,696,046,734</u>	<u>1,992,445,377</u>	<u>2,504,303,100</u>
Total net debt applicable to the limit centage of debt limit	2.29%	5.91%	4.84%	4.33%	3.21%

Legal Debt Margin Calculation for Fiscal Year 2006

Assessed value	\$ 17,231,010,766
Debt limit (15% of assessed value)	2,584,651,615
Debt applicable to limit:	
General obligation bonds	81,440,000
Less: Amount set aside for repayment of general obligation debt	<u>1,091,485</u>
Total net debt applicable to limit	<u>80,348,515</u>
Legal debt margin	<u>\$ 2,504,303,100</u>

CITY OF MIAMI BEACH, FLORIDA
REVENUE BOND COVERAGE,
FISCAL YEARS 1997 THRU 2006

Fiscal Year	Revenue	Less:	Net available Revenue	Debt Service		Coverage
		Operating Expenses		Principal	Interest	
Parking Revenue Bonds						
1997	12,837,145	6,690,752	6,146,393	615,000	450,795	5.77
1998	14,571,340	7,101,849	7,469,491	640,000	1,581,361	3.36
1999	15,953,438	7,106,842	8,846,596	710,000	1,469,106	4.06
2000	17,945,290	7,727,607	10,217,683	735,000	1,442,026	4.69
2001	22,208,213	7,660,378	14,547,835	765,000	1,412,526	6.68
2002	22,848,169	9,793,404	13,054,765	800,000	1,380,962	5.99
2003	23,342,582	11,161,339	12,181,243	1,268,988	1,681,861	4.13
2004	24,572,613	11,453,816	13,118,797	1,325,314	1,645,286	4.42
2005	29,449,732	14,191,842	15,257,890	1,380,268	1,586,530	5.14
2006	26,059,130	15,441,789	10,617,341	1,443,400	1,524,259	3.58

Note: Revenue includes operating revenues and nonoperating interest income. Operating expenses does not include interest, depreciation, amortization or administrative fees.

Water & Sewer Revenue Bonds						
1997	33,697,428	28,308,814	5,388,614	1,900,000	2,932,039	1.12
1998	40,534,718	30,065,285	10,469,433	1,985,000	2,849,389	2.17
1999	45,072,346	31,672,252	13,400,094	2,070,000	2,761,056	2.77
2000	44,431,818	32,447,646	11,984,172	2,165,000	2,667,906	2.48
2001	48,275,631	31,758,568	16,517,063	2,265,000	5,652,704	2.09
2002	47,321,117	33,537,736	13,783,381	2,370,000	5,416,700	1.77
2003	47,969,148	32,658,124	15,311,024	2,480,000	5,304,122	1.97
2004	48,726,532	32,783,429	15,943,103	2,605,000	5,183,223	2.05
2005	54,104,716	35,626,830	18,477,886	2,735,000	5,052,972	2.37
2006	50,313,742	35,398,721	14,915,021	2,875,000	4,913,488	1.92

Note: Revenue includes operating revenues and nonoperating interest income. Operating expenses does not include interest, depreciation, amortization or administrative fees.

Stormwater Revenue Bonds						
2002	7,741,767	1,299,834	6,441,933	835,000	2,736,421	1.80
2003	10,471,043	1,329,855	9,141,188	870,000	2,698,846	2.56
2004	10,750,958	1,794,927	8,956,031	910,000	2,659,696	2.51
2005	10,966,650	2,251,214	8,715,436	950,000	2,618,747	2.44
2006	9,583,080	1,967,624	7,615,456	995,000	2,575,997	2.13

Note: Stormwater bonds were issued during fiscal year 2001.

Note: Revenue includes operating revenues and nonoperating interest income. Operating expenses does not include interest, depreciation, amortization or administrative fees.

