

**CITY OF AVENTURA POLICE OFFICERS' RETIREMENT
PLAN
FINANCIAL STATEMENTS
SEPTEMBER 30, 2006 AND 2005**

CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN
FINANCIAL STATEMENTS
SEPTEMBER 30, 2006, AND 2005

TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
• Statements of plan net assets	3
• Statements of changes in plan net assets	4
NOTES TO FINANCIAL STATEMENTS	5-8
SUPPLEMENTAL INFORMATION	
• Schedules of administrative expenses	9
• Schedule of contributions from employer and other contributors	10
• Schedule of funding progress	11
COMPLIANCE REPORT	
• Report of Independent Certified Public Accountant on Internal Control over financial reporting and compliance and other matters based on an audit of financial statements performed in accordance with government auditing standards	12-13

Steven I. Gordon

Certified Public Accountant

American Institute of
Certified Public Accountants

Florida Institute of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
City of Aventura Police Officers' Retirement Plan
Aventura, Florida

I have audited the accompanying statements of plan net assets of **City of Aventura Police Officer's Retirement Plan ("Plan")** as of September 30, 2006 and 2005, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Fund's trustees. My responsibility is to express an opinion on these financial statements based on my audit.

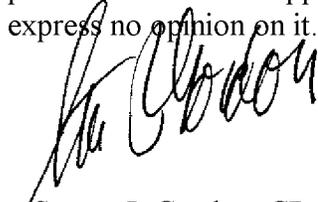
I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the Government Auditing Standards issued by the Comptroller General of the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 the Fund's trustees, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, information regarding plan net assets of the Fund as of September 30, 2006 and 2005, and the changes in plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

My audits were conducted for the purposes of forming an opinion on the basic financial statements taken as a whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements, and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements as a whole.

In accordance with Government Auditing Standards, I have also issued my report dated November 16, 2006 on my consideration of the City of Aventura Police Officers' Retirement Plan internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of my 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 my audit.

The schedules of funding progress and contributions from the employer and other contributors that show historical pension information are not a required part of the basic financial statements, but are supplementary information required by the Government Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.



Steven I. Gordon, CPA
November 16, 2006

CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN
STATEMENTS OF PLAN NET ASSETS
SEPTEMBER 30, 2006 AND 2005

ASSETS

	2006	2005
Investments , at fair value <i>(Note 3)</i>	\$ 5,340,147	\$ 3,759,323
Receivables:		
Employer contributions	29,987	23,398
Employees contributions	13,205	10,166
Rollover contributions	-	15,193
Accrued investment income	21,731	17,337
Total receivables	<u>64,923</u>	<u>66,094</u>
Total assets	<u>\$ 5,405,070</u>	<u>\$ 3,825,417</u>

LIABILITIES

Accounts payable	\$ 1,750	\$ 5,296
Total liabilities	<u>\$ 1,750</u>	<u>\$ 5,296</u>

PLAN NET ASSETS HELD IN TRUST FOR PENSION BENEFITS

Plan net assets held in trust for pension benefits	\$ 5,403,320	\$ 3,820,121
---	--------------	--------------

READ THE NOTES TO THE FINANCIAL STATEMENTS

CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN
STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005

	2006	2005
Additions:		
Investment income -		
Net appreciation in fair value of investments	\$ 173,260	\$ 183,387
Interest and dividend income	126,960	68,515
Total investment income	300,220	251,902
Less: Investment expenses	45,038	27,029
Net investment income	255,182	224,873
Contributions -		
Employer	857,184	687,303
Employees	377,356	318,837
Rollover contributions	-	40,719
Florida Chapter 185 monies	149,567	143,037
Total contributions	1,384,107	1,189,896
Total additions	1,639,289	1,414,769
Deductions:		
Employees contributions refund	12,379	24,844
Administrative expenses <i>(See Schedule)</i>	43,711	56,727
Total deductions	56,090	81,571
Increase in plan net assets	1,583,199	1,333,198
Plan net assets held in trust for pension benefits:		
Beginning of year	3,820,121	2,486,923
End of year	\$ 5,403,320	\$ 3,820,121

READ THE NOTES TO THE FINANCIAL STATEMENTS

**CITY OF AVENTURA POLICE OFFICERS’
RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
SEPTEMBER 30, 2006 AND 2005**

(1) DESCRIPTION OF THE PLAN:

The following description of the City of Aventura Police Officer’s Retirement Plan (“Plan”) provides only general information. Participants should refer to the City’s ordinance for more complete information.

