

**CITY OF AVENTURA**

**POLICE OFFICERS'**  
**RETIREMENT PLAN**

Financial Statements and  
Additional Information

September 30, 2004

CITY OF AVENTURA POLICE  
OFFICERS' RETIREMENT PLAN  
FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION  
September 30, 2004

TABLE OF CONTENTS

PAGES

FINANCIAL STATEMENTS

Independent Auditors' Report	1
Management's Discussion and Analysis (Not Covered by Independent Auditors' Report)	2-3
Statement of Plan Net Assets Available for Benefits	4
Statement of Changes in Plan Net Assets Available for Benefits	5
Notes to Financial Statements	6-8

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress	9
Schedule of Employer Contributions	10

COMPLIANCE AND INTERNAL CONTROL

Independent Auditors' Report on Compliance and Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	11-12
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of plan net assets available for benefits of the City of Aventura Police Officers' Retirement Plan (the "Plan") as of September 30, 2004, and the related statement of changes in plan net assets available for benefits for the year then ended. These financial statements are the responsibility of the Board of Trustees. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets as of September 30, 2004, and the changes in plan net assets 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 February 1, 2005, on our consideration of the Plan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of the audit.

Management's Discussion and Analysis on pages 2 and 3 and the supplementary information on pages 9 and 10 are not a required part of the basic financial statements, but are supplementary information required by the GASB. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Keefe, McCullough & Co., LLP*

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida  
February 1, 2005

# FINANCIAL STATEMENTS

CITY OF AVENTURA POLICE  
OFFICERS' RETIREMENT PLAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2004

Our discussion and analysis of the City of Aventura Police Officers' Retirement Plan's (the "Plan") financial performance provides an overview of the Plan's financial activities for the Plan year ended September 30, 2004. Please read it in conjunction with the Plan's financial statements which follow this discussion.

Because the Plan first became effective on October 1, 2003, there is no comparable prior year information. However, in future years, comparisons will be more meaningful and will go further in explaining the Plan's financial position and results of operations.

**FINANCIAL HIGHLIGHTS**

- Trust assets exceeded liabilities at the close of the fiscal year ended 2004 by \$ 2,486,923 (net assets held in trust for pension benefits). Net assets are held in trust to meet future benefit payments.
- Employer contributions to the Plan were \$ 583,892 based on an actuarial impact study.
- Employee contributions less refunds were \$ 250,850 based on an actuarial impact study.
- Net investment income was \$ 4,104 from interest income on contributions and \$ 136,980 on the net appreciation of rollover contributions from an existing 401(a) Plan from the City of Aventura.
- Refunds of contributions were \$ 2,926.

**USING THE AUDITED FINANCIAL STATEMENTS**

The financial statements reflect the activities of the City of Aventura Police Officers' Retirement Plan and are reported in the statement of plan net assets available for benefits and the statement of changes in plan net assets available for benefits. These statements are presented on a full accrual basis, reflect all trust activities as incurred and are based on a snapshot in time of account balances at September 30, 2004.

**STATEMENT OF PLAN NET ASSETS AVAILABLE FOR BENEFITS**

The following condensed statement of plan net assets available for benefits reflects the investment position of the Plan.

ASSETS:	
Contributions and Plan rollover receivables	\$ <u>2,498,066</u>
Total assets	2,498,066
LIABILITIES	<u>11,143</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	\$ <u><u>2,486,923</u></u>

CITY OF AVENTURA POLICE  
OFFICERS' RETIREMENT PLAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2004

**STATEMENT OF CHANGES IN PLAN NET ASSETS AVAILABLE FOR BENEFITS**

The statement of changes in plan net assets available for benefits displays the effect of pension fund transactions that occurred during the fiscal year where additions - deductions = net increase in plan net assets. The table below reflects the activities of the Plan.

ADDITIONS:	
Rollover of City of Aventura 401(a) Plan	\$ 1,471,374
Contributions:	
Employer	583,892
Employee	253,776
Other	<u>50,866</u>
Total	2,359,908
Investment income	<u>141,084</u>
Total additions	<u>2,500,992</u>
DEDUCTIONS:	
Legal fees	11,143
Participant contributions refunded	<u>2,926</u>
Total deductions	<u>14,069</u>
Net increase	2,486,923
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, October 1, 2003	<u>    --</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, September 30, 2004	\$ <u>2,486,923</u>

**CONTACTING THE PLAN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the Board of Trustees, our participants, taxpayers, investors, and creditors with a general overview of the Plan's finances and to demonstrate the Plan's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City of Aventura Police Officers' Retirement Plan, 19200 West Country Club Drive, Aventura, Florida 33180.