Resort Tax Revenue Bonds						
1997	14,149,832		14,149,832	80,000	222,766	46.74
1998	15,320,868		15,320,868	80,000	219,806	51.10
1999	19,228,067		19,228,067	85,000	216,526	63.77
2000	22,154,270		22,154,270	90,000	212,786	73.17
2001	23,684,024		23,684,024	95,000	208,736	77.98
2002	21,021,618		21,021,618	95,000	204,366	70.22
2003	24,002,336		24,002,336	100,000	199,901	80.03
2004	27,405,669		27,405,669	105,000	195,101	91.32
2005	32,112,039		32,112,039	110,000	189,956	107.06
2006	34,265,010		34,265,010	120,000	184,456	112.55

Note: Revenue includes operating revenues. There are no contractual expenditures for the Resort Tax Fund.

Redevelopment Agency Tax Increment Revenue Bonds						
1997	16,633,696	500,000	16,133,696	1,030,000	4,426,468	2.96
1998	18,078,178	500,000	17,578,178	990,000	4,990,891	2.94
1999	23,445,553	500,000	22,945,553	1,050,000	7,134,197	2.80
2000	29,682,812	500,000	29,182,812	1,825,000	7,249,124	3.22
2001	32,505,683	500,000	32,005,683	1,940,000	7,136,216	3.53
2002	31,945,482	500,000	31,445,482	2,065,000	7,014,235	3.46
2003	36,861,453	500,000	36,361,453	2,195,000	6,882,689	4.01
2004	42,920,951	500,000	42,420,951	2,335,000	6,741,490	4.67
2005	48,671,776	500,000	48,171,776	2,485,000	6,590,163	5.31
2006	58,402,508	500,000	57,902,508	2,000,000	3,686,227	10.18

Note: Revenue includes operating revenues, nonoperating interest income, and resort tax pledged revenues. Operating expenditure is limited to \$500,000.

CITY OF MIAMI BEACH, FLORIDA

COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT

SEPTEMBER 30, 2006

DIRECT DEBT

General obligation indebtedness

Public improvement bonds (net of amount available)	\$	80,348,515
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Non-self-supporting indebtedness: (1)

Resort Tax Revenue Refunding Bonds, Series 1996	3,180,000	
Gulf Breeze Government Loan Program	31,319,932	
Sunshine State Loan Program	4,455,000	
Pension Obligation Bonds	50,650,000	
Tax Increment Revenue Bonds	95,300,000	
	<u>184,904,932</u>	
Less: Reserve funds	<u>7,813,086</u>	
Total non-self-supporting indebtedness		<u>177,091,846</u>

Total direct indebtedness	<u>257,440,361</u>
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OVERLAPPING DEBT (2)

Miami-Dade County

Total general obligation indebtedness	507,316,000	
Percent applicable to City - 9.998% (3)		50,721,454
Total school district obligation indebtedness	613,120,000	
Percent applicable to City - 9.998% (3)		61,299,738
Total net non-self-supporting indebtedness	1,452,283,678	
Percent applicable to City - 9.998% (3)		<u>145,199,322</u>

Total overlapping debt	<u>257,220,513</u>
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TOTAL DIRECT AND OVERLAPPING DEBT	\$ <u>514,660,874</u>
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(1) Excludes self-supporting debt obligations.

(2) All debt listed as Overlapping Debt is secured either solely from a tax source or from a combination of self-supporting revenues and a tax source.

(3) Based upon 2005 assessed valuation figures for the City and Dade County.

**CITY OF MIAMI BEACH
DEMOGRAPHIC AND ECONOMIC STATISTICS,
LAST TEN CALENDAR YEARS**

Fiscal Year	Miami Beach Population	Miami-Dade County					
		Personal Income (thousands of dollars) ^A	Per Capita Personal Income ^A	Auto Tags	Bank Deposits (Thousands)	Public School Enrollment	Unemployment Rate
1996	\$ 91,848	\$	^A \$ 21,360	2,426,683	\$ 24,641	341,120	7.3 %
1997	92,927		^A 21,888	2,421,725	34,081	332,216	7.1
1998	93,464		^A 23,216	2,401,647	36,230	337,103	6.5
1999	94,012		^A 24,050	2,392,339	39,633	343,653	5.8
2000	87,933		^A 25,626	2,420,074	40,543	350,920	5.3
2001	88,158	60,402	26,414	2,533,220	45,064	359,313	6.9
2002	88,972	62,665	27,074	1,916,980	51,297	366,287	7.7
2003	90,846	64,631	27,670	2,008,064	56,264	365,829	7.8
2004	91,540	68,583	29,076	2,094,012	9,296,694	422,401	4.7
2005	93,535		^A	^A 2,094,012	11,179,546	427,449	3.7