• **General –**

The Plan is a single-employer defined benefit retirement plan covering all eligible police officers. The Plan was established by the City in accordance with a City ordinance and state statutes.

• **Eligibility -**

The Plan is open solely to active police officers of the City of Aventura.

• **Benefits –**

Normal retirement – A normal retirement benefit may be received upon attainment of age 55 with 10 years of credited service or upon completion of 25 years of credited service. For the first 40 years of service, the monthly benefit received will be 3% of final monthly compensation multiplied by the number of years of service, to a maximum of 80%. Years credited beyond 40 will be taken into account at 2% of final compensation per year.

Early retirement – An early retirement benefit may be received upon attainment of age 45 with 10 years of credited service. The benefit may be received either on a deferred basis or on an immediate basis. On an immediate basis, the benefit amount will be the normal retirement benefit reduced by 3% per year for each year by which the retirement date precedes the normal retirement date. On a deferred basis, the benefit amount will be the same as the normal retirement benefit except that the final compensation and credited service will be based upon the early retirement date.

Disability retirement – Members who become disabled due to service-incurred injuries, which arise out of performance of service with the City, will receive a monthly benefit amount equal to the member’s accrued benefit but not less than 42% of the member’s final monthly compensation as of the date of disability, offset by any other payments, such as worker’s compensation. Members who become disabled due to non-service-incurred injuries, which do not arise out of performance of service with the City, and who have completed at least ten years of service, will receive a monthly benefit amount equal to 3% of final monthly compensation for each year of credited service, but not less than 30%.

**CITY OF AVENTURA POLICE OFFICERS’
RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
SEPTEMBER 30, 2006 AND 2005**

(1) DESCRIPTION OF THE PLAN (CONTINUED):

• **Funding -**

Plan members are required to contribute 6.775% of their annual covered salary and the City is required to contribute 15.385% of covered payroll. Consistent with the requirements of Sections 112.66 and 185.07 of the Florida Statutes, the City is required to contribute an amount necessary to maintain the Plan on an actuarially sound basis. Contribution requirements of the Plan members and the City are established and may be changed by an amendment of the City ordinance.

• **Valuation of investments -**

Investments in common stocks, corporate bonds and government securities are valued at quoted market prices. Investments in money market funds are valued at cost. *(See Note 3)*

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

• **Accounting estimates -**

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

• **Purchases and sales of securities -**

Purchases and sales of securities are recorded on a trade-date basis.

• **Accounting principles -**

The Plan applies all GASB pronouncements as well as FASB pronouncements issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

• **Income taxes -**

The Plan is exempt from federal income taxes under the Internal Revenue Code and, accordingly, no provision for federal income taxes has been made.

**CITY OF AVENTURA POLICE OFFICERS’
RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
SEPTEMBER 30, 2006 AND 2005**

(3) INVESTMENTS:

The Plan’s investments were being held by Salem Trust. Investments at September 30, 2006 consisted of the following:

	<u>2006</u>	<u>2005</u>
Common stocks	\$ 3,222,304	\$ 2,224,750
Government securities	893,727	574,009
Corporate bonds	917,727	625,171
Cash and cash equivalents	<u>306,389</u>	<u>335,393</u>
Total	<u>\$ 5,340,147</u>	<u>\$ 3,759,323</u>

During the year ended September 30, 2006, the Plan’s investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by \$173,260 as follows:

Government securities	\$(5,479)
Corporate bonds	(14,852)
Common stocks	<u>193,591</u>
Total	<u>\$ 173,260</u>

The Fund’s investments in government securities and corporate bonds had maturities as follows:

<u>Investment type</u>	<u>Fair value</u>	<u>Investment Maturities</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
Corporate bonds	\$917,727	\$ 180,637	\$ 609,395	\$ 127,695	\$ -
US Treasuries	530,749	-	373,587	157,162	-
US Agencies	362,977	94,971	170,600	97,406	-
Totals	<u>\$1,811,453</u>	<u>\$ 275,608</u>	<u>\$1,153,582</u>	<u>\$382,263</u>	<u>\$ -</u>

