

# THE CITY OF AVENTURA, FLORIDA



**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2005**



COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE

CITY OF AVENTURA, FLORIDA

FOR THE YEAR ENDED

SEPTEMBER 30, 2005

Prepared by:  
Finance Support Services

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# City of Aventura

Government Center  
19200 West Country Club Drive  
Aventura, Florida 33180

April 27, 2006

Honorable Mayor and  
Members of the City Commission  
City of Aventura  
Aventura, Florida

SUSAN GOTTLIEB  
MAYOR

COMMISSIONERS  
ZEV AUERBACH  
BOB DIAMOND  
HARRY HOLZBERG  
BILLY JOEL  
MICHAEL STERN  
LUZ URBAEZ WEINBERG

ERIC M. SOROKA, ICMA-CM  
CITY MANAGER

In accordance with Section 11.45, Florida Statutes, and Section 4.11 of the City Charter, submitted herewith is the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2005.

The financial statements included in this report conform to the generally accepted accounting principles in the United States (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The City is responsible for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. The financial statements have been audited by McGladrey & Pullen, LLP. The independent auditors have issued an unqualified opinion that this report fairly presents the financial position of the City and complies with all reporting standards noted above.

The CAFR is divided into four parts: Introductory Section, Financial Section, Statistical Section and Compliance Section.

The *Introductory Section* provides a summary of the contents of the entire report and general information about the reporting entity. The *Financial Section* includes the Auditors' Opinion, Management's Discussion and Analysis, the Basic Financial Statements, Notes to Financial Statements, Combining Financial Statements, Required Supplementary Information, and Other Financial Information, which include other statements and schedules provided to supplement required financial data. The *Statistical Section* includes a number of tables that provide historical, social, economic and financial trend data that offers an overview of the City's fiscal situation. This section is not included within the scope of the Auditor's opinion or other reports. The compliance Section includes reports of the independent auditors relating to State and/or Federal financial assistance and internal control and compliance matters and the Management Letter required by the Rules of Florida's Auditor General.

The independent audit of the City's financial statements was part of a federal and state mandated "Single Audit" designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditors to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state awards.

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The contents of this report are aimed at compliance with GASB pronouncements, including Statement No. 34, requiring the preparation of government-wide financial statements on a full accrual basis of accounting for all funds, and including Management's Discussion and Analysis.

## **THE REPORTING ENTITY AND ITS SERVICES**

The City of Aventura was incorporated on November 7, 1995 and is a political subdivision of the State of Florida. The City operates under a commission-manager form of government and provides General Government, Public Safety and Community Services to its residents and business community. The Mayor and six City Commissioners are responsible for establishing policies for City Government. The Mayor and Commission appoint the City Manager who is the Chief Administrative Officer of the City and is responsible for implementing policies adopted by the Commission.

This report includes all of the funds for which the City of Aventura is financially accountable. Although the Miami-Dade Board of County Commissioners, Miami-Dade District School Board, South Florida Water Management District and Florida Inland Navigation District levy and collect taxes on property located within the corporate limits of the City of Aventura, financial information on these taxing authorities is not included in this report since each has a separate elected governing body, are legally separate and are fiscally independent of the City. Annual financial reports of these units of government are available upon request from each authority.

## **ECONOMIC CONDITIONS AND OUTLOOK**

The City of Aventura serves an area of approximately 4 square miles with an estimated population of approximately 28,500 residents. Prior to incorporation, the City received services from Miami-Dade County as a part of their unincorporated municipal services taxing unit. The City received no real property, facilities or equipment from Miami-Dade County upon incorporation.

The City's combination of upscale residential and commercial developments results in a taxable value of \$ 5.6 billion with a land area of less than 4 square miles. This makes the City of Aventura's taxable value per capita of approximately \$ 196,000 among the highest in the County and State. The 2004/05 fiscal year was another active construction year for the City with a good combination of upscale housing and commercial projects. An analysis of projects in the various stages of the planning and development process indicates that building activity will continue to be geared toward similar type activities for two to three more years.

## **MAJOR INITIATIVES**

The establishment of a new municipal government structure to meet the needs of an existing City resident and business base has required the dedication of elected officials, the City Manager and all employees. The foundation on which to build the government structure has emphasized customer service, one-stop shopping and privatization where appropriate.

During the first nine years of the City's existence, the City has focused on the infrastructure needs of the community. In recent years, we have also directed our efforts to address the change in demographics toward a younger community.

During the City's first nine (9) years the City had acquired land and constructed four (4) public parks. During the 2004/05 year, we continued this commitment to expand recreational facilities by working to acquire land to substantially expand Waterways Park and by finalizing plans for the Park once the land acquisition is finalized. Land acquisition is projected to be completed in May 2006 with construction following soon thereafter.

The August 25, 2003 opening of Aventura Charter Elementary School (ACES) represented several milestones in the City's short history. The school was the first school within the City's boundaries and the first municipal sponsored charter school in Miami-Dade County. The school opened at full capacity of 600 students in kindergarten through fifth grade. A lottery was required in most grades due to the overwhelming number of applications. The second year was equally successful with the School receiving an "A" score on the FCAT test.

In order to further the ACES learning experience, the City funded an expansion of ACES from the City's General Fund to provide for a Middle School wing. The project included \$4.1 million in construction cost and was substantially completed in July 2005. Accordingly, in August 2005, the school year opened with an incremental increase in ACES to include sixth grade students. Each year, one additional grade will be added so that by August 2007, ACES will include a total of 900 students in grades K-8.

## **FINANCIAL INFORMATION**

### Internal Accounting Control

Management of the City is responsible for establishing and maintaining internal controls designed to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Internal control 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.

All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

### Budgetary Control

In accordance with City Ordinance, appropriations are legally controlled at the Department level. Encumbrance accounting, under which purchase orders and other commitments for the expenditure of monies are recorded in the accounting records is utilized throughout the fiscal year.

## Overview of Financial Activity

The accompanying financial statements reflect that the City has continued to expand its services to meet the demands of its residential and business communities. A summary of the major financial activities is included in the Management Discussion & Analysis Section of this report.

## Fund Balances

Fund balances represent the accumulation of resources from prior years which are available to fund future years' budgets and for use as a reserve for unexpected events in the future. The fund balance at September 30, 2005 for the General Fund is approximately \$ 11.3 million, representing approximately 29% of the 2005/2006 budget. A major portion of the budget (\$11.8 million) is used to fund a capital reserve account in the 2005/2006 budget. The capital reserve account may be allocated by the City Commission to fund budget needs in the 2005/2006 or later fiscal years.

The fund balances in each special revenue, debt service and capital projects fund are designated for use for the specific legal purposes of each fund.

## Retirement Programs

The City contributed to three defined contribution pension plans based on employee classifications created in accordance with Internal Revenue Code Section 401(a). The plans currently cover all full-time employees of the City. Under these plans, the City contributes between 13.5 and 18% of each employee's salary, depending on the employee classification. There are no employee contributions. Employer contributions for the fiscal year ended September 30, 2005 were approximately \$ 272,000.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments on those contributions, and forfeitures of other participant's benefits that may be reallocated to such participant's account.

In order to encourage employees to supplement the defined contribution plan, a deferred compensation program is also available to all full-time employees. Under this program, employees may voluntarily elect to defer a portion of their salary to future years. Both programs are administered by the ICMA Retirement Corporation under a trust agreement. The plan assets are separate and the City does not exercise any control or fiduciary responsibility over the assets. Therefore, the assets, liabilities and transactions are not included in the City's financial statements.

As discussed in the Notes to the Financial Statements, the City, through collective bargaining with the City's police officers agreed to establish a defined benefit retirement program covering all sworn officers. This program is funded by a combination of City and employee contributions and state insurance premium taxes. Please see Note 11 in the Notes to the Financial Statements for a detailed discussion of the retirement program.

### Financing Programs and Debt Administration

The City currently has three outstanding long-term debt issues. At September 30, 2005, the principal balance outstanding totaled \$ 36,225,000.

The Florida Municipal Loan Council loan is secured solely by a covenant to budget and appropriate the required debt service payments each year. The loan is structured the same as a serial bond issue with principal payments on April 1st and interest payments on April 1st and October 1st of each year with the final maturity on April 1, 2029. Debt service requirements average approximately \$ 1.35 million per year over the thirty-year life of the bonds. Interest rates range from 3.2% to 5.125% depending on maturity date.

The Series 2000 Revenue Bonds are bank qualified debt, secured solely by a covenant to budget and appropriate the required debt service each year. This loan is structured the same as a serial bond issue with annual principal payments due on October 1st of each year and semi-annual interest payments on April 1st and October 1st. Debt service requirements average approximately \$ 510,000 per year over the twenty year life of the obligation. The interest rate is 5.04%.

The Series 2002 Revenue Bonds were financed through the Florida Intergovernmental Finance Commission. The loan is secured solely by the covenant to budget and appropriate the required debt service payments each year. This loan is structured the same as a serial bond issue with principal payments due August 1<sup>st</sup> and interest payments due on February 1<sup>st</sup> and August 1<sup>st</sup> of each year. Interest rates range from 2.5% to 5.0% during the 30 year term of the financing. Debt Service requirements are approximately \$440,000 per year.

### Risk Management

The City is insured with the Florida Municipal Insurance Trust for liability, property and workers compensation coverage. The liability limit under the policy is \$ 5,000,000.

## **OTHER INFORMATION**

### Independent Audit

In accordance with Section 11.45(3)(a) (4), Florida Statutes, and Article I, Section 4.11 of the City Charter, the City engaged the firm of McGladrey Pullen, LLP to perform the independent audit of the City's accounts and records. The independent auditors' reports are included in the Financial section.

Certificate of Achievement

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 of Aventura for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2004. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy 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 meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Support Services Department. We express our appreciation to all members of the Department who assisted and contributed to its preparation. We also wish to thank the Mayor and City Commissioners for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Harry M. Kilgore, C.P.A.  
Finance Support Services Director



Eric M. Soroka, ICMA-CM  
City Manager

# **CITY OF AVENTURA, FLORIDA**

**CITY OFFICIALS**  
SEPTEMBER 30, 2005

## **CITY COMMISSION**

Susan Gottlieb - Mayor  
Zev Aurebach  
Bob Diamond  
Harry Holzberg  
Billy Joel  
Michael Stern  
Luz Urbaez Weinberg

## **CITY MANAGER**

Eric M. Soroka, ICMA-CM

## **DEPARTMENT DIRECTORS**

Harry M. Kilgore, Director Finance Support Services  
Robert M. Sherman, Director Community Services  
Teresa M. Soroka, MMC, City Clerk  
Thomas E. Ribel, Chief of Police  
Joanne Carr, Planning Director  
Mariano Fernandez, Building Director/Official  
Dr. Katherine Bray Murphy, Charter School Principal

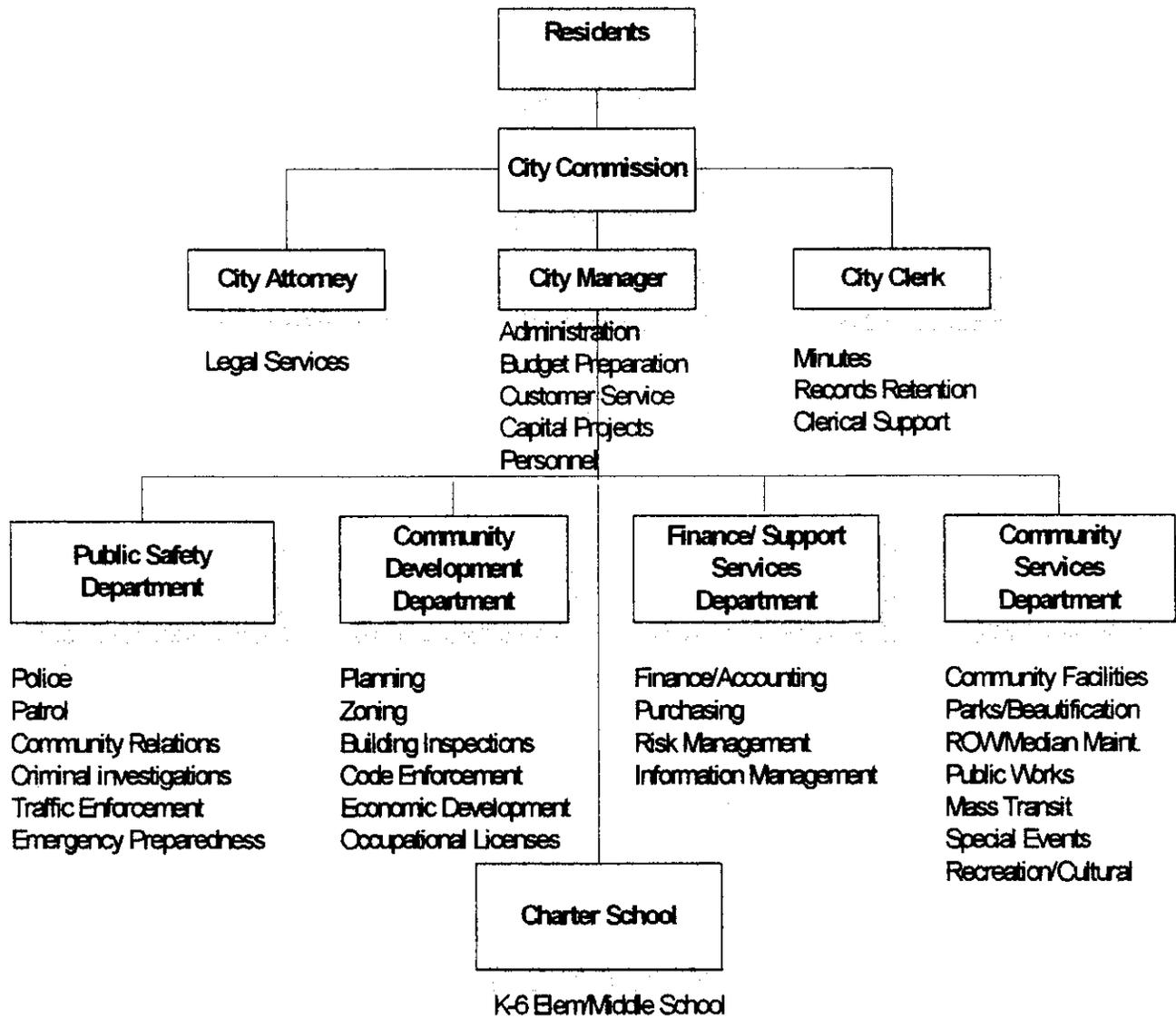
## **CITY ATTORNEYS**

Weiss, Serota & Helfman, P.A.

## **CITY AUDITORS**

McGladrey & Pullen, LLP

# CITY OF AVENTURA



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Aventura,  
Florida

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2004

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.