Source: Florida Statistical Abstract, 2006

^A Data not available

**MIAMI-DADE COUNTY
PRINCIPAL EMPLOYERS,
CURRENT YEAR AND NINE YEARS AGO**

Ten Largest Public Employers					
<u>Employer</u>	<u>2006</u>		Percentage of Total County Employment ^A	<u>1997</u>	
	<u>Employees</u>	<u>Rank</u>		<u>Employees</u>	<u>Rank</u>
Miami-Dade County Public Schools	50,000	1	4.69 %	33,658	1
Miami-Dade County	30,000	2	2.82	28,000	2
Federal Government	20,300	3	1.91	17,600	4
Florida State Government	18,300	4	1.72	17,700	3
Jackson Memorial Hospital	10,453	5	0.98	7,216	5
Miami-Dade Community College	5,400	6	0.51	2,668	8
City of Miami	3,954	7	0.37	3,189	6
Florida International University	3,500	8	0.33	2,775	7
Miami VA Medical Center	2,400	9	0.23	2,610	9
City of Miami Beach	1,839	10	0.17	1,620	10

Ten Largest Private Employers					
<u>Employer</u>	<u>2006</u>		Percentage of Total County Employment	<u>1997</u>	
	<u>Employees</u>	<u>Rank</u>		<u>Employees</u>	<u>Rank</u>
Baptist Health Systems of S. Florida	10,683	1	1.00 %	3,275	6
University of Miami	9,367	2	0.88	7,574	2
American Airlines	9,000	3	0.84	9,000	1
United Parcel Service	5,000	4	0.47		
BellSouth	4,800	5	0.45	5,000	3
Winn Dixie Stores	4,616	6	0.43	2,672	10
Precision Response Corporation	4,196	7	0.39		
Publix Super Markets	4,000	8	0.38	3,000	9
Florida Power & Light Co.	3,665	9	0.34	3,400	4
Burdines-Macy's	3,368	10	0.32	3,400	5
Kmart				3,000	8
Mount Sinai Health Center				3,228	7

Source: Employer and employees information provided by the Beacon Council. Percentage of total county employment was calculated based on total county employment of 1,065,417 as presented in the 2006 Florida Statistical Abstract.

**CITY OF MIAMI BEACH
PRINCIPAL EMPLOYERS,
CURRENT YEAR AND NINE YEARS AGO (Note)**

2006		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
Mt. Sinai/ Miami Heart	3,121	6.65 %
City of Miami Beach	1,896	4.04
Fountainbleau Hilton Resort	1,200	2.56
Loews Miami Beach Hotel	900	1.92
Eden Roc Resort	450	0.96
Joe's Stone Crab	320	0.68
Shore Club	320	0.68
Wyndham Miami Beach Resort	300	0.64
LNR Property Corp	250	0.53
Four Points Sheraton	152	0.32
	<u>8,909</u>	<u>18.98</u>

Note: Data from nine years ago was not available at the time of printing

Source: City of Miami Beach Economic Development, Percentage of total city employment was calculated based on total city employment of 46,950 for 2006 as presented in the City's 2006/2007 Budget