**CITY OF AVENTURA POLICE OFFICERS’
RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
SEPTEMBER 30, 2006 AND 2005**

(3) INVESTMENTS (CONTINUED):

The Fund does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

State law limits investments in corporate bonds and commercial paper to the top 3 ratings issued by nationally recognized statistical rating organizations. The Fund’s corporate bonds and commercial paper were rated by Moody’s Investors Services as follows:

Rating	<u>Fair Value</u>
Aaa	\$ 64,222
Aa1	29,354
Aa2	54,075
Aa3	256,924
A1	233,567
A2	219,522
A3	60,063
Unrated	<u>893,726</u>
Total	<u>\$1,811,453</u>

The Fund limits investments that may be invested in any one issuer to no more than 5% of Plan Net Assets, other than those issued by the US Government or its Agencies. More than 5% of the Fund’s plan net assets are invested in debt securities issued by the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. This investment represented 3.2% and 3.52% of Plan Net Assets respectively.

(4) ACTUARIAL VALUATION:

The most recent actuarial valuation was done as of October 1, 2004. At that date, the actuaries determined that the accrued actuarial liability for benefits was \$4,080,982, while the actuarial value of the assets available to pay benefits was \$1,389,389.

They determined that the required City and state contribution for the year ended September 30, 2006 was \$832,799 of which the City contributed \$857,184, or 103%.

Additional information regarding major assumptions used by the actuaries and funding progress is included in the attached supplemental information.

CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN
SCHEDULES OF ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005

	2006	2005
Accounting	\$ 4,900	\$ 8,500
Actuarial fees	6,173	16,654
Administrative fees	10,200	7,102
Insurance	2,335	2,285
Legal fees	16,846	21,814
Meetings & conventions	2,807	-
Miscellaneous	450	-
Printing	-	372
Total expenses	\$ 43,711	\$ 56,727

READ THE NOTES TO THE FINANCIAL STATEMENTS

CITY OF AVENTURA POLICE OFFICERS' RETIREMENT PLAN
SCHEDULE OF CONTRIBUTIONS
FROM EMPLOYER AND OTHER CONTRIBUTORS
AS OF SEPTEMBER 30, 2006 AND 2005
(UNAUDITED)

Year Ended September 30	Annual Required Contribution	Actual Contribution	Percentage Contributed
2005	\$787,658	\$806,942	102%
2004	787,658	634,758	81

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation is as follows:

Valuation date	October 1, 2004
Actuarial cost method – Funding	Entry age normal cost
Amortization method	Level percent, closed
Remaining amortization period	12 to 30 years
Asset valuation method	Market Related Value
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases	5%
Inflation rate	3%
Cost of living adjustments	None

**CITY OF AVENTURA
POLICE OFFICERS' RETIREMENT PLAN
SCHEDULE OF FUNDING PROGRESS
AS OF SEPTEMBER 30, 2006 AND 2005
(UNAUDITED)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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
10/01/04	\$2,393,593	\$5,118,997	\$2,725,404	46.8%	4,085,348	66.7%
10/01/03	1,389,389	4,080,982	2,691,593	34.1	4,050,591	66.4

Steven I. Gordon

Certified Public Accountant

American Institute of
Certified Public Accountants

Florida Institute of
Certified Public Accountants

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

The Board of Directors
City of Aventura
Police Officers' Retirement Plan
Aventura, Florida

I have audited the financial statements of **City of Aventura Police Officers' Retirement Plan**, as of and for the year ended September 30, 2006, and have issued my report thereon dated November 16, 2006. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

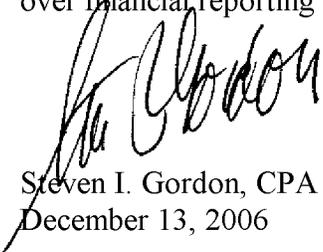
Compliance

As part of obtaining reasonable assurance about whether **City of Aventura Police Officers' Retirement Plan** financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered **City of Aventura Police Officers' Retirement Plan** internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matter involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

A handwritten signature in black ink, appearing to read "Steven I. Gordon". The signature is written in a cursive style with a large initial "S".

Steven I. Gordon, CPA
December 13, 2006