CITY OF AVENTURA POLICE  
 OFFICERS' RETIREMENT PLAN  
 STATEMENT OF PLAN NET ASSETS AVAILABLE FOR BENEFITS  
 September 30, 2004

ASSETS:		
Due from ICMA City of Aventura 401(a) Plan		\$ 1,612,458
Accounts receivable, state premium tax		50,866
Contributions receivable:		
Employer	\$ 583,892	
Employees	<u>250,850</u>	<u>834,742</u>
Total assets		<u>2,498,066</u>
LIABILITIES:		
Accrued expenses		<u>11,143</u>
Total liabilities		<u>11,143</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS		\$ <u>2,486,923</u>

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

CITY OF AVENTURA POLICE  
**OFFICERS' RETIREMENT PLAN**  
STATEMENT OF CHANGES IN PLAN NET ASSETS AVAILABLE FOR BENEFITS  
For the Year Ended September 30, 2004

ADDITIONS:	
ICMA City of Aventura 401(a) Plan rollover	\$ 1,471,374
Contributions:	
Employer	583,892
Employees	253,776
State of Florida, premium tax	<u>50,866</u>
Total contributions	<u>2,359,908</u>
Investment income:	
Net appreciation in fair value of ICMA City of Aventura 401(a) Plan	136,980
Interest income	<u>4,104</u>
Total investment income	<u>141,084</u>
Total additions	<u>2,500,992</u>
DEDUCTIONS:	
Legal fees	11,143
Employee contribution refunds	<u>2,926</u>
Total deductions	<u>14,069</u>
Net increase	2,486,923
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, October 1, 2003	<u>—</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, September 30, 2004	\$ <u>2,486,923</u>

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

CITY OF AVENTURA POLICE  
OFFICERS' RETIREMENT PLAN  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting:

The financial statements for City of Aventura Police Officers' Retirement Plan (the "Plan") are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer, the City of Aventura (the "City"), contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. The Plan consists of one group: the City of Aventura Police Officers.

Effective October 1, 2003, the City adopted the financial reporting requirements of GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" and related pronouncements.

Cash and cash equivalents:

Cash and cash equivalents include money market mutual funds and investments with maturity dates of less than three months when purchased.

Investments:

Investments will be carried at their fair value.

Unrealized gains and losses:

Unrealized gains and losses are presented as net appreciation (depreciation) in the fair value of rollover contributions from the existing 401(a) Plan.

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of the America requires the Plan to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE 2 - PLAN DESCRIPTION AND CONTRIBUTION INFORMATION

The following brief description of the Plan is provided for general information purposes only. Participants should refer to the Plan document for more complete information.

Plan description:

Effective October 1, 2003, the City adopted a defined benefit, single-employer public employee retirement systems (PERS) to provide pension benefits for its police officers. The PERS is included in the City's financial reporting entity as a pension trust fund. The most recent available actuarial impact study available is as of October 1, 2003.

The Plan is structured to comply with IRS Section 414(h) for purposes of accruing and calculating pension benefits.

CITY OF AVENTURA POLICE  
OFFICERS' RETIREMENT PLAN  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2004

NOTE 2 - PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (continued)

Benefit provisions:

A participant may retire on the first day of the month coincident with or next following the earlier of: the date upon which the member completes 25 years of credited service, regardless of age; or the date upon which the member attains age 55 with 10 years of credited service. There is no mandatory retirement age.

Early retirement is available to a participant on the first day of the month coincident with or next following attainment of age 45 and completion of 10 years of credited service. A member electing early retirement may receive either a deferred payment or an immediate payment under the following formula:

1. A deferred payment commences on the normal retirement date of the member, the date upon which the member attains age 55 with 10 years of credited service. A deferred payment is determined in the same manner as a normal retirement, except that final monthly compensation and credited service is based upon the early retirement date.
2. An immediate retirement benefit commences on the first day of the month coincident with or next following the date of early retirement. The benefit is determined for normal retirement and then actuarially reduced for the number of actual years and months at which the starting date of the benefit precedes the normal retirement date. The normal retirement date is the date upon which the member would have attained age 55 with 10 years of credited service. The actuarial reduction factor applied to the benefit is 3% for each year by which the starting date of the benefit precedes the normal retirement date.

A Plan participant may elect to receive retirement benefits in the form of a life annuity, an actuarially reduced benefit under a joint and last survivor option, a ten year guaranteed payout, or any other option as agreed upon with the Board of Trustees.