CITY OF MIAMI BEACH, FLORIDA
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST FIVE FISCAL YEARS

Function/Program	Full-time Equivalent Employees as of September 30				
	2002	2003	2004	2005	2006
General government:					
Mayor and commission	21	20	20	20	20
City manager	14	14	13	13	13
Office of communications	2	2	2	2	8
Budget and performance improvement	19	18	18	20	20
Finance	43	43	43	43	45
Information technology	37	37	40	41	44
Human resources	19	18	16	17	17
Labor relations		2	2	2	2
Risk Management	7	6	6	6	6
City clerk	20	20	19	19	17
Procurement	10	10	9	9	9
City attorney	24	24	22	22	22
Economic Development and Cultural Arts:					
Economic development	9	9	8	8	7
Building ^A	56	56	63	63	71
Planning	26	26	26	26	28
Tourism & cultural development	11	11	12	13	14
Bass museum	10	9	8	8	8
Operations:					
Neighborhood services	65	68	63	63	65
Parks & recreation ^B	220	231	186	187	195
Public works	56	57	55	185	192
Sanitation	109	123	103	114	148
Property management	73	66	65	66	71
Capital improvement projects	24	24	24	27	31
Parking	107	109	106	108	111
Sewer	43	43	40	41	42
Stormwater	19	22	23	23	25
Water	72	72	71	69	69
Fleet management	28	28	25	24	24
Public safety:					
Police - Officers	381	366	382	385	386
Police - Civilians	165	155	146	153	164
Fire - Officers	201	205	205	207	208
Fire - Civilians	17	18	18	17	23
Ocean rescue ^B			77	68	68
Total	1,908	1,912	1,916	2,067	2,171

Source: City of Miami Beach Budget Department

^AThe city added additional positions in the building department in 2004 to address the increased volume of permit requests and provide better customer service.

^BBeach patrol was transferred from the Parks & Recreation department to become the Ocean Rescue Division of the Fire department.

**CITY OF MIAMI BEACH, FLORIDA
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST FIVE FISCAL YEARS**

Function/Program	Fiscal Year				
	2002	2003	2004	2005	2006
General government:					
Mayor and commission					
Ordinances approved	52	55	35	40	36
Resolutions approved	660	328	268	268	322
City manager					
Responses to resident inquiries/complaints	654	680	650	650	N/A
Office of communications					
Answer Center calls	18,000	33,600	55,733	50,295	65,559
Service Requested	5,436	7,852	9,407	11,814	13,050
Completed Service Request	5,327	7,258	9,243	N/A	12,750
Interactive Use of City Website	N/A	N/A	35,549	53,527	95,936
Budget and performance improvement					
Audits performed	393	367	317	258	254
Grants awarded	\$ 6,109,633	\$ 2,529,270	\$ 1,600,000	1,186,464	3,410,086
Finance					
Utility customer accounts	10,750	10,000	10,500	10,500	10,500
Licenses issued	6,400	6,500	6,600	6,500	7,330
Lien statements	3,454	3,300	3,150	3,400	3,850
Annual resort tax accounts	1,265	1,300	1,352	1,375	1,127
Human resources					
Employees	1,827	1,834	1,845	1,900	1,879
Hires	260	260	364	328	363
Building					
Building and trade permits processed/issued	15,989	20,128	19,093	17,940	18,348
Certificates	727	788	726	780	622
Tourism & cultural development					
Film & print and special events permits	1,640	1,566	1,680	1,500	1,701
Bass Museum Visitors	19,000	22,000	50,000	36,749	19,211
Convention Center/Theater Events	305	299	240	518	661
Operations:					
Parks & recreation					
Summer Camp	2,340	2,819	2,114	2,241	2,515
After and Play School Participants	2,558	3,371	2,650	2,410	2,400
Athletics	1,051	1,018	940	1,020	1,253
Pool Attendance	28,000	65,437	66,000	79,135	119,800
Golf course patrons ^a	n/a	30,655	37,152	42,923	44,252
Engineering					
Right-of-Way permits issued	794	890	1,100	900	N/A
Utility permits issued	184	370	410	400	N/A
Sanitation					
Mobile street sweeping (annual mileage)	58,400	56,940	56,940	56,940	56,940
Litter Cans	N/A	1,316	2,000	2,050	2,095
Sewer					
Cleaning and inspection of sewer lines	733,300	710,000	100,000	800,000	1,217,202
Stormwater					
Storm sewers cleaned	137,000	140,000	140,000	140,000	233,000
Deteriorated storm sewers replaced	266	275	275	200	80
Water					
New-metered service taps and installations	650	700	600	550	196
Water Meter readings	14,200	15,800	14,300	12,400	14,300
Streets & Streetlighting					
Asphalt restoration (potholes)	3,403	3,000	3,000	3,000	2,700
Roads and alleys repaved (linear feet)	3,232	16,000	8,000	12,000	7,000
Sidewalk relpaced (square feet)	37,000	30,000	40,000	30,000	38,000
Curb and gutter replaced (linear feet)	432	1,000	3,000	2,000	1,200
Fleet Management					
Fuel consumed - diesel and unleaded (gallons)	751,000	802,306	810,000	825,000	777,827
Preventive maintenance jobs	2,361	2,642	2,868	2,876	2,699
Police					
Total number of arrests	8,697	9,684	10,290	10,185	12,887
Traffic Violations	25,316	25,742	44,174	45,524	58,615
Parking Violations	8,467	7,773	26,763	33,497	27,465
Fire					
Emergency responses	14,730	13,406	13,000	14,700	13,532
Inspections	1,477	1,800	2,925	3,710	3,956
Ocean rescue - victims rescued	518	895	900	281	313