*Carla E. Fudge*

President

*Jeffrey R. Emer*

Executive Director

# McGladrey & Pullen

Certified Public Accountants

## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Commission  
Aventura, 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 Aventura, Florida (the "City"), as of and for the year ended September 30, 2005 and the balance sheet and statement of revenues, expenditures and changes in fund balance for the Charter School Fund as of and for the year ended June 30, 2005, 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 Charter School Fund which financial statements represent 11% of the total revenues of the governmental activities. We also did not audit the City of Aventura Police Officers' Retirement Plan Pension Trust Fund which financial statements represent 54% of the total assets and 33% of the total revenues of the aggregate remaining fund information. Both the financial statements of the Charter School Fund and the City of Aventura Police Officers' Retirement Plan Pension Trust Fund were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Charter School Fund and City of Aventura Police Officers' Retirement Plan Pension Trust Fund, is based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above, present fairly, in all material respects, the respective financial positions of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of September 30, 2005 and the Charter School Fund as of June 30, 2005, and the respective changes in financial positions and cash flows, where applicable, thereof for the years 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 March 21, 2006 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis, the budgetary comparison information, and the pension fund schedules of funding progress and employer contributions on pages 3 through 12, pages 45 through 48, and pages 49 through 50, respectively are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We, and the other auditors, have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 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 combining and individual fund statements and schedules as listed in the table of contents are also presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*McGladrey & Pullen, LLP*

Fort Lauderdale, Florida  
March 21, 2006

**MANAGEMENT'S  
DISCUSSION AND  
ANALYSIS**

(NOT COVERED BY INDEPENDENT AUDITORS' REPORT)

**Management's Discussion and Analysis (Unaudited)**

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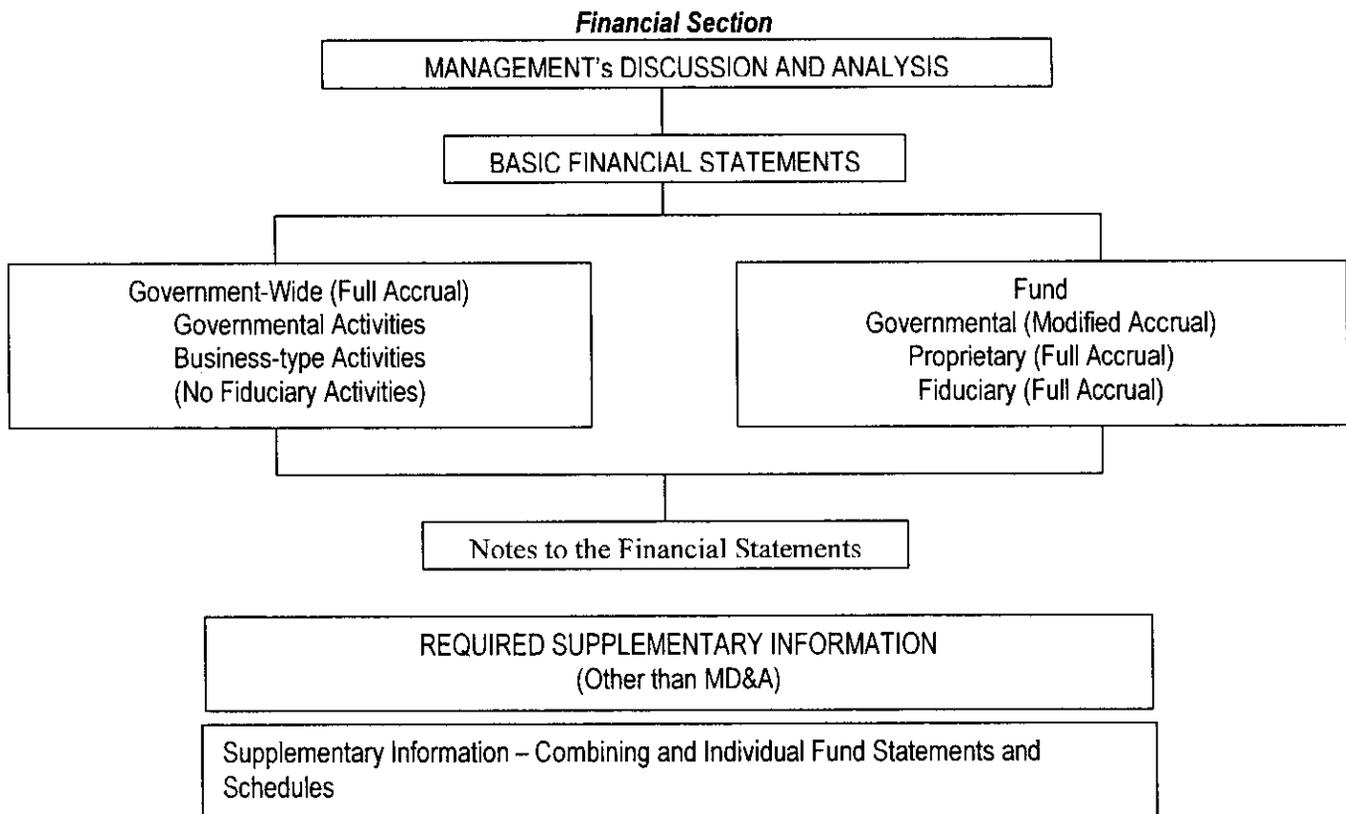
This section of the report presents our discussion and analysis of the City's performance during the fiscal year that ended September 30, 2005. Please read it in conjunction with the City's financial statements, which follow this section.

**Financial Highlights**

- The City's total net assets increased by \$6.7 million – over the course of this year's operations. Net assets of our business-type activities – increased by \$.5 million, and the net assets of our governmental activities increased by \$6.2 million.
- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$ 48.6 million (net assets). Of this amount, \$15.5 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$10 million, or 37.3% of total general fund expenditures.

**Overview of the Financial Statements**

The financial section of this Annual report consists of four parts—management's discussion and analysis (this section), the basic financial statements, required supplementary information, and a supplementary information section that presents combining and individual fund statements and schedules.



**Management's Discussion and Analysis (Unaudited)**

**Major Features of the Basic Financial Statements**

	Government-wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary activities)	Activities of the City that are not proprietary or fiduciary	Activities of the City that are operated similar to private business	Instances in which the City is the trustee or agent for someone else's resources
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenue, expenditures, and changes in fund balances	* Statement of net assets * Statement of revenue expenses, and changes in net assets *Statement of cash flows	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets and long term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term.	All assets and liabilities, both short-term and long-term.

**Basic Financial Statements**

**Government-wide financial statements.** The focus of the *government-wide financial statements* is on the overall financial position and activities of the City. Reporting is similar to that of a private-sector business. The government-wide financial statements report information about the City as a whole and about its activities in a way that helps answer questions about the financial health of the City and whether the activities of the year contributed positively or negatively to that health.

The City's government-wide financial statements include the statement of net assets and statement of activities. As described below, these statements do not include the City's fiduciary activities because resources of these funds cannot be used to finance the City's activities. However, the financial statements of fiduciary activities are included in the City's fund financial statements, because the City is financially accountable for those resources, even though they belong to other parties.

**Management's Discussion and Analysis (Unaudited)**

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- The *Statement of Net Assets* presents information on the assets held and liabilities owed by the City, both long- and short-term. Assets are reported when acquired by the City and liabilities are reported when they are incurred, regardless of the timing of the related cash flows to acquire these assets or liquidate such liabilities. For example, the City reports buildings and infrastructure as assets, even though they are not available to pay the obligations incurred by the City. On the other hand, the City reports liabilities, such as litigation claims, even though these liabilities might not be paid until several years into the future.

The difference between the City's total assets and total liabilities is *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. Although the purpose of the City is not to accumulate net assets, in general, as this amount increases it indicates that the financial position of the city is improving over time.

- The *Statement of Activities* presents the revenues and expenses of the City. The items presented on the statement of activities are measured in a manner similar to the approach used in the private-sector in that revenues are recognized when earned and expenses are reported when incurred. Accordingly, revenues are reported even when they may not be collected for several months after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, community services and nondepartmental. The business-type activities include stormwater utility.

**Fund financial statements.** Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the City rather than the City as a whole. Except for the General Fund, separate funds are established to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** Financial statements consist of a balance sheet and a statement of revenue, expenditures, and change in fund balances. These statements are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted to cash. For example, amounts reported on the balance sheet include items such as cash and receivables but do not include capital assets such as land and buildings. The difference between a fund's total assets and total liabilities is the fund balance, and generally indicates the amount that can be used to finance the next fiscal year's activities. The operating statement for governmental funds reports only those revenue that were collected during the current period or very shortly after the end of the year. Expenditures are recorded when incurred.

## Management's Discussion and Analysis (Unaudited)

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For the most part, the balances and activities accounted for in governmental funds are also reported in the governmental activities columns of the government-wide financial statements. However, because different accounting basis are used to prepare governmental fund financial statements and government-wide financial statements, there are often significant differences between the totals presented. For this reason, there is an analysis after the governmental funds balance sheet that reconciles the total fund balances for all governmental funds to the amount of net assets presented in the governmental activities column on the statement of net assets. Also, there is an analysis after the statement of revenue, expenditures and changes in fund balances that reconciles the total change in fund balances for all governmental funds to the change in net assets as reported in the governmental activities column in the statement of activities.

**Proprietary funds.** Financial statements consist of a statement of net assets, statement of revenue, expenses, and changes in fund net assets and statement of cash flows. These statements are prepared on an accounting basis that is similar to the basis used to prepare the government-wide financial statements. For financial reporting purposes, proprietary funds are grouped into Enterprise Funds and Internal Service Funds.

The City uses Enterprise Funds to account for business-type activities that charge fees to customers for the use of specific goods or services. These funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Internal Service funds are used to account for services provided and billed on an internal basis. The City does not have any internal service funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City has one major enterprise funds, the Stormwater Utility fund. A statement of cash flows is presented at the fund financial statement level for proprietary funds, but no equivalent statement is presented in the government-wide financial statements for either governmental activities or business-type activities.

**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 statement because the resources of those funds are not available to support the City's own programs. Fiduciary financial statements consist of a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning various issues such as a comparison between the City's adopted and final budget and actual financial results for its General Fund and major special revenue fund. The City adopts an annual appropriated budget for its governmental funds. A budgetary comparison schedule has been provided for the general fund and major special revenue funds to demonstrate compliance with this budget. Required supplementary information is also presented for the City's pension plan including a schedule of funding progress and schedule of employer contributions.

City of Aventura, Florida

**Management's Discussion and Analysis (Unaudited)**

**Combining and Individual Fund Statements and Schedules**

Combining statements referred to earlier in connection with nonmajor governmental, internal service and fiduciary funds are presented immediately following the required supplementary information.

**Government-wide Financial Analysis**

The table below presents a summary of net assets as of September 30, 2005 and 2004, derived from the government-wide Statement of Net Assets:

	Net Assets (in thousands)					
	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 23,580	\$ 23,182	\$ (239)	\$ 64	\$ 23,341	\$ 23,246
Capital assets	60,121	55,092	6,161	5,351	66,282	60,443
<b>Total assets</b>	<b>83,701</b>	<b>78,274</b>	<b>5,922</b>	<b>5,415</b>	<b>89,623</b>	<b>83,689</b>
Long-term liabilities	37,496	37,138	-	2	37,496	37,140
Other liabilities	3,521	4,691	40	-	3,561	4,691
<b>Total liabilities</b>	<b>41,017</b>	<b>41,829</b>	<b>40</b>	<b>2</b>	<b>41,057</b>	<b>41,831</b>
Net assets:						
Invested in capital assets, net of related debt	23,896	22,472	6,161	5,351	30,057	27,823
Restricted	2,944	1,873	-	-	2,944	1,873
Unrestricted (deficit)	15,844	12,099	(279)	62	15,565	12,161
<b>Total net assets</b>	<b>\$ 42,684</b>	<b>\$ 36,444</b>	<b>\$ 5,882</b>	<b>\$ 5,413</b>	<b>\$ 48,566</b>	<b>\$ 41,857</b>

## City of Aventura, Florida

### Management's Discussion and Analysis (Unaudited)

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As noted earlier, net assets may serve, over time as a useful indication of a government's financial position. At the close of the most recent fiscal year, the City's assets exceeded liabilities by \$48.6 million.

The largest portion of the City's net assets is net assets invested in capital assets net of related debt and is 62% of total net assets. This category reflects its investment in capital assets net of any outstanding related debt used to acquire these assets. The City uses these capital assets to provide services to the citizens of the City; consequently these net assets are not available for future spending. Although the capital assets are shown net of debt, it should be noted that the resources needed to repay this debt must be provided from other sources. The next largest portion of the City's net assets is unrestricted and is 32% of total net assets. Unrestricted net assets represent resources that are available for spending. Restricted net assets represent 6% of total net assets. Restricted net assets represent resources that are subject to external restrictions on how they can be used.

Capital assets increased in the governmental activities due primarily to the completion of the construction for the new middle school wing of the Charter School building in the amount of \$4.1 million. Capital assets in the business type activities increased due to stormwater drainage improvement projects. Other liabilities in the governmental activities decreased by \$1.1 million mainly due to a decrease in accrued liabilities of \$0.9 million caused primarily by a decrease in retainage payable.

Over time, increases and decreases in net assets measure whether the City's financial position is improving or deteriorating. During this fiscal year, the net assets of the governmental activities increased by \$6.2 million or 17%, and the net assets of the business-type activities increased by \$0.5 million or 9%.

Property taxes increased \$1.7 million due to new construction and increases in assessed value of existing property. Operating grants and contributions increased by \$1.1 million due primarily to FEMA grants for Hurricane Katrina and a joint funding agreement with the State of Florida for improvements on the William Lehman Causeway. Charges for services increased \$1.1 million due primarily to increased building permit revenue. Other revenues increased \$0.8 million due primarily to increased impact fees collected on new residential units which were started during the year. Public safety expenditures increased \$1.4 million due primarily to the cost of inspections related to increased building permits and payroll and benefit increases.

City of Aventura, Florida

**Management's Discussion and Analysis (Unaudited)**

The table below presents a Summary of changes in net assets for the years ended September 30, 2005 and 2004, as derived from the government-wide Statement of Activities:

	Changes in Net Assets (in thousands)					
	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 4,796	\$ 3,687	\$ 820	\$ 826	\$ 5,616	\$ 4,513
Operating grants and contributions	5,212	4,099	-	-	5,212	4,099
Capital grants and contributions	9	401	-	-	9	401
General revenues:						
Property taxes	11,843	10,143	-	-	11,843	10,143
Other taxes	5,720	5,460	-	-	5,720	5,460
Franchise fees	2,331	2,185	-	-	2,331	2,185
Intergovernmental revenues	3,428	3,204	-	-	3,428	3,204
Other revenues	1,811	1,038	2	3	1,813	1,041
<b>Total revenues</b>	<b>35,150</b>	<b>30,217</b>	<b>822</b>	<b>829</b>	<b>35,972</b>	<b>31,046</b>
<b>Expenses:</b>						
General government	3,139	2,539	-	-	3,139	2,539
Public safety	13,042	11,548	-	-	13,042	11,548
Community services	8,959	8,396	-	-	8,959	8,396
Nondepartmental	2,096	1,839	-	-	2,096	1,839
Interest on long-term debt	1,777	1,830	-	-	1,777	1,830
Stormwater utility	-	-	250	147	250	147
<b>Total expenses</b>	<b>29,013</b>	<b>26,152</b>	<b>250</b>	<b>147</b>	<b>29,263</b>	<b>26,299</b>
<b>Increase in net assets before transfers</b>	<b>6,137</b>	<b>4,065</b>	<b>572</b>	<b>682</b>	<b>6,709</b>	<b>4,747</b>
Transfers	103	402	(103)	(397)	-	5
<b>Change in net assets</b>	<b>6,240</b>	<b>4,467</b>	<b>469</b>	<b>285</b>	<b>6,709</b>	<b>4,752</b>
Net assets, beginning	36,444	31,977	5,413	5,128	41,857	37,105
Net assets, ending	<b>\$ 42,684</b>	<b>\$ 36,444</b>	<b>\$ 5,882</b>	<b>\$ 5,413</b>	<b>\$ 48,566</b>	<b>\$ 41,857</b>

## City of Aventura, Florida

### Management's Discussion and Analysis (Unaudited)

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#### Financial Analysis of the City of Aventura's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

#### 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 financing requirements. In particular, *unreserved fund* balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the City. At end of the current fiscal year, unreserved fund balance of the General Fund was \$10 million while the total fund balance reached \$11.3 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total general fund expenditures. Unreserved fund balance represents 37.3% of total general fund expenditures, while total fund balance represents 42.4% of that same amount.

The fund balance of the City's General Fund decreased by \$1.3 million during the current fiscal year. Key factors of this decline are as follows:

- An increase in property taxes of \$1.7 million resulting from continued growth and increased assessed values.
- An increase in Licenses and Permits of \$1.2 million due to new development.
- \$1.7 million increase in Public Safety expenses primarily due to payroll benefits increases and additional hurricane related personnel costs.
- Capital outlay increased \$3.3 million to a total of \$6.5 million primarily due to the construction of the Charter School addition of \$4.1 million

The fund balance of the Charter School fund decreased by \$.1 million during the current year. This decrease was predominantly due to payroll benefits increases.

The Debt Service Fund 2000 Series is used to record principal retirement and did not have any significant changes from the prior year.

The fund balance of the Series 2000 Capital Construction fund increased by \$.1 million during the current year. This increase was due to investment earnings on available cash balances.

#### Proprietary Fund

The proprietary fund showed a \$.5 million increase in net assets from the prior year. This was caused by operating income of \$.6 million. The proceeds were used to fund additional stormwater drainage improvements resulting in an increase in capital assets and a decrease in unrestricted net assets.