Additionally, Plan participants are entitled to disability benefits. Members who become disabled due to service-incurred injuries, which arise out of performance of service with the City, are entitled to monthly installments 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. Benefits due to members for nonservice related disabilities, which arise outside the performance of service with the City, and who have completed at least ten years of service, amount to monthly payments of 3% of the member's final monthly compensation multiplied by the number of years of credited service, but not less than 30% of the member's average monthly compensation.

Participation in the Plan consisted of the following at October 1, 2003, the date of the latest actuarial impact study:

Retirees and beneficiaries currently receiving benefits and terminated members entitled to benefits, but not yet receiving them	0
Active plan participants	74
	74

CITY OF AVENTURA POLICE  
OFFICERS' RETIREMENT PLAN  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2004

NOTE 2 - PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (continued)

Contributions:

Plan members are required to contribute 6.3% of their annual covered salary and the City is required to contribute 14.45% 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 participating employer are established and may be changed by an amendment of the City ordinance.

Plan administration:

The general administration, management, and investment decisions of the Plan and the responsibility for carrying out its provisions are vested in the Board of Trustees. The Board of Trustees consists of five persons; two of whom must be legal residents of the City and who are appointed by the City Commission from a list provided by the City Manager. Two members of the Board of Trustees must be police officers elected by a majority of the police officers who are active participants in the Plan. A fifth member of the Board is chosen by a majority of the other four Trustees and such person's name must be submitted to the City Commission for appointment. The City Commission must appoint the fifth member selected by the other four Trustees as a ministerial duty.

Certain actuarial information used in accumulating sufficient assets to pay benefits when due is presented following these notes in the required supplementary information section.

Plan termination:

It is the intention of the City and the Board that this Plan shall constitute an irrevocable trust and no portion of the assets may revert to the employer/Plan sponsor until all other obligations of the Plan, including the payment to the last surviving member and beneficiary has been paid.

NOTE 3 - INVESTMENTS

Although no investments were held as of September 30, 2004, the Plan has selected an investment consultant and various money managers to assist them with investment decisions and portfolio management. The Plan's investment policy will be to invest approximately 65% in equities and approximately 35% in fixed-rate bonds; which will generally be allocated as follows: 35.00% to intermediate term bonds, 22.50% to large cap growth stocks, 22.50% to large cap value stocks, 10.00% to international stocks, 7.50% to small cap value stocks, and 2.50% to small cap growth stocks.

Subsequent to year end, the Plan collected all of the September 30, 2004 receivable balances and fully invested them in accordance with the investment plan and policies discussed above.

REQUIRED  
SUPPLEMENTARY  
INFORMATION

CITY OF AVENTURA POLICE  
**OFFICERS' RETIREMENT PLAN**  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Actuarial Valuation Date	Actuarial Value Of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Over- funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/1/03	\$ 1,389,389	\$ 4,080,982	\$ 2,691,593	34.1%	\$ 4,050,591	66.4%

CITY OF AVENTURA POLICE  
 OFFICERS' RETIREMENT PLAN  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended September</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2004	\$ 583,892	100 %

The information presented in the required supplemental schedules was determined as part of the actuarial valuations at the dates indicated. Additional information relating to the most recent actuarial valuation follows:

Valuation date	October 1, 2003
Actuarial cost method	Entry Age Normal Cost
Amortization method	Level dollar, closed
Remaining amortization period	30 years
Asset valuation method	Fair value of assets transferred from 401(a) Plan representing service with the City of Aventura
Actuarial assumptions:	
Investment rate of return*	8% per year compounded annually, net of investment related expenses
Projected salary increases*	5.00%
Cost of living adjustments	None

\*Includes inflation rate estimated at 4%

COMPLIANCE AND  
INTERNAL CONTROL



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

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

We have audited the statement of plan net assets available for benefits of the City of Aventura Police Officers' Retirement Plan (the "Plan") as of September 30, 2004, and the related statement of changes in plan net assets available for benefits for the year then ended, and have issued our report thereon dated February 1, 2005. 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.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Plan's compliance with certain provisions of laws, regulations and contracts, 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 our audit and, accordingly, we do not express such an opinion. The results of our 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 our audit, we considered the Plan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 the Plan administrator or the Board of Trustees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

City of Aventura Police Officers' Retirement Plan

This report is intended for the information and use of the Board of Trustees, Plan management and Plan participants and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Keefe, McCullough & Co., LLP*

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida  
February 1, 2005