CITY OF MIAMI BEACH, FLORIDA
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST FIVE FISCAL YEARS

Function/Program	Fiscal Year				
	2002	2003	2004	2005	2006
Police					
Stations	1	1	1	1	1
Zone offices	3	3	4	4	4
Patrol units	340	415	440	440	440
Fire stations	4	4	4	4	4
Water					
Water mains (miles)	180	180	180	180	180
Water valves	23,000	23,000	23,000	23,000	23,000
Fire hydrants	1,003	1,003	1,006	1,006	1,009
Fire lines	700	708	710	712	717
Meters	12,557	12,300	12,350	12,424	12,460
Water pumping stations	5	5	5	5	5
Storage capacity (thousands of gallons)	12,000	12,000	12,000	12,000	12,000
Stormwater					
Stormwater pipes (miles)	59	59	59	59	59
Drainage basins	172	172	172	172	172
Stormwater catch basins	6,000	6,000	6,000	6,000	5,000
Manholes	3,000	3,000	3,000	3,000	3,000
Sewer					
Sanitary gravity sewer pipes (miles)	144	144	144	144	152
Force main pipes (miles)	21	21	21	21	21
Manholes	2,750	2,750	2,750	2,750	2,750
Wastewater pump stations	23	23	23	23	23
Other public works					
Streets (miles)	140	140	140	140	140
Sidewalks (miles)	242	242	242	242	242
Curb and gutter (miles)	200	200	200	200	200
Alleys (miles)	33	33	33	33	33
Seawalls (linear feet)	7,300	7,300	7,300	7,300	7,300
Streetlights	5,800	5,810	5,817	5,850	5,600
Street lights cable (miles)	250	251	252	260	263
Parking					
Parking Lots & Garages	66	66	68	68	68
Parking Spaces	8,451	8,451	8,496	8,496	8,333
Parks and recreation					
Recreational open space (acres)	727	727	727	727	727
Playground tot-lots	14	14	14	14	14
Stadiums	2	2	2	2	2
Sports fields	7	7	7	7	7
Tennis sites	6	6	6	6	6
Basketball court sites	9	9	9	9	15
Ice Rink	1	1	1	1	1
Pools	3	3	3	3	3
Youth/Community centers	3	3	3	3	3
Bark parks	2	2	2	2	2
Parks - passive and staffed	28	28	28	37	25
Municipal regulation golf courses	2	2	2	2	2
Trucks, off-road, and other vehicles	63	65	67	67	84
Sanitation					
Sweepers	12	12	16	17	21
Front end loader	1	1	1	1	2
Trucks, Vans, and other vehicles	22	22	31	32	60
Pressure washers ¹			5	8	10
Transit-minibuses	11	10	10	10	4

Source: Various City of Miami Beach departments.