**Management's Discussion and Analysis (Unaudited)**

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**General Fund Budgetary Highlights**

The original budget was amended and increased revenues by \$3 million and expenditures by \$4.3 million during the year. The increased revenues were caused by a \$1 million increase due to federal, state and local grants which were not budgeted until awarded, an increase of \$1.7 million in building permits due to new construction. Expenditures budgeted for public safety were increased by \$1.2 million due to building permits inspection costs and payroll and benefits increases and community services increased by \$1 million due to increased capital improvements primarily the project funded by the joint funding agreement for the William Lehman Causeway.

This increase was budgeted from available fund balance. During the year, however, revenue exceeded budgetary estimates and expenditures were less than budgetary estimates, thus reducing the need to draw upon existing fund balance. This year's actual operations resulted in a \$1.3 million decrease to fund balance. Intergovernmental grant revenues were less than budgeted due to timing of reimbursements. Since amounts were not available to pay liabilities of the current period, the revenue recognition was deferred. Interest income exceeded budget by \$1 million due to better than expected market performance. Nondepartmental capital outlay was \$10.4 million less than budgeted because the City budgets a reserve for future capital expenditures.

**Capital Assets and Debt Administration**

**Capital Assets**

As of September 30, 2005 and 2004, the City had \$66.3 and \$60.4 million, respectively, invested in a variety of capital assets, as reflected in the following schedule:

	Capital Assets (in thousands, net of depreciation)					
	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 14,592	\$ 14,592	\$ -	\$ -	\$ 14,592	\$ 14,592
Buildings	30,146	26,709	-	-	30,146	26,709
Improvements other than buildings	4,018	4,115	-	-	4,018	4,115
Furniture, machinery and equipment	3,783	3,665	-	-	3,783	3,665
Infrastructure	7,582	5,912	6,161	5,351	13,743	11,263
Construction in progress	-	99	-	-	-	99
<b>Total</b>	<b>\$ 60,121</b>	<b>\$ 55,092</b>	<b>\$ 6,161</b>	<b>\$ 5,351</b>	<b>\$ 66,282</b>	<b>\$ 60,443</b>

Major capital asset events during the year included:

- \$4.1 million was expended on construction for the new wing of the Charter School.
- \$1.9 million was expended for infrastructure improvements.
- \$960 thousand was expended for stormwater drainage system improvements.

Additional information can be found in Note 6 – Capital Assets.

## City of Aventura, Florida

### Management's Discussion and Analysis (Unaudited)

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#### Debt Administration

As of year-end, the City had \$36.2 million in debt outstanding compared to the \$37.1 million last year, a 2.5% decrease. All debt is secured only by a covenant to budget and appropriate funds for repayment.

The debt position of the City is summarized below and is more fully explained in Note 8:

	Bonded Debt and Notes Payable (in thousands)					
	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Non-Ad Valorem bonds	\$ 36,225	\$ 37,155	\$ -	\$ -	\$ 36,225	\$ 37,155

#### Economic Factors and Next Year's Budgets and Rates

The State of Florida, by constitution, does not have a state personal income tax and therefore the State operates primarily using sales, gasoline and corporate income taxes. Local governments (cities, counties, school boards) primarily rely on property and a limited array of permitted other taxes (utility taxes, franchise fees and occupational licenses) as well as intergovernmental revenues for their governmental activities. For business-type activities and certain governmental activities (construction services and recreational programs), the user pays a related fee or charge associated with the service.

The adopted operating budget for fiscal year 2006 totals \$46.4 million, 1% higher than the final operating budget for fiscal year 2005.

#### Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about this report or need additional information, contact the Finance Support Services Director, City of Aventura, Florida.

**BASIC  
FINANCIAL STATEMENTS**

City of Aventura, Florida

Statement of Net Assets  
September 30, 2005

Assets	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	\$ 15,305,244	\$ -	\$ 15,305,244
Receivables (net of allowance for uncollectibles)	645,307	-	645,307
Due from other governments	1,620,570	129,804	1,750,374
Prepaid expenses	526,812	-	526,812
Deposits	380,000	-	380,000
Inventories	28,994	-	28,994
Internal balances	368,903	(368,903)	-
Bond issuance costs (net)	425,049	-	425,049
Restricted cash, cash equivalents and investments	4,279,511	-	4,279,511
Capital assets:			
Nondepreciable	14,592,603	-	14,592,603
Depreciable (net of accumulated depreciation)	45,528,233	6,161,008	51,689,241
<b>Total assets</b>	<b>83,701,226</b>	<b>5,921,909</b>	<b>89,623,135</b>
<b>Liabilities</b>			
Accounts payable	1,237,645	13,858	1,251,503
Accrued liabilities	1,122,199	-	1,122,199
Retainage payable	510,740	25,555	536,295
Due to other governments	12,886	-	12,886
Unearned revenues	434,034	-	434,034
Net pension obligation	132,266	-	132,266
Accrued interest payable	71,557	-	71,557
Due within one year:			
Compensated absences payable	127,126	-	127,126
Bonds payable	965,000	-	965,000
Due in more than one year:			
Compensated absences payable	1,144,136	-	1,144,136
Bonds payable	35,260,000	-	35,260,000
<b>Total liabilities</b>	<b>41,017,589</b>	<b>39,413</b>	<b>41,057,002</b>
Commitments and Contingencies			
Net assets:			
Invested in capital assets, net of related debt	23,895,836	6,161,008	30,056,844
Restricted for:			
Police purposes	814,414	-	814,414
Capital improvements	2,129,944	-	2,129,944
Unrestricted (deficit)	15,843,443	(278,512)	15,564,931
<b>Total net assets</b>	<b>\$ 42,683,637</b>	<b>\$ 5,882,496</b>	<b>\$ 48,566,133</b>

See Notes to Financial Statements.

City of Aventura, Florida

Statement of Activities  
Year Ended September 30, 2005

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets					
	Program Revenues			Primary Government		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government						
Governmental activities:						
General government	\$ 3,138,897	\$ 915,220	\$ -	\$ (1,684,345)	\$ -	\$ (1,684,345)
Public safety	13,042,732	72,675	8,987	(9,376,009)	-	(9,376,009)
Community services	8,958,704	4,224,125	-	(4,062,770)	-	(4,062,770)
Nondepartmental	2,095,636	-	-	(2,095,636)	-	(2,095,636)
Interest and fiscal charges	1,777,122	-	-	(1,777,122)	-	(1,777,122)
<b>Total governmental activities</b>	<b>29,013,091</b>	<b>5,212,020</b>	<b>8,987</b>	<b>(18,995,882)</b>	<b>-</b>	<b>(18,995,882)</b>
Business-type activities:						
Stormwater utility	249,947	-	-	-	570,607	570,607
<b>Total primary government</b>	<b>\$ 29,263,038</b>	<b>\$ 5,212,020</b>	<b>\$ 8,987</b>	<b>\$ (18,995,882)</b>	<b>\$ 570,607</b>	<b>\$ (18,425,275)</b>
General revenue:						
Taxes:						
Ad valorem taxes				\$ 11,842,689	\$ -	\$ 11,842,689
Utility service taxes				5,719,554	-	5,719,554
Franchise fees				2,330,809	-	2,330,809
Intergovernmental				3,427,647	-	3,427,647
Impact fees				959,264	-	959,264
Interest income				553,135	2,258	555,393
Miscellaneous				298,875	-	298,875
Transfers				103,210	(103,210)	-
<b>Total general revenues and transfers</b>				<b>25,235,163</b>	<b>(100,952)</b>	<b>25,134,231</b>
Change in net assets				6,239,301	469,655	6,708,956
Net assets, beginning				36,444,336	5,412,841	41,857,177
Net assets, ending				\$ 42,683,637	\$ 5,882,496	\$ 48,566,133

See Notes to Financial Statements.

City of Aventura, Florida

**Balance Sheet**  
**Governmental Funds**  
**September 30, 2005**

Assets	General Fund	Charter School Fund*	Debt	Capital	Nonmajor Governmental Funds	Total Governmental Funds
			Service Fund 2000 Series	Construction Fund 2000 Series		
Current assets:						
Cash and cash equivalents	\$11,859,696	\$ 333,807	\$ -	\$ -	\$ 3,111,741	\$ 15,305,244
Restricted cash, cash equivalents and investments	-	-	500,533	3,776,451	2,527	4,279,511
Accounts receivable	417,595	212,888	-	-	14,824	645,307
Deposits	-	-	-	380,000	-	380,000
Inventories	28,994	-	-	-	-	28,994
Due from other funds	504,069	-	-	-	-	504,069
Due from other governments	1,503,732	-	-	-	116,838	1,620,570
Prepaid expenditures	525,007	1,805	-	-	-	526,812
<b>Total assets</b>	<b>\$14,839,093</b>	<b>\$ 548,500</b>	<b>\$ 500,533</b>	<b>\$ 4,156,451</b>	<b>\$ 3,245,930</b>	<b>\$ 23,290,507</b>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable	\$ 1,076,659	\$ 51,382	\$ -	\$ 1,246	\$ 108,358	\$ 1,237,645
Accrued liabilities	563,832	193,845	364,522	-	-	1,122,199
Retainage payable	510,740	-	-	-	-	510,740
Due to other governments	12,886	-	-	-	-	12,886
Unearned revenue	1,340,577	-	-	-	-	1,340,577
Due to other funds	-	-	131,664	-	3,502	135,166
<b>Total liabilities</b>	<b>3,504,694</b>	<b>245,227</b>	<b>496,186</b>	<b>1,246</b>	<b>111,860</b>	<b>4,359,213</b>
Fund balances:						
Reserved for:						
Debt service	-	-	4,347	-	37,972	42,319
Encumbrances	804,555	-	-	-	-	804,555
Inventory	28,994	-	-	-	-	28,994
Prepaid expenditures	525,007	1,805	-	-	-	526,812
Unreserved:						
Designated for subsequent year expenditures in:						
General Fund	9,975,843	-	-	-	-	9,975,843
Special Revenue Funds	-	300,000	-	-	1,269,290	1,569,290
Capital Projects Funds	-	-	-	4,155,205	-	4,155,205
Undesignated, reported in:						
Special Revenue Funds	-	1,468	-	-	1,675,068	1,676,536
Debt Service Funds	-	-	-	-	(3,441)	(3,441)
Capital Projects Funds	-	-	-	-	155,181	155,181
<b>Total fund balances</b>	<b>11,334,399</b>	<b>303,273</b>	<b>4,347</b>	<b>4,155,205</b>	<b>3,134,070</b>	<b>18,931,294</b>
<b>Total liabilities and fund balances</b>	<b>\$14,839,093</b>	<b>\$ 548,500</b>	<b>\$ 500,533</b>	<b>\$ 4,156,451</b>	<b>\$ 3,245,930</b>	<b>\$ 23,290,507</b>

\*As of June 30, 2005

See Notes to Financial Statements.

City of Aventura, Florida

Reconciliation of Governmental Fund  
Balance Sheet to the Statement of Net Assets  
September 30, 2005

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Total fund balances – governmental funds		\$ 18,931,294
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds:		
The cost of capital assets is	\$ 70,170,422	
Accumulated depreciation is	<u>(10,049,586)</u>	60,120,836
Intergovernmental revenue is not available to pay for current period expenditures and, therefore, is deferred in the funds.		906,543
Net pension obligation resulting from deficiency of contributions to pension plans is not reported in the fund financial statements as it is not due and payable in the current period.		(132,266)
Governmental funds report the effect of issuance costs when debt is first issued, whereas these amounts are deferred and amortized over the life of the debt in the government-wide financial statements bond issuance costs		425,049
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Compensated absences	(1,271,262)	
Bonds payable	(36,225,000)	
Accrued interest payable	(71,557)	(37,567,819)
<b>Net assets of governmental activities</b>		<u><u>\$ 42,683,637</u></u>

See Notes to Financial Statements.

City of Aventura, Florida

Statement of Revenues, Expenditures and Changes in Fund Balances  
 Governmental Funds  
 Year Ended September 30, 2005

	General Fund	Charter School Fund*	Debt Service Fund 2000 Series	Capital Construction Fund 2000 Series	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Ad valorem taxes	\$ 11,842,689	\$ -	\$ -	\$ -	\$ -	\$ 11,842,689
Utility service taxes	5,719,554	-	-	-	-	5,719,554
Franchise fees	2,330,809	-	-	-	-	2,330,809
Intergovernmental	2,276,653	3,556,451	-	-	1,430,364	7,263,468
Licenses and permits	3,335,034	-	-	-	-	3,335,034
Charges for services	1,389,405	208,825	-	-	-	1,598,230
Fines and forfeitures	236,387	-	-	-	236,078	472,465
Impact fees	-	-	-	-	959,264	959,264
Interest income	228,119	9,404	25,200	83,683	206,729	553,135
Miscellaneous	190,693	108,182	-	-	-	298,875
<b>Total revenues</b>	<b>27,549,343</b>	<b>3,882,862</b>	<b>25,200</b>	<b>83,683</b>	<b>2,832,435</b>	<b>34,373,523</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General government	2,580,989	-	-	-	-	2,580,989
Public safety	12,252,422	-	-	-	3,924	12,256,346
Community services	3,783,663	3,411,120	-	-	802,986	7,997,769
Nondepartmental	1,623,794	-	-	-	-	1,623,794
Capital outlay	6,511,269	90,227	-	9,700	805,150	7,416,346
<b>Debt service:</b>						
Principal retirement	-	-	220,000	-	710,000	930,000
Interest	-	-	289,044	-	1,464,402	1,753,446
Trustee fees	-	-	-	-	28,363	28,363
<b>Total expenditures</b>	<b>26,752,137</b>	<b>3,501,347</b>	<b>509,044</b>	<b>9,700</b>	<b>3,814,825</b>	<b>34,587,053</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>797,206</b>	<b>381,515</b>	<b>(483,844)</b>	<b>73,983</b>	<b>(982,390)</b>	<b>(213,530)</b>
<b>Other financing sources (uses):</b>						
Transfers in	133,210	-	487,000	-	2,201,585	2,821,795
Transfers out	(2,246,000)	(472,585)	-	-	-	(2,718,585)
<b>Total other financing sources (uses)</b>	<b>(2,112,790)</b>	<b>(472,585)</b>	<b>487,000</b>	<b>-</b>	<b>2,201,585</b>	<b>103,210</b>
<b>Net change in fund balances</b>	<b>(1,315,584)</b>	<b>(91,070)</b>	<b>3,156</b>	<b>73,983</b>	<b>1,219,195</b>	<b>(110,320)</b>
Fund balances, beginning	12,649,983	394,343	1,191	4,081,222	1,914,875	19,041,614
Fund balances, ending	\$ 11,334,399	\$ 303,273	\$ 4,347	\$ 4,155,205	\$ 3,134,070	\$ 18,931,294

\*For the year ended June 30, 2005

See Notes to Financial Statements.

City of Aventura, Florida

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities  
Year Ended September 30, 2005

Net change in fund balances – total governmental funds	\$	(110,320)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures.		
However, in the statement of activities the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense. This is the amount by which capitalized capital outlays exceeded depreciation in the current period:		
Expenditures for capital assets	7,227,718	
Less: current year's depreciation	<u>(2,199,638)</u>	5,028,080
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		930,000
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:		
Net pension obligation		(132,266)
Interest		20,456
Amortization of bond issuance costs		(15,769)
Compensated absences		(256,539)
Revenues in the statements of activities that do not provide current financial resources are not reported as revenues in the funds.		775,659
Change in net assets of governmental activities	<u>\$</u>	<u>6,239,301</u>

See Notes to Financial Statements.

City of Aventura, Florida

Statement of Net Assets

Proprietary Fund

September 30, 2005

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Assets:	
Current assets:	
Due from other governments	\$ 129,804
Noncurrent assets:	
Capital assets (net of accumulated depreciation)	6,161,008
<b>Total assets</b>	<u>6,290,812</u>
Liabilities:	
Current liabilities:	
Accounts payable	13,858
Retainage payable	25,555
Due to other funds	368,903
<b>Total liabilities</b>	<u>408,316</u>
Net Assets (Deficit):	
Invested in capital assets, net of related debt	6,161,008
Unrestricted (deficit)	(278,512)
<b>Total net assets</b>	<u>\$ 5,882,496</u>

See Notes to Financial Statements.

City of Aventura, Florida

Statement of Operating Revenues, Expenses and Change in Fund Net Assets  
Proprietary Fund  
For the Year Ended September 30, 2005

<hr/>	
Operating revenues:	
Charges for services	\$ 820,554
<hr/>	
Operating expenses:	
Cost of sales and services	101,165
Depreciation expense	148,782
<b>Total operating expenses</b>	<hr/> 249,947
<b>Operating income</b>	<hr/> 570,607
Nonoperating revenues:	
Interest income	2,258
<b>Income before transfers</b>	<hr/> 572,865
Transfers out	<hr/> (103,210)
<b>Change in net assets</b>	469,655
Net assets, beginning	5,412,841
Net assets, ending	<hr/> <hr/> \$ 5,882,496

See Notes to Financial Statements.

# City of Aventura, Florida

## Statement of Cash Flows Proprietary Fund Year Ended September 30, 2005

<hr/>	
Cash Flows From Operating Activities	
Cash received from customers, users and other	\$ 781,890
Cash paid to suppliers	(101,165)
<b>Net cash provided by operating activities</b>	<u>680,725</u>
Cash Flows Used In Noncapital Financing Activities	
Transfers out to other fund	(35,032)
Cash Flows Used In Capital and Related Financing Activities	
Purchase of capital assets	(933,637)
Cash Flows Provided By Investing Activities	
Interest received	2,258
<b>Net decrease in cash and cash equivalents</b>	<u>(285,686)</u>
Cash and cash equivalents, beginning	285,686
Cash and cash equivalents, ending	<u>\$ -</u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities	
Operating income	\$ 570,607
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	148,782
Changes in assets and liabilities:	
Increase in due from other governments	(50,885)
Increase in accounts payable	12,221
<b>Total adjustments</b>	<u>110,118</u>
<b>Net cash provided by operating activities</b>	<u>\$ 680,725</u>

See Notes to Financial Statements.

City of Aventura, Florida

Statement of Fiduciary Net Assets  
Police Officers' Retirement Plan Fund  
September 30, 2005

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Assets:			
Investments, at fair value		\$	3,759,323
Contributions receivable:			
Employer	\$	23,398	
Employees		10,166	
Rollover		15,193	48,757
Accrued interest			17,337
<b>Total assets</b>			<u>3,825,417</u>
Liabilities:			
Accrued expenses			5,296
<b>Net assets held in trust for pension benefits</b>		\$	<u><u>3,820,121</u></u>

See Notes to Financial Statements.

City of Aventura, Florida

Statement of Fiduciary Net Assets  
Police Officers' Retirement Plan Fund  
Year Ended September 30, 2005

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Additions:	
Contributions:	
Employer	\$ 687,303
Employees	318,837
State of Florida, premium tax	143,037
Rollover	40,719
<b>Total contributions</b>	<u>1,189,896</u>
Investment earnings:	
Net appreciation in fair value of investments	183,387
Interest income	68,515
<b>Total investment income</b>	<u>251,902</u>
Less investment expense	(27,029)
<b>Net investment income</b>	<u>224,873</u>
<b>Total additions</b>	<u>1,414,769</u>
Deductions:	
Administrative expenses	56,727
Employee contribution refunds	24,844
<b>Total deductions</b>	<u>81,571</u>
<b>Change in net assets</b>	<u>1,333,198</u>
Net assets held in trust for pension benefits, beginning	2,486,923
Net assets held in trust for pension benefits, ending	<u>\$ 3,820,121</u>

See Notes to Financial Statements.

Notes to Financial Statements

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**Note 1. Summary of Significant Accounting Policies**

The City of Aventura, Florida (the "City") was incorporated in November 1995. The City operates under a Commission-Manager form of government and provides the following services as authorized by its charter: public safety, highways and streets, culture and recreation, public works and stormwater management.

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to state and local governmental units, which are promulgated by the Governmental Accounting Standards Board ("GASB"). Significant accounting and reporting policies and practices used by the City are described below:

**A. Financial Reporting Entity**

Accounting principles generally accepted in the United States of America require that the reporting entity include: (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Section 2100 of the Codification of Government Accounting and Financial Reporting Standards have been considered and there are no agencies or entities which should be presented with the City.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those expenses that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The focus of fund financial statements is on major funds. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

Notes to Financial Statements

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**Note 1. Summary of Significant Accounting Policies (Continued)**

C. Measurement Focus, Basis of Accounting and Basis of 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 financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider 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 government considers revenues to be available if they are collected within 60 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, are recorded only when payment is due.

Ad valorem taxes when levied for, and intergovernmental revenues when eligibility requirements are met are all considered to be measurable and so have been recognized as revenues, if available, of the current fiscal period. All other revenue items such as fines and forfeitures and licenses and permits are considered to be measurable and available only when cash is received by the City.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expense 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 proprietary fund are charges to customers for sales and services operating expenses for proprietary funds include the costs of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses that do not meet this definition are reported as nonoperating revenues or expenses.

The City reports the following major governmental funds:

The **General Fund** is the principal operating fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this Fund.

The **Charter School Fund** is used to account for revenues and expenditures from the operations of the Aventura City of Excellence School, a special revenue fund of the City. The financial information for this fund is reported as of and for the year ended June 30, 2005. Management has determined that these amounts are not materially different from amounts that would have been reported as of and for the year ended September 30, 2005.

The **Debt Service Fund 2000 Series** is used to account for the payment of principal, interest and other expenditures associated with the Series 2000 Revenue bonds.

The **Capital Construction Fund 2000 Series** is used to fund capital improvements from the proceeds of the Series 2000 Revenue bonds.

Notes to Financial Statements

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**Note 1. Summary of Significant Accounting Policies (Continued)**

The City reports the following major proprietary fund:

The **Stormwater Utility Fund** accounts for the operation of the City's stormwater system.

Additionally, the government reports the following fiduciary fund type:

The **Pension Trust Fund** accounts for the activities of the Police Officers' Retirement Plan that accumulates resources for pension benefits to qualifying police officers.

The private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type and enterprise funds, subject to the same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services or privileges provided, and fines and forfeitures, 2) operating grants and contributions and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

1. **Cash, cash equivalents and investments** – The City adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, an amendment of GASB Statement No. 3, during the current fiscal year. This statement modifies disclosure requirements for deposits and investments to address common deposit and investment risks related to credit risk, concentration risk, custodial credit risk, interest rate risk and foreign currency risk. Accordingly, certain note disclosures have been revised to conform to the provisions of GASB Statement No. 40.

Cash and cash equivalents, which consist of cash and short-term investments with original maturities of three months or less when purchased, include cash on hand, demand deposits and investments with the Florida State Board of Administration Local Government Surplus Funds Trust Fund.

The City maintains a pooled cash account for all funds. This enables the City to invest large amounts of idle cash for short periods of time and to optimize earnings potential. Cash and cash equivalents represents the amount owned by each fund of the City. Interest earned on pooled cash and investments is allocated monthly based on cash balances of the respective funds. Investments are reported at their fair value based on the closing sale price as reported by recognized security exchanges. The reported value of the SBA investment pool is the same as the fair value of the pool shares.

Notes to Financial Statements

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**Note 1. Summary of Significant Accounting Policies (Continued)**

2. **Receivables and payables** – Transactions between funds that are representative of lending/borrowing arrangement outstanding at the end of the year are referred to as either “interfund receivables/payables.” Any residual outstanding balances between the governmental activities and business-type activities at year end are reported in the government-wide financial statements as internal balances.
3. **Prepaid expenses/expenditures** – Certain payments to vendors reflect costs applicable to a future accounting period and are recorded as prepaid items in both government-wide and fund financial statements.
4. **Inventories** – Inventories are valued at the lower of cost (last-in, first-out) or market. These amounts are reserved in governmental fund financial statements.
5. **Capital assets** – Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

	Years
Buildings	25
Improvements other than buildings	20 – 30
Infrastructure	20 – 40
Furniture, machinery and equipment	3 – 20

GASB No. 34 requires the City to report and depreciate new infrastructure assets effective with the September 30, 2003 fiscal year. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is subject to an extended implementation period and is first effective for fiscal years ending in 2006. The City will implement the retroactive infrastructure provisions by the fiscal year ending September 30, 2007.

Within governmental funds, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported within the governmental fund financial statements.

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

Notes to Financial Statements

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**Note 1. Summary of Significant Accounting Policies (Continued)**

7. **Compensated absences payable** – The City's sick leave policy is to permit employees to accumulate earned but unused sick pay benefits. Upon termination, sick pay is paid out between 10-50% based on length of service.

The City's vacation policy is that earned vacation is cumulative although limited to certain maximums based on length of service.

Accumulated compensated absences are recorded in the government-wide and proprietary fund financial statements when earned. Expenditures for accumulated compensated absences have been recorded in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Liabilities for accrued compensated absences of the governmental activities is not reported in the balance sheet of the governmental funds and, accordingly, represents a reconciling item between the fund and government-wide presentations. Payments are generally paid out of the General Fund.

8. **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, discounts and issue costs are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable premiums and discounts.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issue costs. Bond proceeds are reported as an other financing source net of the applicable premium or discount. Issue costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. Bond principal payments are reported as an expenditure.

9. **Equity classifications**

*Government-wide statements:*

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

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

Notes to Financial Statements

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**Note 1. Summary of Significant Accounting Policies (Continued)**

*Fund statements:*

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

10. **Encumbrances** – Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds.

Encumbrances are recorded at the time a purchase order or other commitment is entered into. Encumbrances outstanding at year-end represent the estimated amount of expenditures which would result if unperformed purchase orders and other commitments at year end are completed. Appropriations lapse at year-end; however, the City generally intends to honor purchase orders and other commitments in process. As a result, encumbrances outstanding at year-end and are reported as reservations of fund balance since they do not constitute expenditures or liabilities of the current period.

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

**Note 2. Property Taxes**

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

Under the Florida law, the assessment of all properties and the collection of all county, municipal school board and special district property taxes are consolidated in the Offices of the County Property Appraiser and County Tax Collector. The laws for the State regulating tax assessments are also designed to assure a consistent property valuation method statewide. State statutes permit municipalities to levy property taxes at a rate of up to 10 mills (\$10 per \$1,000 of assessed taxable valuation). The millage rate assessed by the City for the year ended September 30, 2005 was 2.2270 mills.

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

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

Notes to Financial Statements

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**Note 2. Property Taxes (Continued)**

All real and tangible personal property taxes are due and payable on November 1 each year or as soon as practicable thereafter as the assessment roll is certified by the County Property Appraiser. Miami-Dade County mails each property owner on the assessment roll a notice of the taxes due and collects the taxes for the City. Taxes may be paid upon receipt of the notice from Miami-Dade County, with discounts at the rate of 4% if paid in the month of November, 3% if paid in the month of December, 2% if paid in the month of January and 1% if paid in the month of February. Taxes paid during the month of March are without discount, and all unpaid taxes on real and tangible personal property become delinquent and liens are placed on April 1 of the year following the year in which the taxes were assessed. Procedures for the collection of delinquent taxes by Miami-Dade County are provided for in the laws of Florida. There were no material delinquent property taxes as of September 30, 2005.

**Note 3. Deposits and Investments**

Deposits: The City's custodial credit risk policy is in accordance with Florida Statutes. Florida Statutes authorize the deposit of City funds in demand deposits or time deposits of financial institutions approved by the State Treasurer. These are defined as public deposits. All City public deposits are held in qualified public depositories pursuant to Chapter 280, Florida Statutes, "Florida Security for Public Deposits Act." Under the act, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits times the depository's collateral pledging level. The collateral pledging level may range from 50% to 125% depending upon the depository's financial condition and the length of time that the depository has been established. All collateral must be deposited with the State Treasurer. Any losses to public depositories resulting from insolvency are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessment against other qualified public depositories of the same type as the depository in default. The City's bank balances were insured either by the federal depository insurance or collateralized in the bank's participation in the Florida Security for Public Deposits Act.

The Florida State Board of Administration Local Government Surplus Funds Trust Fund ("SBA") is not a registrant with the Securities and Exchange Commission ("SEC"); however, its board has adopted operating procedures consistent with the requirements for a 2a-7 fund. In accordance with these requirements, the method used to determine the participants' shares sold and redeemed is the amortized cost method. The amortized cost method is the same method used to report investments. Amortized cost includes accrued income and is a method of calculating an investment's value by adjusting its acquisition cost for the amortization of discount or premium over the period from purchase to maturity. Thus, the City's account balance in the SBA is its fair value. The SBA is governed by Chapter 19-7 of the Florida Administrative Code. These rules provide guidance and establish the general operating procedures for the administration of the SBA. Additionally, the Office of the Auditor General of the State of Florida performs the operational audit of the activities and investment of the SBA. The SBA accounts are not subject to credit risk categorization as these investments are not evidenced by securities that exist in physical or bank entry form.

Investments: The City's policy for investments other than pension plan investments is summarized below. The Finance Support Services Director has responsibility for the type of investments the City makes. The City's policy allows them to invest, but is not limited to the following: (1) obligations of the United States and its agencies; (2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof; (3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations; and (4) commercial paper with a rating of at least A1/P1.

Notes to Financial Statements

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**Note 3. Deposits and Investments (Continued)**

The City policy for pension investments is under the oversight of the Board of Trustees. The Board contracts with an investment advisory firm and approves any new investment vehicles presented by the consultant. The Board follows all applicable state statutes. State law limits investments in corporate bonds and commercial paper to the top three ratings issued by nationally recognized statistical rating organizations.

Interest rate risk: The City does not have a formal investment policy for its pension funds that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's practice is to limit its exposure to fair value losses arising from changes in interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

Concentrations: The City's policy is to maintain a diversified portfolio to minimize the risk of loss resulting from over concentration of assets in a specific issuer. The pension 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 U.S. Government or its Agencies. More than 5% of the pension fund's plan net assets are invested in debt securities issued by the Federal National Mortgage Association. This investment represented 6.4% of plan net assets as of September 30, 2005.

Custodial credit risk:

Investments: This is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City does not have a formal custodial credit risk policy, but its practice is to ensure that all investments are registered in the City's name and held by the counterparty.

As of September 30, 2005, the City's cash and investments were as follows:

Cash and cash equivalents	
Deposits with financial institutions	\$ 1,961,008
SBA	17,623,747
	<hr/>
	19,584,755
Fiduciary Fund investments:	
Common stocks	2,224,750
Government securities	574,009
Corporate bonds	625,171
Money market funds	335,393
	<hr/>
Total fiduciary fund investments	3,759,323
Total cash, cash equivalents and investments	<hr/> <hr/> \$ 23,344,078

City of Aventura, Florida

Notes to Financial Statements

**Note 3. Deposits and Investments (Continued)**

Cash and investments are classified in the accompanying financial statements as follows:

Cash and cash equivalents	\$ 15,305,244
Restricted cash, cash equivalents and investments	4,279,511
	<u>19,584,755</u>

Statement of Fiduciary Net Assets:

Common stocks	2,224,750
Government securities	574,009
Corporate bonds	625,171
Money market funds	335,393
<b>Total fiduciary fund investments</b>	<u>3,759,323</u>
<b>Total cash and investments</b>	<u>\$ 23,344,078</u>

*Interest rate risk:* This 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. Information about the exposure of the entity's debt type investments to this risk using the segmented time distribution model is as follows:

Summary of Investments and Interest Rate Risk	Investment Maturities (in Years)				
	Fair Value	Less Than 1 Year	1 – 5 Years	5 – 10 Years	Greater Than 10 Years
Corporate Bonds	\$ 625,171	\$ 35,279	\$ 553,487	\$ 36,505	\$ -
U.S. Treasuries	384,870	15,052	224,721	145,097	-
U.S. Agencies	189,139	92,951	96,188	-	-
Money Market Funds	335,393	335,393	-	-	-
SBA	17,623,747	17,623,747	-	-	-
<b>Total</b>	<u>\$ 19,158,320</u>	<u>\$ 18,102,422</u>	<u>\$ 874,396</u>	<u>\$ 181,602</u>	<u>\$ -</u>

Notes to Financial Statements

**Note 3. Deposits and Investments (Continued)**

*Credit Risk:* Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. As of 9/30/05, only the City's pension plan had investments in other than the SBA pool. Investments in the SBA Pool and the money market funds are not rated. The pension funds corporate bonds were rated by Moody's Investors Services as follows:

Rating	Fair Value
Aaa	\$ 34,966
Aa1	29,579
Aa2	35,279
Aa3	160,936
A1	117,839
A2	148,696
A3	97,876
Total	<u>\$ 625,171</u>

**Note 4. Receivables**

Receivables as of September 30, 2005 consist of the following:

Governmental activities	General Fund	Charter School Fund	Nonmajor Governmental Funds	Total
Utility service taxes	\$ 327,416	\$ -	\$ -	\$ 327,416
Police services	44,437	-	-	44,437
Vendors	22,777	350	14,824	37,951
Miami-Dade County	-	212,538	-	212,538
Franchise fees	22,965	-	-	22,965
<b>Total governmental activities</b>	<u>\$ 417,595</u>	<u>\$ 212,888</u>	<u>\$ 14,824</u>	<u>\$ 645,307</u>

City of Aventura, Florida

Notes to Financial Statements

**Note 5. Interfund Balances and Transfers**

Interfund receivables and payables as of September 30, 2005 were as follows:

	Receivables	Payables
General Fund	\$ 504,069	\$ -
Debt Service Fund 2000 Series	-	131,664
Other nonmajor governmental funds	-	3,502
Stormwater Utility Fund	-	368,903
<b>Totals</b>	<b>\$ 504,069</b>	<b>\$ 504,069</b>

These balances resulted 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 systems; and (3) payments between funds are actually made.

Interfund transfers during the year ended September 30, 2005 were as follows:

	Transfers In	Transfers Out
General Fund	\$ 133,210	\$ 2,246,000
Charter School Fund	-	472,585
Debt Service Fund 2000 Series	487,000	-
Other nonmajor governmental funds	2,201,585	-
Stormwater Utility Fund	-	103,210
<b>Totals</b>	<b>\$ 2,821,795</b>	<b>\$ 2,821,795</b>

Transfers are used to: (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them or (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfers from the proprietary fund to the general fund in the amount of \$103,210 were for administrative services provided by the general fund. The transfer of \$30,000 from the charter school fund was for administrative support services provided by the general fund. The transfer from the general fund of \$2,246,000 and \$442,585 from the charter school fund represented transfers to meet debt service requirements in the debt service fund 2000 series and the other debt service funds included in the other nonmajor governmental funds.

City of Aventura, Florida

Notes to Financial Statements

**Note 6. Capital Assets**

Capital assets activity for the year ended September 30, 2005 was as follows:

	Balance October 1, 2004	Additions	Retirements	Balance September 30, 2005
<i>Governmental Activities:</i>				
Capital assets, not being depreciated:				
Land	\$ 14,592,603	\$ -	\$ -	\$ 14,592,603
Construction in progress	98,778	-	(98,778)	-
Total capital assets, not being depreciated	14,691,381	-	(98,778)	14,592,603
Capital assets, being depreciated:				
Buildings	28,921,883	4,184,622	-	33,106,505
Improvements other than buildings	4,894,405	165,915	-	5,060,320
Infrastructure	6,342,838	1,908,448	-	8,251,286
Furniture, machinery and equipment	8,557,938	1,067,511	(465,741)	9,159,708
Total capital assets, being depreciated	48,717,064	7,326,496	(465,741)	55,577,819
Less accumulated depreciation for:				
Buildings	2,213,165	747,621	-	2,960,786
Improvement other than buildings	779,112	263,324	-	1,042,436
Infrastructure	430,489	239,121	-	669,610
Furniture, machinery and equipment	4,892,923	949,572	(465,741)	5,376,754
Total accumulated depreciation	8,315,689	2,199,638	(465,741)	10,049,586
Total capital assets, being depreciated, net	40,401,375	5,126,858	-	45,528,233
Governmental activities capital assets, net	\$ 55,092,756	\$ 5,126,858	\$ (98,778)	\$ 60,120,836
<i>Business-Type Activities:</i>				
Capital assets, being depreciated:				
Infrastructure	\$ 5,951,263	\$ 959,192	\$ -	\$ 6,910,455
Less accumulated depreciation	600,665	148,782	-	749,447
Business-type activities capital assets, net	\$ 5,350,598	\$ 810,410	\$ -	\$ 6,161,008

City of Aventura, Florida

Notes to Financial Statements

**Note 6. Capital Assets (Continued)**

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

Governmental activities:

General government	\$ 112,741
Public safety	654,120
Community services	960,935
Nondepartmental	471,842
<b>Total depreciation expense – governmental activities</b>	<b>\$ 2,199,638</b>

Business-type activities:

Stormwater utility	\$ 148,782
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**Note 7. Long-Term Liabilities of Governmental Activities**

Changes in Governmental Activities long-term liabilities during the year ended September 30, 2005 were as follows:

	Balance October 1, 2004	Additions	Retirements	Balance September 30, 2005	Due Within One Year
Series 1999 Revenue bonds payable	\$ 19,090,000	\$ -	\$ 425,000	\$ 18,665,000	\$ 440,000
Series 2000 Revenue bonds payable	5,735,000	-	220,000	5,515,000	235,000
Series 2002 Revenue bonds payable	12,330,000	-	285,000	12,045,000	290,000
Compensated absences payable	1,014,723	758,239	501,700	1,271,262	127,126
Total	<u>\$ 38,169,723</u>	<u>\$ 758,239</u>	<u>\$ 1,431,700</u>	<u>\$ 37,496,262</u>	<u>\$ 1,092,126</u>

City of Aventura, Florida

Notes to Financial Statements

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**Note 7. Long-Term Liabilities of Governmental Activities (Continued)**

Revenue bonds as of September 30, 2005 were comprised of the following:

1999 Revenue bonds issued from the Florida Municipal Loan Council, Inc. Principal is due annually over 30 years in various amounts through April 2029. The bonds bear interest at various rates (4.00% – 5.125%) and are payable semi-annually on October 1 and April 1 of each year.	\$ 18,665,000
2000 Revenue bonds, principal is due annually over 20 years in various amounts through October 2020. The bonds bear interest at 5.04%, payable semi-annually on October 1 and April 1 of each year.	5,515,000
2002 Revenue bonds issued from the Florida Intergovernmental Finance Commission. Principal is due annually over 30 years in various amounts through August 2032. The bonds bear interest at various rates (2.50% – 5.00%) and are payable semi-annually on February 1 and August 1 of each year.	12,045,000
<b>Total revenue bonds</b>	<u><u>\$ 36,225,000</u></u>

Compensated absences attributable to governmental activities are generally liquidated by the General Fund.

The City previously issued \$6,555,000 in Series 2000 Revenue bonds to finance the acquisition of land for parks and recreational purposes and for the construction of a community recreation center. The bond indenture relating to this issue requires that a reserve fund of \$500,000 be established, the balance of which as of September 30, 2005 was sufficient to meet this requirement. The indenture also requires the maintenance of a minimum debt service coverage ratio of 2.50:1.00.

The City also previously entered into a bond indenture agreement with the Florida Intergovernmental Finance Commission through an interlocal governmental agreement. As a result, the City issued \$12,610,000 in Series 2002 revenue bonds to finance the acquisition of land and construction of a charter school as well as the construction of the community recreation center. The bond indenture relating to this issue requires a reserve fund in the amount of \$842,000. The City purchased a surety bond to meet this requirement.

City of Aventura, Florida

Notes to Financial Statements

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**Note 7. Long-Term Liabilities of Governmental Activities (Continued)**

The annual debt service requirements to maturity for the revenue bonds are as follows:

Year Ending September 30,	Principal	Interest	Total
2006	\$ 965,000	\$ 1,719,392	\$ 2,684,392
2007	1,005,000	1,082,298	2,087,298
2008	1,035,000	1,642,703	2,677,703
2009	1,080,000	1,600,005	2,680,005
2010	1,130,000	1,593,981	2,723,981
2010-2015	6,435,000	6,960,555	13,395,555
2015-2020	8,345,000	5,264,133	13,609,133
2020-2025	7,100,000	3,261,631	10,361,631
2025-2030	7,725,000	1,301,375	9,026,375
2030-2033	1,405,000	106,250	1,511,250
	<u>\$ 36,225,000</u>	<u>\$ 24,532,323</u>	<u>\$ 60,757,323</u>

**Note 8. Commitments and Contingencies**

Litigation: Various claims and lawsuits, which arose in the normal course of operations, are pending against the City. It is management's opinion, based on the advice of the City Attorney, that the outcome of these actions will not have a material adverse effect on the financial statements of the City. Management also believes that the litigation against the City will be covered by insurance.

Franchise fees: The City previously entered into an interlocal agreement with Miami-Dade County (the "County") which provided for the Florida Power & Light Co. franchise fees collected by the County within the City's boundaries, to be remitted to the City. This agreement will be in effect as long as the Ordinance establishing the collection of these fees is in place. In accordance with the agreement, the County remitted approximately \$2 million to the City for the year ended September 30, 2005.

Stormwater fees: The City previously entered into another interlocal agreement with the County to administer, bill and collect stormwater utility charges from residents within the City's boundaries. The County remits all fees collected, less the County's compensation for the billing and collection of these charges. The agreement expired during the year and is currently being negotiated. In accordance with this agreement, the County remitted approximately \$820,600 to the City during the year ended September 30, 2005.

Contingent liabilities: Amounts received or receivable from grantor agencies are subject to audit and adjustment. While no matters of noncompliance were disclosed by the audit, grantor agencies may subject grant programs to additional compliance tests, which may result in disallowed costs. In the opinion of City management, future disallowances of current grant expenditures, if any, would not have a material adverse effect on the City's financial condition.

Notes to Financial Statements

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**Note 8. Commitments and Contingencies**

Employment agreement: The City has an employment contract with its City Manager that provides for an annual salary, adjusted for cost-of-living increases and certain benefits. This agreement is effective for an indefinite term subject to termination of the City Manager by the City Commission in accordance with Article III, Section 3.08 of the City Charter. The City Manager must provide two months advance written notice to resign voluntarily.

Charter school agreements: The City has a contract with the School Board of Miami-Dade County, Florida that provides for Aventura City of Excellence School to provide the residents of the City of Aventura an education choice for up to 900 elementary and middle school students. The contract ends on June 30, 2018 but provides for a renewal of up to 15 years by mutual agreement of the parties.

The City also has a management agreement with Charter School USA, Inc. ("CSUSA"). The agreement calls for CSUSA to design, build, operate and maintain a charter elementary school for the City. The agreement terminates June 30, 2008 and calls for annual management and incentive fees based on funding for student enrollment.

Other agreements: The City has entered into nonexclusive agreements with several engineering consulting firms (the "Consultants") to provide building inspections and plan review services until September 2005. Pursuant to the agreements, the Consultants receive 70% of the gross building permit fee revenues for the first \$100,000 in fees in a month and 65% of the amount in excess of \$100,000 a month.

The City is a party to several construction contracts for City infrastructure improvements. The amount remaining on these uncompleted contracts as of September 30, 2005 was approximately \$1,090,000.

Purchase commitment:

On February 24, 2004, the City entered into a Purchase and Sale Agreement whereby it would acquire approximately six acres of land to be used as an expansion of the City park system. Pursuant to the Agreement, the City would pay a total purchase price of \$3,800,000 for the parcel with closing to take place within 150 days of February 24, 2004. The closing date was later extended through December 2004. Pursuant to the agreement, in March 2004, the City placed \$380,000, representing 10% of the purchase price, into an escrow account as a good faith deposit. Prior to the completion of the sale, some environmental issues were identified involving the land to be purchased. As a result the City has held additional discussions with the seller which may result in a revision of this purchase agreement to a purchase agreement for seven acres of land in the same general vicinity as the initial land purchase for a price that will range from \$2.1 million to \$4.5 million dependent on whether the seller submits and obtains approval from the City Commission for a conditional use variance application for an adjoining property owned by the seller.

**Notes to Financial Statements**

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**Note 9. Risk Management**

The City is exposed to various risks of loss related to torts, thefts of, damage to and destruction of assets, errors and omissions and natural disasters for which the City carries commercial insurance. Settlement amounts have not exceeded insurance coverage for any of the past three fiscal years. In addition, there were no reductions in insurance coverage from those in the prior year.

**Note 10. Defined Contribution Pension Plans**

The City is a single employer that contributes to three defined contribution pension plans based on employee classification created in accordance with Internal Revenue Code Section 401(a). The plans currently cover all full-time employees of the City. Under these plans, the City contributes between 12-18% depending on employee classifications. City contributions for the City Manager, department directors and assistant department directors vest in the year they are contributed. City contributions to general employees vest beginning after one year of service through year five in 20% increments. Participants are not permitted to make contributions during the year. The City made plan contributions of approximately \$272,250 during the year. Plan provisions and contribution requirements may be amended by the City Commission.

The Plan's assets are administered by ICMA Retirement Corp. The City does not exercise any control or fiduciary responsibility over the Plan's assets.

**Note 11. Defined Benefit Pension Plan**

The City agreed to provide a defined benefit retirement plan effective October 1, 2003 through a collective bargaining contract between the City and the Miami-Dade County Police Benevolent Association City of Aventura Police Officers' Retirement Plan (the "Plan"). The Plan is a single-employer defined benefit retirement plan. The Plan was established by the City in accordance with a City ordinance and state statutes. The Plan covers only sworn police officers and is funded by a combination of City contributions, employee contributions, rollover of 401(a) Plan assets for certain of the employees and the proceeds of the state insurance premium tax on casualty insurance policies. The initial funding levels of covered payroll are 14.5% for the City's contribution, 6.3% for the employee's contribution and 5% for the state premiums tax. The Plan and employee contributions are mandatory for all sworn police officers. Contribution requirements of the Plan members and the participating employer are established and may be changed by an amendment to the City ordinance.

The City utilizes the entry age normal cost method. The asset valuation method is a market value less unrecognized capital appreciation, which is recognized at a rate of 20% per year.

Information as of the latest actuarial valuation dated October 1, 2004 included no cost of living adjustments and a 3% annual inflation rate; an annual investment rate of return of 8.00%; projected annual salary increases of 5.0%; the amortization method is level percent, closed; and an amortization period of 30 years.

Notes to Financial Statements

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**Note 11. Defined Benefit Pension Plan (Continued)**

On October 1, 2004 (the last plan year valuation date), Plan membership consisted of:

Retirees and beneficiaries receiving benefits	-
Active plan members	74
<b>Total</b>	<u>74</u>

The general administration, management and investment decisions of the Plan and the responsibility for carrying out its provisions is vested in the five member Board of Trustees. Administrative costs of the Plan are financed through current or prior investment earnings.

The City has issued stand-alone financial statements for the Plan which may be obtained from the City of Aventura Finance Support Services Department.

The City provides no other post-retirement benefits to employees.

Benefits

Normal retirement 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 may be received upon the 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 no-service-incurred injuries, which do not arise out of performance 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, Florida

Notes to Financial Statements

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**Note 11. Defined Benefit Pension Plan (Continued)**

Trend information: Trend information indicates the progress made in accumulating sufficient assets to pay benefits when due. An analysis of funding progress for the year ended September 30, 2005 is as follows:

Year Ended September 30,	Annual Pension Cost ("APC")	Percentage of APC Contributed	Net Pension Obligation
2005	\$ 786,308	103%	\$ 132,266
2004	787,658	81%	152,900

The annual pension cost and net pension obligation (asset) for the Plan for year ended September 30, 2005 is as follows:

	Pension Plan
Annual required contribution (ARC)	\$ 787,658
Interest on net pension obligation	12,232
Adjustment to annual required contribution	(13,582)
<b>Annual pension cost</b>	<b>786,308</b>
Contributions made	806,942
Decrease in net pension obligation	(20,634)
Net pension obligation, beginning	152,900
Net pension obligation, ending	<b>\$ 132,266</b>

Notes to Financial Statements

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**Note 12. Pronouncements Issued But Not Yet Effective**

The GASB has issued several statements not yet implemented by the City. The statements which might impact the City are as follows:

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, issued November 2003, will be effective for the City beginning with its year ending September 30, 2006. This Statement requires governments to report the effects of capital asset impairment in their financial statements when it occurs and requires all governments to account for insurance recoveries in the same manner.

GASB Statement No. 43, *Financial Reporting For Postemployment Benefit Plans Other Than Pension Plans*, issued April 2004, will be effective for the City beginning with its year ending September 30, 2008. This Statement establishes uniform financial reporting standards for other postemployment benefit plans ("OPEB" plans) and supersedes existing guidance.

GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*, issued May 2004, will be effective for the City beginning with its year ending September 30, 2006. This Statement improves the understandability and usefulness of statistical section information by addressing the comparability problems that developed in practice and by adding information from the new financial reporting model required by Statement No. 34 and related statements.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued June 2004, will be effective for the City beginning with its year ending September 30, 2009. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports.

Notes to Financial Statements

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**Note 12. Pronouncements Issued But Not Yet Effective (Continued)**

GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, an amendment of GASB Statement No. 34, will be effective for the City beginning with its year ending September 30, 2006. The purpose of Statement No. 46 is to help governments determine when net assets have been restricted to a particular use by the passage of enabling legislation and to specify how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation.

GASB Statement No. 47, *Accounting for Termination Benefits*, issued June 2005, will be effective for the City beginning with its year ended September 30, 2006. This Statement establishes accounting standards for termination benefits. In financial statements prepared on the accrual basis of accounting, employers should recognize a liability and expense for voluntary termination benefits (early retirement incentives) when the offer is accepted and the amount can be estimated. A liability for involuntary termination benefits (severance benefits) should be recognized when a plan of termination has been approved by those with the authority to commit the government to the plan, the plan has been communicated to the employees, and the amount can be estimated. In financial statements prepared on the modified accrual basis of accounting, liabilities and expenditures for termination benefits should be recognized to the extent the liabilities are normally expected to be liquidated with expendable available financial resources.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

# City of Aventura, Florida

## Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual General Fund For the Year Ended September 30, 2005

	Budgeted Amounts		Actual Amounts	Variance With Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Ad Valorem taxes:				
Current	\$ 11,757,000	\$ 11,757,000	\$ 11,804,181	\$ 47,181
Delinquent	7,000	7,000	38,508	31,508
Utility service taxes:				
Electric	3,080,000	3,080,000	3,232,737	152,737
Telecommunication	1,957,000	1,957,000	1,856,500	(100,500)
Water	460,000	460,000	527,032	67,032
Gas	35,000	35,000	103,285	68,285
Franchise fees:				
Electric	1,730,400	1,938,400	1,980,272	41,872
Gas	27,000	27,000	9,415	(17,585)
Sanitation	248,000	248,000	321,800	73,800
Towing	25,000	25,000	19,322	(5,678)
<b>Total taxes</b>	<b>19,326,400</b>	<b>19,534,400</b>	<b>19,893,052</b>	<b>358,652</b>
<b>Intergovernmental revenues:</b>				
Federal grants	-	471,000	68,051	(402,949)
State and local grants	8,500	520,520	28,973	(491,547)
Alcoholic beverage licenses	6,000	6,000	13,451	7,451
State revenue sharing	263,000	263,000	423,052	160,052
Half cent sales tax	1,545,000	1,545,000	1,691,664	146,664
County occupational licenses	25,000	25,000	51,462	26,462
<b>Total intergovernmental revenues</b>	<b>1,847,500</b>	<b>2,830,520</b>	<b>2,276,653</b>	<b>(553,867)</b>
<b>Licenses and permits:</b>				
City occupational licenses	700,000	700,000	609,527	(90,473)
Building permits	950,000	2,700,000	2,551,864	(148,136)
Certificates of occupancy	-	-	159,963	159,963
Engineering	10,000	10,000	13,680	3,680
<b>Total licenses and permits</b>	<b>1,660,000</b>	<b>3,410,000</b>	<b>3,335,034</b>	<b>(74,966)</b>
<b>Charges for services:</b>				
Certificate of use fees	5,000	5,000	4,795	(205)
Lien search fees	-	-	60,122	60,122
Development review fees	30,000	30,000	45,582	15,582
Recreation/cultural events	273,000	413,000	462,984	49,984
Police services	902,000	902,000	813,972	(88,028)
Other	1,000	1,000	1,950	950
<b>Total charges for services</b>	<b>1,211,000</b>	<b>1,351,000</b>	<b>1,389,405</b>	<b>38,405</b>

(Continued)

City of Aventura, Florida

Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual  
 General Fund (Continued)  
 For the Year Ended September 30, 2005

	Budgeted Amounts		Actual Amounts	Variance With Final Budget- Positive (Negative)
	Original	Final		
Fines and forfeitures:				
County court fees	\$ 200,000	\$ 200,000	\$ 234,537	\$ 34,537
Code violation fines	5,000	5,000	1,850	(3,150)
<b>Total fines and forfeitures</b>	<b>205,000</b>	<b>205,000</b>	<b>236,387</b>	<b>31,387</b>
Other:				
Interest income	110,000	110,000	228,119	118,119
Miscellaneous	52,000	52,000	190,693	138,693
<b>Total other</b>	<b>162,000</b>	<b>162,000</b>	<b>418,812</b>	<b>256,812</b>
<b>Total revenues</b>	<b>24,411,900</b>	<b>27,492,920</b>	<b>27,549,343</b>	<b>56,423</b>
Expenditures:				
Current:				
General government:				
City Commission:				
Personal services	59,593	63,593	63,598	(5)
Operating	52,329	56,329	55,763	566
City Manager:				
Personal services	563,685	563,685	553,066	10,619
Operating	160,150	160,150	158,294	1,856
Capital outlay	4,000	4,000	859	3,141
Finance support services:				
Personal services	929,771	929,771	930,110	(339)
Operating	237,100	237,100	212,190	24,910
Capital outlay	193,000	202,000	82,300	119,700
Legal:				
Operating	238,000	328,000	326,439	1,561
City Clerk:				
Personal services	160,798	160,798	169,060	(8,262)
Operating	102,100	122,100	112,469	9,631
<b>Total general government</b>	<b>2,700,526</b>	<b>2,827,526</b>	<b>2,664,148</b>	<b>163,378</b>

(Continued)

# City of Aventura, Florida

## Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual General Fund (Continued) For the Year Ended September 30, 2005

	Budgeted Amounts		Actual Amounts	Variance With Final Budget- Positive (Negative)
	Original	Final		
Public safety:				
Police:				
Personal services	\$ 8,383,033	\$ 8,512,034	\$ 8,581,866	\$ (69,832)
Operating	1,110,244	1,210,244	1,036,324	173,920
Capital outlay	685,800	831,820	688,927	142,893
Community development:				
Personal services	619,064	619,064	598,663	20,401
Operating	868,400	2,043,400	2,035,569	7,831
Capital outlay	30,750	30,750	20,961	9,789
<b>Total public safety</b>	<b>11,697,291</b>	<b>13,247,312</b>	<b>12,962,310</b>	<b>285,002</b>
Community services:				
Personal services	736,604	736,604	743,046	(6,442)
Operating	3,629,850	3,769,850	3,040,617	729,233
Capital outlay	5,076,400	5,887,044	5,596,708	290,336
<b>Total community services</b>	<b>9,442,854</b>	<b>10,393,498</b>	<b>9,380,371</b>	<b>1,013,127</b>
Nondepartmental:				
Operating	1,306,839	1,706,840	1,623,794	83,046
Capital outlay	9,216,543	10,489,606	121,514	10,368,092
<b>Total nondepartmental</b>	<b>10,523,382</b>	<b>12,196,446</b>	<b>1,745,308</b>	<b>10,451,138</b>
<b>Total expenditures</b>	<b>34,364,053</b>	<b>38,664,782</b>	<b>26,752,137</b>	<b>11,912,645</b>
<b>Excess (deficiency) of revenues   over expenditures</b>	<b>(9,952,153)</b>	<b>(11,171,862)</b>	<b>797,206</b>	<b>11,969,068</b>
Other financing sources (uses):				
Transfers in	838,875	838,875	133,210	(705,665)
Transfers out	(2,246,000)	(2,246,000)	(2,246,000)	-
Appropriated fund balance	11,359,278	12,578,987	-	(12,578,987)
<b>Total other financing sources (uses)</b>	<b>9,952,153</b>	<b>11,171,862</b>	<b>(2,112,790)</b>	<b>(13,284,652)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,315,584)</b>	<b>\$ (1,315,584)</b>

See Notes to Required Supplementary Information.

City of Aventura, Florida

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
 Charter School Fund  
 Year Ended June 30, 2005

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget- Positive (Negative)
<b>Revenues:</b>				
Intergovernmental revenues	\$ 3,616,882	\$ 3,616,882	\$ 3,556,451	\$ (60,431)
Charges for services	170,000	170,000	208,825	38,825
Miscellaneous	75,000	75,000	108,182	33,182
Interest income	1,000	1,000	9,404	8,404
<b>Total revenues</b>	<b>3,862,882</b>	<b>3,862,882</b>	<b>3,882,862</b>	<b>19,980</b>
<b>Expenditures:</b>				
Personal services	2,265,900	2,265,900	2,121,405	144,495
Operating	1,171,817	1,171,817	1,289,715	(117,898)
Capital outlay	70,000	70,000	90,227	(20,227)
<b>Total expenditures</b>	<b>3,507,717</b>	<b>3,507,717</b>	<b>3,501,347</b>	<b>6,370</b>
<b>Excess of revenues over expenditures</b>	<b>355,165</b>	<b>355,165</b>	<b>381,515</b>	<b>26,350</b>
<b>Other financing sources (uses):</b>				
Transfers out	(472,585)	(472,585)	(472,585)	-
<b>Net change in fund balance</b>	<b>\$ (117,420)</b>	<b>\$ (117,420)</b>	<b>\$ (91,070)</b>	<b>\$ 26,350</b>

See Notes to Required Supplementary Information.

*City of Aventura, Florida*

**Schedule of Funding Progress  
Police Officers' Retirement Plan Fund  
(Unaudited)**

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability at Entry Age	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as % of Covered Payroll
10/01/03	\$ 1,389,389	\$ 4,080,982	\$ 2,691,593	34.1%	\$ 4,050,591	66.4%
10/01/04	2,393,593	5,118,997	2,725,404	46.8%	4,085,348	66.7%

City of Aventura, Florida

Schedule of Contributions From the Employer  
and the State of Florida  
Police Officers' Retirement Plan Fund  
(Unaudited)

Year Ended September 30,		City Annual Required Contribution	Percentage Contributed		State of Florida Insurance Premium Tax
2005	\$	787,658	102%	\$	143,037
2004		787,658	81%		50,866

**Notes to Required Supplementary Information**

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**Note 1. Budgets and budgetary accounting**

An annual appropriated budget is adopted for all governmental funds with the exception of the Federal Forfeiture Fund and Law Enforcement Trust Fund (Special Revenue Funds).

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

- a. The City Manager submits to the Commission a proposed operating and capital budget for the ensuing fiscal year. The budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to October 1, the budget is legally enacted through passage of an ordinance.
- d. Formal budgetary integration is employed as a management control device during the year for the governmental funds described above.
- e. The City Commission, by ordinance, may make supplemental appropriations for the year up to the amount of revenues in excess of those estimated. The City Commission made several supplementary budgetary appropriations throughout the year including approximately \$2,086,000 in the General Fund.
- f. Budgets for the governmental funds are adopted on a basis consistent with generally accepted accounting principles ("GAAP").
- g. The City Manager is authorized to transfer part or all of an unencumbered appropriation balance within departments within a fund; however, any revisions that alter the total appropriations of any department or fund must be approved by the City Commission. The classification detail at which expenditures may not legally exceed appropriations is at the department level.
- h. Unencumbered appropriations lapse at fiscal year end. Unencumbered amounts are reappropriated in the following year's budget for capital accounts only.
- i. Expenditures did not exceed appropriations in any of the governmental funds.

# COMBINING FINANCIAL STATEMENTS

## NON-MAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

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

Police Education Fund – This fund is used to account for revenues and expenditures associated with the two dollars (\$2) the City receives from each paid traffic citation, by State Statute, must be used to further the education of the City's police officers.

Street Maintenance Fund – This fund is for revenues and expenditures, which by State Statute are designated for street maintenance and construction costs.

Police Capital Outlay Impact Fee Fund – This fund is used to account for impact fees derived from new developments and restricted by Ordinance for police capital improvements. This fund provides a funding source to assist the City in providing police services required by the growth in the City.

Park Development Fund – This fund is used to account for revenues and expenditures specifically earmarked for capital improvements to the City's park system. This fund accounts for impact fees derived from new developments and restricted by Ordinance for park capital improvement projects.

Federal Forfeiture Fund – This fund is used to account for proceeds obtained from the sale of confiscated and unclaimed property turned over to the City through court judgments. Proceeds are to be used solely for crime fighting purposes.

Law Enforcement Trust Fund – This fund is used to account for resources resulting from police department confiscations and their expenditure for law enforcement purposes.

### DEBT SERVICE FUNDS

*Debt service funds are used to account for the accumulated of resources for, and the payment of, general long-term debt principal and interest.*

Bond Debt Service Fund Series 1999 – This fund is used to accumulate monies for the payment of the 1999 Revenue Bonds. Non-ad valorem tax revenues in the governmental funds are pledged for the payment of principal and interest.

Bond Debt Service Fund Series 2000 – This fund is used to accumulate monies for the payment of the 2000 Revenue bonds. Non-ad valorem tax revenues in the governmental funds are pledged for the payment of principal and interest.

Bond Debt Service Fund Series 2002 – Charter School Land Acquisition – This fund is used to accumulate monies for the payment of the 2002 Revenue bonds. Non-ad valorem tax revenues in the governmental funds are pledged for the payment of principal and interest.

Bond Debt Service Fund Series 2002 – Charter School Building Construction – This fund is used to accumulate monies for the payment of the 2002 Revenue bonds. Non-ad valorem tax revenues in the governmental funds are pledged for the payment of principal and interest.

### CAPITAL PROJECT FUNDS

Capital Construction Fund Series 2002 – Charter School Land Acquisition – This fund is used to fund the land acquisition for the Charter School.

Capital Construction Fund Series 2002 – Charter School Building Construction – This fund is used to fund the building construction for the Charter School.

City of Aventura, Florida

Combining Balance Sheet  
Other Nonmajor Governmental Funds  
September 30, 2005

	Special Revenue Funds					
	Police Education Fund	Street Maintenance Fund	Police Capital Outlay Impact Fee Fund	Park Development Fund	Federal Forfeiture Fund	Law Enforcement Trust Fund
<b>Assets</b>						
Cash and cash equivalents	\$ 9,209	\$ 406,833	\$ 217,557	\$ 1,698,115	\$ 434,314	\$ 169,850
Restricted cash, cash equivalents and investments	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-
Due from other governments	964	115,874	-	-	-	-
<b>Total assets</b>	<b>\$ 10,173</b>	<b>\$ 522,707</b>	<b>\$ 217,557</b>	<b>\$ 1,698,115</b>	<b>\$ 434,314</b>	<b>\$ 169,850</b>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable	\$ -	\$ 76,827	\$ 8,877	\$ 14,051	\$ 8,603	\$ -
Due to other funds	-	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>76,827</b>	<b>8,877</b>	<b>14,051</b>	<b>8,603</b>	<b>-</b>
Fund balances (deficit):						
Reserved for debt service	-	-	-	-	-	-
Unreserved:						
Designated for subsequent year's expenditures in:						
Special revenue funds	8,000	60,000	201,290	1,000,000	-	-
Undesignated, reported in:						
Special revenue funds	2,173	385,880	7,390	684,064	425,711	169,850
Debt service funds	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-
<b>Total fund balances (deficit)</b>	<b>10,173</b>	<b>445,880</b>	<b>208,680</b>	<b>1,684,064</b>	<b>425,711</b>	<b>169,850</b>
<b>Total liabilities and fund balances</b>	<b>\$ 10,173</b>	<b>\$ 522,707</b>	<b>\$ 217,557</b>	<b>\$ 1,698,115</b>	<b>\$ 434,314</b>	<b>\$ 169,850</b>

Debt Service Funds			Capital Projects Funds			
	Bond Debt Service Fund Series 2002	Bond Debt Service Fund Series 2002	Capital Construction Fund Series	Capital Construction Fund Series		Total
Debt Service Fund Series 1999	Charter School Land Acquisition	Charter School Building Construction	2002 – Charter School Land Acquisition	2002 – Charter School Building Construction		Nonmajor Governmental Funds
\$ 35,506	\$ -	\$ -	\$ 3,621	\$ 136,736		\$ 3,111,741
-	2,466	61	-	-		2,527
-	-	-	-	14,824		14,824
-	-	-	-	-		116,838
<b>\$ 35,506</b>	<b>\$ 2,466</b>	<b>\$ 61</b>	<b>\$ 3,621</b>	<b>\$ 151,560</b>		<b>\$ 3,245,930</b>
<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ 108,358</b>
-	-	3,502	-	-		3,502
-	-	3,502	-	-		111,860
35,506	2,466	-	-	-		37,972
-	-	-	-	-		1,269,290
-	-	-	-	-		1,675,068
-	-	(3,441)	-	-		(3,441)
-	-	-	3,621	151,560		155,181
<b>35,506</b>	<b>2,466</b>	<b>(3,441)</b>	<b>3,621</b>	<b>151,560</b>		<b>3,134,070</b>
<b>\$ 35,506</b>	<b>\$ 2,466</b>	<b>\$ 61</b>	<b>\$ 3,621</b>	<b>\$ 151,560</b>		<b>\$ 3,245,930</b>

City of Aventura, Florida

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)  
 Other Nonmajor Governmental Funds  
 Year Ended September 30, 2005

	Special Revenue Funds					
	Police Education Fund	Street Maintenance Fund	Police Capital Outlay Impact Fee Fund	Park Development Fund	Federal Forfeiture Fund	Law Enforcement Trust Fund
Revenues:						
Intergovernmental revenues	\$ -	\$ 1,430,364	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	5,756	-	-	-	155,755	74,567
Impact fees	-	-	164,641	794,623	-	-
Interest income	206	8,538	3,800	33,371	8,993	3,034
<b>Total revenues</b>	<b>5,962</b>	<b>1,438,902</b>	<b>168,441</b>	<b>827,994</b>	<b>164,748</b>	<b>77,601</b>
Expenditures:						
Operating	3,924	802,986	-	-	-	-
Capital outlay	-	492,881	80,722	27,160	201,971	2,416
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Trustee fees	-	-	-	-	-	-
<b>Total expenditures</b>	<b>3,924</b>	<b>1,295,867</b>	<b>80,722</b>	<b>27,160</b>	<b>201,971</b>	<b>2,416</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>2,038</b>	<b>143,035</b>	<b>87,719</b>	<b>800,834</b>	<b>(37,223)</b>	<b>75,185</b>
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
<b>Net change in fund balances</b>	<b>2,038</b>	<b>143,035</b>	<b>87,719</b>	<b>800,834</b>	<b>(37,223)</b>	<b>75,185</b>
Fund balances, beginning	8,135	302,845	120,961	883,230	462,934	94,665
<b>Fund balances (deficit), ending</b>	<b>\$ 10,173</b>	<b>\$ 445,880</b>	<b>\$ 208,680</b>	<b>\$ 1,684,064</b>	<b>\$ 425,711</b>	<b>\$ 169,850</b>

Debt Service Funds			Capital Projects Funds			
Bond Debt Service Fund Series 2002 Charter School Land Acquisition	Bond Debt Service Fund Series 2002 Charter School Building Construction	Bond Debt Service Fund Series 2002 Charter School Building Construction	Capital Construction Fund Series 2002 - Charter School Land Acquisition	Capital Construction Fund Series 2002 - Charter School Building Construction	Total	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,430,364	
-	-	-	-	-	236,078	
-	-	-	-	-	959,264	
3,040	995	1,668	8	143,076	206,729	
<u>3,040</u>	<u>995</u>	<u>1,668</u>	<u>8</u>	<u>143,076</u>	<u>2,832,435</u>	
-	-	-	-	-	806,910	
-	-	-	-	-	805,150	
425,000	134,691	150,309	-	-	710,000	
912,331	260,909	291,162	-	-	1,464,402	
16,680	5,399	6,284	-	-	28,363	
<u>1,354,011</u>	<u>400,999</u>	<u>447,755</u>	<u>-</u>	<u>-</u>	<u>3,814,825</u>	
(1,350,971)	(400,004)	(446,087)	8	143,076	(982,390)	
<u>1,358,000</u>	<u>401,000</u>	<u>442,585</u>	<u>-</u>	<u>-</u>	<u>2,201,585</u>	
7,029	996	(3,502)	8	143,076	1,219,195	
28,477	1,470	61	3,613	8,484	1,914,875	
<u>\$ 35,506</u>	<u>\$ 2,466</u>	<u>\$ (3,441)</u>	<u>\$ 3,621</u>	<u>\$ 151,560</u>	<u>\$ 3,134,070</u>	

City of Aventura, Florida

Schedule of Revenues, Expenditures and Changes in  
Fund Balances – Budget and Actual  
Special Revenue Funds  
For the Year Ended September 30, 2005

	Police Education Fund			Street Maintenance Fund			Variance with Final Budget- Positive (Negative)
	Original and Final Budget	Actual	Variance with Final Budget- Positive (Negative)	Original Budget	Final Budget	Actual	
Revenues:							
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ 1,350,000	\$ 1,350,000	\$ 1,430,364	\$ 80,364
Fines and forfeitures	4,300	5,756	1,456	-	-	-	-
Impact fees	-	-	-	-	-	-	-
Interest income	-	206	206	3,500	3,500	8,538	5,038
<b>Total revenues</b>	<b>4,300</b>	<b>5,962</b>	<b>1,662</b>	<b>1,353,500</b>	<b>1,353,500</b>	<b>1,438,902</b>	<b>85,402</b>
Expenditures:							
Operating	10,900	3,924	6,976	194,000	194,000	802,986	(608,986)
Capital outlay	-	-	-	630,000	857,844	492,881	364,963
<b>Total expenditures</b>	<b>10,900</b>	<b>3,924</b>	<b>6,976</b>	<b>824,000</b>	<b>1,051,844</b>	<b>1,295,867</b>	<b>(244,023)</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(6,600)</b>	<b>2,038</b>	<b>8,638</b>	<b>529,500</b>	<b>301,656</b>	<b>143,035</b>	<b>(158,621)</b>
Other financing sources (uses):							
Transfers out	-	-	-	(604,500)	(604,500)	-	604,500
Appropriated fund balances	6,600	-	(6,600)	75,000	302,844	-	(302,844)
<b>Total other financing sources (uses)</b>	<b>6,600</b>	<b>-</b>	<b>(6,600)</b>	<b>(529,500)</b>	<b>(301,656)</b>	<b>-</b>	<b>301,656</b>
Net change in fund balances	\$ -	\$ 2,038	\$ 2,038	\$ -	\$ -	\$ 143,035	\$ 143,035

Police Capital Impact Fee Fund			Park Development Fund		
Original and Final Budget	Actual	Variance with Final Budget- Positive (Negative)	Original and Final Budget	Actual	Variance with Final Budget- Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
98,250	164,641	66,391	-	794,623	794,623
-	3,800	3,800	-	33,371	33,371
98,250	168,441	70,191	-	827,994	827,994
-	-	-	-	-	-
219,211	80,722	138,489	400,000	27,160	372,840
219,211	80,722	138,489	400,000	27,160	372,840
(120,961)	87,719	208,680	(400,000)	800,834	1,200,834
-	-	-	-	-	-
120,961	-	(120,961)	400,000	-	(400,000)
120,961	-	(120,961)	400,000	-	(400,000)
\$ -	\$ 87,719	\$ 87,719	\$ -	\$ 800,834	\$ 800,834

City of Aventura, Florida

**Schedule of Revenues, Expenditures and Changes in  
Fund Balances – Budget and Actual  
Debt Service Funds  
For the Year Ended September 30, 2005**

	Bond Debt Service Fund Series 1999			Bond Debt Service Fund Series 2000		
	Original and Final Budget	Actual	Variance with Final Budget- Positive (Negative)	Original and Final Budget	Actual	Variance with Final Budget- Positive (Negative)
<b>Revenues:</b>						
Interest income	\$ -	\$ 3,040	\$ 3,040	\$ 24,000	\$ 25,200	\$ 1,200
<b>Expenditures:</b>						
<b>Debt service:</b>						
Principal	425,000	425,000	-	220,000	220,000	-
Interest	913,000	912,331	669	291,000	289,044	1,956
Trustee fees	20,000	16,680	3,320	-	-	-
<b>Total expenditures</b>	<b>1,358,000</b>	<b>1,354,011</b>	<b>3,989</b>	<b>511,000</b>	<b>509,044</b>	<b>1,956</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(1,358,000)</b>	<b>(1,350,971)</b>	<b>7,029</b>	<b>(487,000)</b>	<b>(483,844)</b>	<b>3,156</b>
<b>Other financing sources:</b>						
Transfers in	1,358,000	1,358,000	-	487,000	487,000	-
<b>Net change in fund balances</b>	<b>\$ -</b>	<b>\$ 7,029</b>	<b>\$ 7,029</b>	<b>\$ -</b>	<b>\$ 3,156</b>	<b>\$ 3,156</b>

Bond Debt Service Fund Series 2002 Charter School Land Acquisition			Bond Debt Service Fund Series 2002 Charter School Building Construction			
Original and Final Budget	Actual	Variance with Final Budget- Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
\$ -	\$ 995	\$ 995	\$ -	\$ -	\$ 1,668	\$ 1,668
135,000	134,691	309	-	150,000	150,309	(309)
261,000	260,909	91	-	291,500	291,162	338
5,000	5,399	(399)	448,000	6,500	6,284	216
401,000	400,999	1	448,000	448,000	447,755	245
(401,000)	(400,004)	996	(448,000)	(448,000)	(446,087)	1,913
401,000	401,000	-	448,000	448,000	442,585	(5,415)
\$ -	\$ 996	\$ 996	\$ -	\$ -	\$ (3,502)	\$ (3,502)

City of Aventura, Florida

Schedule of Revenues, Expenditures and Changes in Fund Balances –  
 Budget and Actual  
 Capital Projects Funds  
 For the Year Ended September 30, 2005

	Capital Construction Fund Series 2000			
	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Revenues:				
Interest income	\$ -	\$ 60,000	\$ 83,683	\$ 23,683
Expenditures:				
Capital outlay	250,000	4,391,222	9,700	4,381,522
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(250,000)</b>	<b>(4,331,222)</b>	<b>73,983</b>	<b>4,405,205</b>
Other Financing Sources (Uses)				
Appropriated fund balance	250,000	4,331,222	-	(4,331,222)
<b>Net change in fund balances</b>	<b>-</b>	<b>-</b>	<b>73,983</b>	<b>73,983</b>

Capital Construction Fund Series 2002 –  
Charter School Land Acquisition

Capital Construction Fund Series 2002 –  
Charter School Building Construction

Capital Construction Fund Series 2002 – Charter School Land Acquisition			Capital Construction Fund Series 2002 – Charter School Building Construction		
Original and Final Budget	Actual	Variance with Final Budget- Positive (Negative)	Original and Final Budget	Actual	Variance with Final Budget- Positive (Negative)
\$ -	\$ 8	\$ 8	\$ -	\$ 143,076	\$ 143,076
-	-	-	-	-	-
-	8	8	-	143,076	143,076
-	-	-	-	-	-
-	8	8	-	143,076	143,076

# STATISTICAL SECTION

(NOT COVERED BY INDEPENDENT AUDITORS' REPORT)

City of Aventura, Florida

General Governmental Expenditures by Function (1)  
Date of Incorporation (November 1995) to Date (2)

Fiscal Year	General Government	Public Safety	Community Services	Non-departmental	Capital Outlay	Debt Service	Total
1996/97	\$ 1,122,984	\$ 4,377,974	\$ 1,589,624	\$ 465,192	\$ 5,301,853	\$ 111,955	\$ 12,969,582
1997/98	1,449,408	6,535,920	1,468,806	687,683	8,077,202	237,549	18,456,568
1998/99	1,561,283	6,831,446	2,419,162	543,665	10,919,960	7,591,607	29,867,123
1999/00	1,526,679	7,804,469	2,717,728	529,737	11,850,784	1,337,410	25,766,807
2000/01	1,831,007	8,607,783	3,102,494	725,434	11,652,841	1,902,830	27,822,389
2001/02	2,015,866	9,332,889	3,600,234	1,163,975	12,409,178	1,866,438	30,388,580
2002/03	2,163,885	9,438,156	4,226,979	1,040,052	12,153,846	2,415,206	31,438,124
2003/04	2,371,236	10,594,453	7,495,145	1,365,719	3,905,875	2,715,729	28,448,157
<b>2004/05</b>	<b>2,580,989</b>	<b>12,256,346</b>	<b>7,997,769</b>	<b>1,623,794</b>	<b>7,416,346</b>	<b>2,711,809</b>	<b>34,587,053</b>

NOTES: (1) Includes the General, Special Revenue, Debt Service and Capital Projects Funds.  
(2) The City was incorporated during fiscal year 1995/96.

City of Aventura, Florida

General Revenues by Source (1)

Date of Incorporation (November 1995) to Date (2)

Fiscal Year	Taxes	Inter-Governmental	Licenses and Permits	Charges for Services	Fines and Forfeitures	Interest	Other	Total
1996/97	\$ 9,376,999	\$ 1,379,510	\$ 1,368,022	\$ 187,558	\$ 42,771	\$ 315,253	\$ 491,529	\$13,161,642
1997/98	10,671,397	1,390,596	2,756,432	512,141	667,824	515,759	869,239	17,383,388
1998/99	12,990,627	2,033,221	1,781,863	918,108	531,499	586,067	2,080,201	20,921,586
1999/00	13,717,316	2,836,374	1,886,777	797,774	441,717	1,059,418	836,386	21,575,762
2000/01	14,171,431	2,688,105	2,624,459	647,410	491,688	1,115,650	1,165,394	22,904,137
2001/02	15,594,548	3,091,728	3,360,172	722,125	386,758	310,096	870,976	24,336,403
2002/03	16,347,306	2,965,158	2,185,654	965,067	399,899	246,216	161,045	23,270,345
2003/04	17,788,520	7,663,308	2,146,913	1,099,321	351,698	174,983	975,564	30,200,307
<b>2004/05</b>	<b>19,893,052</b>	<b>7,263,468</b>	<b>3,335,034</b>	<b>1,598,230</b>	<b>472,465</b>	<b>553,135</b>	<b>1,258,139</b>	<b>34,373,523</b>

NOTES: (1) Includes the General, Special Revenue, Debt Service and Capital Projects Funds.

(2) The City was incorporated during fiscal year 1995/96.

City of Aventura, Florida

Property Tax Levies and Collections

Date of Incorporation (November 1995) to Date (3)

(\$ in 000's)

Fiscal Year	Property Tax Levy	(1) Property Tax Discount	Net Tax Levy	Current Tax Collection	(2) Delinquent Tax Collection	Total Tax Collection	Percentage of Total Tax Collections to Net Tax Levy
1997/98	6,173	234	5,939	5,823	18	5,841	98.35%
1998/99	6,894	239	6,655	6,572	23	6,595	99.10%
1999/00	7,549	291	7,258	7,115	26	7,141	98.39%
2000/01	7,818	305	7,513	7,397	43	7,440	99.03%
2001/02	8,717	313	8,404	8,227	201	8,428	100.29%
2002/03	9,282	290	8,992	9,013	62	9,075	100.92%
2003/04	10,536	337	10,199	10,054	89	10,143	99.45%
<b>2004/05</b>	<b>12,376</b>	<b>474</b>	<b>11,902</b>	<b>11,804</b>	<b>39</b>	<b>11,843</b>	<b>99.50%</b>

SOURCE: Miami-Dade County, Florida, Tax Collector.

NOTES: (1) Florida Law allows up to a 4% discount for timely payment of property taxes.

(2) Includes corrections and penalties.

(3) The City was incorporated during the 1995/96 fiscal year. The first year that the City was authorized to levy ad valorem (property) taxes was the 1996/97 fiscal year.

City of Aventura, Florida

Assessed Value of Taxable Property (1)

Date of Incorporation (November 1995) to Date (2)

Fiscal Year	Nonexempt Real Property	Nonexempt Personal Property	Total Taxable Valuations
1997/98	\$ 2,664,701,818	\$ 107,083,192	\$ 2,771,785,010
1998/99	2,971,907,364	123,652,446	3,095,559,810
1999/00	3,238,050,389	142,847,663	3,380,898,052
2000/01	3,349,591,933	160,779,980	3,510,371,913
2001/02	3,752,226,238	162,055,639	3,914,281,877
2002/03	4,007,501,399	160,384,595	4,167,885,994
2003/04	4,569,228,195	161,725,854	4,730,954,049
<b>2004/05</b>	<b>5,378,718,735</b>	<b>178,342,801</b>	<b>5,557,061,536</b>

SOURCE: Miami-Dade County, Florida, Tax Collector

- NOTES: (1) Florida Law requires all property to be assessed at current fair market value.  
 (2) The City was incorporated during the 1995/96 fiscal year. The first year that the City was authorized to levy ad valorem (property) taxes was the 1996/97 fiscal year.

City of Aventura, Florida

Property Tax Millage Rates – Direct and Overlapping Governments

(Per \$1,000 of Taxable Value)

Date of Incorporation (November 1995) to Date (1)

Fiscal Year	Tax Roll Year	City	School	County	Everglades Project	South Florida Water Management District	Florida Inland Navigation District	Total
1997/98	1997	2.2270	10.4620	9.9930	0.1000	0.5970	0.0500	23.4290
1998/99	1998	2.2270	10.1600	10.0580	0.1000	0.5970	0.0470	23.1890
1999/00	1999	2.2270	9.6440	9.6980	0.1000	0.5970	0.0440	22.3100
2000/01	2000	2.2270	9.6170	9.5060	0.1000	0.5970	0.0410	22.0880
2001/02	2001	2.2270	9.3760	9.6060	0.1000	0.5970	0.0386	21.9446
2002/03	2002	2.2270	9.2520	9.4260	0.1000	0.5970	0.0385	21.6405
2003/04	2003	2.2270	9.1000	9.9010	0.1000	0.5970	0.0385	21.9635
<b>2004/05</b>	<b>2004</b>	<b>2.2270</b>	<b>8.6870</b>	<b>9.8112</b>	<b>0.1000</b>	<b>0.5970</b>	<b>0.0385</b>	<b>21.4607</b>

SOURCE: Miami-Dade County, Florida, Tax Collector.

NOTE: (1) The City was incorporated during the 1995/96 fiscal year. The first year that the City was authorized to levy ad valorem (property) taxes was the 1996/97 fiscal year.

City of Aventura, Florida

Ratio of Net Bonded Debt to Total Assessed Value and Net Bonded Debt Per Capita

Date of Incorporation (November 1995) to Date (3)  
(\$ in 000's)

Fiscal Year	(1) Population	Assessed Taxable Value	(2) Gross Bonded Debt	Debt Service Funds Available (Net)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1997/98	20,349	\$ 2,771,785	\$ 6,196	\$ 208	\$ 5,988	0.22%	\$ 294.27
1998/99	22,800	3,095,560	21,000	351	20,649	0.67%	905.66
1999/00	25,267	3,380,898	20,645	356	20,289	0.60%	802.98
2000/01	25,768	3,510,372	26,610	866	25,744	0.73%	999.07
2001/02	26,142	3,914,281	38,650	1,668	36,982	0.94%	1,414.66
2002/03	27,241	4,167,886	38,055	529	37,526	0.90%	1,377.56
2003/04	28,207	4,730,954	37,155	31	37,124	0.78%	1,316.13
<b>2004/05</b>	<b>28,500</b>	<b>5,557,061</b>	<b>36,225</b>	<b>42</b>	<b>36,183</b>	<b>0.65%</b>	<b>1,269.58</b>

SOURCE: (1) Population is as of April 1 of each year, per the University of Florida Bureau of Economic & Business Research.

(2) The City was incorporated in November 1995. Accurate estimates of population were not available until April 1, 1997. For the 1995/96 fiscal year, the City was not in existence at the time that assessed taxable value was determined.

City of Aventura, Florida

Computation of Legal Debt Margin

Bonded Debt

September 30, 2005

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Assessed valuation of taxable real and personal property		<u>\$ 5,557,061,556</u>
Bonded debt limit – 10% of above (1)		<u>\$ 555,706,155</u>
Amount of debt applicable to debt limit:		
Total bonded debt	\$ 36,225,000	
Less debt to be repaid from specified revenue sources:		
Covenant to budget and appropriate	<u>36,225,000</u>	
Total amount of debt applicable to debt limit		<u>-</u>
Legal debt margin (1)		<u>\$ 555,706,155</u>

NOTE: (1) The City Charter allows revenue bonds to be issued when authorized by the City Commission as long as five of the seven Commission members approve the debt. Ad Valorem (general obligation bonds) must be approved by referendum of the electorate. The Charter provides no limit on the amount of general obligation debt; however, the adopted Capital Improvement Program provides that general obligation bonds shall not exceed 10% of the total assessed value of the City.

City of Aventura, Florida

Computation of Direct and Overlapping Debt  
 September 30, 2005  
 (\$ in 000's)

Jurisdiction	Net Debt Outstanding	(1) Percentage Applicable to the City of Aventura	Amount Applicable to the City of Aventura
Miami-Dade Board of County Commissioners	\$ 1,371,843	3.969%	\$ 54,324
Miami-Dade County School Board	1,491,994	3.969%	59,082
City of Aventura	<u>36,225</u>	100%	<u>36,225</u>
	<u>\$ 2,900,062</u>	Total	<u>\$ 149,631</u>

NOTES: (1) Based on ratio of assessed taxable value.

(2) Source: Miami-Dade County, Florida, Finance Department.

City of Aventura, Florida

**Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures**  
**Date of Incorporation (November 1995) to Date (2)**

Fiscal Year	Principal	Interest	Other	Total Debt Service	(1) Total General Governmental Expenditures	Ratio of Debt Service to Total General Governmental Expenditures
1996/97	\$ -	\$ 111,955	\$ -	\$ 111,955	\$ 12,969,582	0.86%
1997/98	-	237,549	-	237,549	18,456,568	1.29%
1998/99	6,900,000	691,607	-	7,591,607	29,867,123	25.42%
1999/00	335,000	982,410	15,809	1,333,219	25,766,807	5.17%
2000/01	590,000	1,260,248	18,082	1,868,330	27,822,389	6.72%
2001/02	570,000	1,276,224	20,214	1,866,438	30,388,590	6.14%
2002/03	595,000	1,746,446	73,760	2,415,206	31,438,124	7.68%
2003/04	900,000	1,786,797	28,932	2,715,729	28,448,157	9.55%
<b>2004/05</b>	<b>930,000</b>	<b>1,753,446</b>	<b>28,363</b>	<b>2,711,809</b>	<b>34,587,053</b>	<b>7.84%</b>

- NOTES: (1) Includes the General, Special Revenue, Capital Projects and Debt Service Funds.  
(2) The City was incorporated during the 1995/96 fiscal year.  
(3) 1998/99 includes \$6,900,000 to refund the 1996 Line of Credit.

City of Aventura, Florida

Estimated Value of Construction and Bank Deposits

Date of Incorporation (November 1995) to Date

(\$ in 000's)

Fiscal Year	Number of New Housing Units	Estimated Value of Construction			Numbers of Permits Issued	(2) Bank Deposits (County) (Thousands)
		New Housing Units	Other than New Housing Units	Total		
1997/98	798	\$ 140,775	\$ 129,438	\$ 270,213	4,506	\$ 28,336,206
1998/99	365	109,823	57,229	167,052	4,194	37,477,153
1999/00	823	95,433	36,403	131,836	4,915	38,642,021
2000/01	689	122,617	43,181	165,798	5,290	43,186,029
2001/02	377	155,765	31,807	187,572	3,820	47,510,126
2002/03	1,079	152,424	83,247	235,671	2,675	56,263,926
2003/04	231	62,675	10,047	72,722	2,872	62,368,000
<b>2004/05</b>	<b>255</b>	<b>75,943</b>	<b>144,617</b>	<b>220,560</b>	<b>3,528</b>	<b>70,221,796</b>

NOTES: (1) The City began processing building permits for construction within its corporate limits in November 1996. Prior to that date, building permits were processed by Miami-Dade County and information is not available for that period.

(2) Miami-Dade County bank data is from the Federal Deposits Insurance Corporation. Specific data for the City of Aventura is not available.

City of Aventura, Florida

Principal Taxpayers  
 Fiscal Year 2004/05  
 (\$ in 000's)

Company Name	Type of Business	Assessed Value	Percentage of Total Taxable Value
1. Aventura Mall Ventures	Shopping Center	\$ 294,300	5.30%
2. The Bay Club of Aventura	Rental Apartment Complex	73,815	1.33%
3. Turnberry Country Club	Golf Course and Hotel	73,432	1.32%
4. Summit Properties	Rental Apartment Complex	49,032	0.88%
5. Miami Beach Healthcare Group, LTD.	Hospital/Medical Center	46,479	0.84%
6. D. Soffer & B. Redich Trust	Developer	37,676	0.68%
7. Bruce Strohm & D. Neithercut (TRS)	Rental Apartment Complex	31,000	0.56%
8. Champion Retail, LTD. & D. Soffer & B. Redich Trust	Developer	29,997	0.54%
9. Aventi # Aventura, LLC	Condo Developer	25,848	0.47%
10. Admiral's Port Assoc	Rental Apartment Complex	25,000	0.45%
<b>Total</b>		<b>\$ 686,579</b>	<b>12.36%</b>

SOURCE: Tax roll of Miami-Dade County, Florida

**City of Aventura, Florida**

**Demographics and Miscellaneous Statistics  
September 30, 2005**

Date of Incorporation	November 7, 1995		
Form of City Government	Commission - Manager		
Area	3.5 Square Miles		
Population Per State Estimate*	28,500		
Ethnic Distribution**:			
White (Non-Hispanic)	73.1%	African-American	1.7%
Hispanic	20.7%	Other	4.5%
Age Distribution**:			
Under 20	11.0%		
20-34	18.2%		
35-54	23.5%		
55-64	12.0%		
65+	35.3%		
Average Household Size**:			
Average household size	1.79		
Average family size	2.45%		
Housing Occupancy**:			
Total housing units	20,020		
Owner occupied housing units	10,044		
Renter occupied housing units	3,956		
Seasonal, recreational and vacant housing units	6,020		
Full-time Employees	146	Public Tennis Center	1
Public Facilities Located Within Corporate Limits:		Public Recreation Center	1
Public Parks	1		
Open Space Recreation (acres)	21 ***	Public School	0
		Charter School	1
Public Libraries (Operated by Miami-Dade County)	1	Police Station	1
Fire Stations (Operated by Miami-Dade County)	2	Police Sub-stations	3

\*State of Florida, Bureau of Economic & Business Research, Population is as of April 1, 2005.

\*\*U.S. Census Bureau, Profile of General Demographic Characteristics: 2000 for Aventura, Florida.

\*\*\*City of Aventura comprehensive plan.

City of Aventura, Florida

Schedule of Expenditures of State Financial Assistance  
Fiscal Year Ended September 30, 2005

<b>State Grantor/ Pass-Through Grantor/Program Title</b>	<b>State CSFA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>State Expenditures</b>
Florida Department of Transportation: William Lehman Causeway Frontage Lighting Improvements	55.003	FM # 415438-1-58-01	<u>\$ 674,079</u>

See Notes to Schedule of Expenditures of State Financial Assistance.

**Notes to Schedule of Expenditures of State Financial Assistance  
Year Ended September 30, 2005**

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**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of state financial assistance includes the state grant activity of the City of Aventura, Florida and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Chapter 10.550, Rules of the Auditor General of the State of Florida.

# McGladrey & Pullen

Certified Public Accountants

**Independent Auditor's Report  
on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance With  
Government Auditing Standards**

To the Honorable Mayor and  
Members of the City Commission  
City of Aventura, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Aventura, Florida (the "City") as of and for the year ended September 30, 2005, and have issued our report thereon dated March 21, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control Over Financial Reporting***

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

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters involving the internal control over financial reporting that we have reported to management of the City in a separate letter dated March 21, 2006.

This report is intended solely for the information and use of the City Commission, management, state awarding agencies and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than those specified parties.

*McGladrey & Pullen, LLP*

Fort Lauderdale, Florida  
March 21, 2006

# McGladrey & Pullen

Certified Public Accountants

## **Independent Auditor's Report on Compliance and Internal Control Over Compliance Applicable to Each Major State Project**

To the Honorable Mayor, Members of the  
City Commission and City Manager  
City of Aventura, Florida

### ***Compliance***

We have audited the compliance of the City of Aventura, Florida (the "City") with the types of compliance requirements described in the Executive Office of the Governor's State Projects Compliance Supplement that are applicable to its major state project for the year ended September 30, 2005. The City's major state project is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major state project is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550 Rules of the Auditor General of the State of Florida. Those standards and Chapter 10.550 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major state project for the year ended September 30, 2005.

### ***Internal Control Over Compliance***

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state projects. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major state project to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Chapter 10.550.

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

***Independent Auditor's Report on the Schedule of Expenditures of State Financial Assistance***

We have audited the basic financial statements of the City of Aventura as of and for the year ended September 30, 2005, and have issued our report thereon dated March 21, 2006. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Aventura basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by Chapter 10.550, Rules of the Auditor General and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

*McGladrey & Pullen, LLP*

Fort Lauderdale, Florida  
March 21, 2006

City of Aventura, Florida

Schedule of Findings and Questioned Costs  
Fiscal Year Ended September 30, 2005

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I - Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	<u>      </u> Yes	<u>  X  </u> No
Reportable condition(s) identified that are not considered to be material weakness(es)?	<u>      </u> Yes	<u>  X  </u> None Reported
Noncompliance material to financial statements noted?	<u>      </u> Yes	<u>  X  </u> No

State Awards

Internal control over major projects:

Material weakness(es) identified?	<u>      </u> Yes	<u>  X  </u> No
Reportable condition(s) identified not considered to be material weakness(es)?	<u>      </u> Yes	<u>  X  </u> None Reported

Type of auditor's report issued on compliance for major projects: Unqualified

Identification of major projects:

<u>CSFA Number(s)</u>	<u>Name of State Project or Cluster</u>
55.003	William Lehman Causeway Frontage Lighting Improvements

Dollar threshold used to distinguish between type A and type B projects: \$ 202,224

(Continued)

**Schedule of Findings and Questioned Costs  
Fiscal Year Ended September 30, 2005**

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**II – Findings Relating to the Financial Statement Audit as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards**

**A. Internal Control**

None reported.

**B. Compliance Findings**

None reported.

**III – Findings and Question Costs for State Awards**

**A. Internal Control**

None reported.

**B. Compliance Findings**

None reported.

City of Aventura, Florida

Summary Schedule of Prior Audit Findings  
Fiscal Year Ended September 30, 2005

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None reported in previous year.

# McGladrey & Pullen

Certified Public Accountants

**Management Letter Required By  
Chapter 10.550 of the Rules of the  
Auditor General of the State of Florida**

To the Honorable Mayor, Members of the  
City Commission and City Manager  
City of Aventura, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Aventura, Florida (the "City") as of and for the fiscal year ended September 30, 2005 which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 21, 2006.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards issued by the Comptroller General of the United States*. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters, Independent Auditor's Report on Compliance and Internal Control over Compliance Applicable to each Major State Project and Schedule of Findings and Questioned Costs. Disclosures in those reports which are dated March 21, 2006, should be considered in conjunction with this management letter.

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

The Rules of the Auditor General (Section 10.554(1)(h) 1.) require that we address in the management letter, if not already addressed in the auditor's reports on compliance and internal controls or schedule of findings and questioned costs, whether or not recommendations made in the preceding annual financial audit report have been followed. There were no recommendations made in the preceding annual financial audit report.

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

The Rules of the Auditor General (Section 10.554(1)(h)3.) require that we address in the management letter any findings and recommendations to improve financial management, accounting procedures, and internal controls. We did not have any recommendations to improve financial management, accounting procedures and internal controls.

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

The Rules of the Auditor General (Section 10.554(1)(h)5.) also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The information is disclosed in Note 1 to the financial statements.

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

As required by the Rules of the Auditor General (Section 10.554(1)(h)6.b.), we determined that the annual financial report for the City for the fiscal year ended September 30, 2005, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2005.

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

This management letter is intended solely for the information of the City Commission, and management, and the State of Florida Office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

*McGladrey & Pullen, LLP*

Fort Lauderdale, Florida  
March 10, 2006



*The City of Excellence*