

## Financial Section



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## Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Miami Beach, Florida (the City), as of and for the year ended September 30, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Miami Beach, Florida Retirement System for General Employees, the Retirement System for Firefighters and Police Officers, and the Retirement System for Unclassified Employees and Elected Officials, which represent 89% and 64%, respectively, of the assets and revenues of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, are 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 of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit 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 position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Miami Beach, Florida, as of September 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 31, 2004 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



KPMG LLP, a U.S. limited liability partnership, is the U.S. member firm of KPMG International, a Swiss cooperative.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, supplementary information, and statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information included in the introductory and statistical sections have 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.

KPMG LLP

March 31, 2004

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Our discussion and analysis of the City of Miami Beach's (the "City") financial performance provides an overview of the City's financial activities for the year ended September 30, 2003. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-5 of this report.

### Financial Highlights

- The assets of the City exceeded its liabilities at September 30, 2003 by \$561.5 million. Of this amount, \$111.4 million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- During fiscal year 2003, the City's net assets increased by \$38.3 million. The increase was primarily attributed to increase ad-valorem tax revenues, increase in fees charged for services and an increase in capital grants, specifically for culture and recreation programs.
- At September 30, 2003 the unreserved fund balance for the general fund was \$27 million, or 17.3% of the total general fund expenditures.
- The City's total long-term liabilities had a net increase of \$36.1 million or 7.7% during the fiscal year. This was due mainly to the issuance of the City's General Obligation Bonds, Series 2003 in the amount of \$62.4 million and making the required principal payments on bonded debt.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which have the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during each fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected taxes, and earned, but unused vacation leave).

Both the statement of net assets and the statement of activities of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their cost through user fees and charges. The governmental activities of the City include general government, public safety, physical environment, transportation, economic development, human services, and culture and recreation. The business-type activities of the City includes storm water, water and sewer, parking, convention center complex, sanitation, and Miami Beach Redevelopment Agency's parking and leasing operations.

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

The government-wide financial statements can be found on pages 27-28 of this report.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

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

The City adopts an annual appropriated budget for its general fund, resort tax special revenue fund, and its Miami Beach Redevelopment Agency's special revenue fund. A

budgetary comparison statement has been provided for the general fund to demonstrate compliance with the general fund's budget.

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

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

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

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

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

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

## **Notes to the Financial Statements**

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

## **Other information**

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

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required

supplemental information on pensions. Combining and individual fund statements and schedules can be found on pages 79-102 of this report.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the City, assets exceeded liabilities by \$561.5 million at September 30, 2003, an increase of \$38.3 million from the prior year.

As mentioned previously, the basic financial statements include a reconciliation between the governmental funds statement of revenues, expenditures, and changes in fund balances which reports an increase of \$56.2 in fund balances and the reported increase in the excess of assets over liabilities reported in the government-wide statement of activities \$24 million, a difference of \$32.2 million.

Key elements of the reconciliation of these two statements are that the government-wide statement of activities reports the issuance of debt as a liability, the purchases of capital assets as assets which are then charged to expense over their useful lives (through annual depreciation charges) and changes in long-term liabilities as adjustments of expenses. Conversely the governmental funds statements report the issuance of debt as an other financing source of funds, the repayment of debt as an expenditure, the purchase of capital assets as an expenditure and does not reflect changes in long-term liabilities.

The table below summarizes the statement of net assets:

<b>CITY OF MIAMI BEACH</b>						
<b>Net Assets</b>						
<b>(in thousands)</b>						
	Governmental activities		Business-type activities		Total	
	2003	2002	2003	2002	2003	2002
Current and other assets	\$ 224,749	\$ 176,811	\$ 221,455	\$ 220,092	\$ 446,204	\$ 396,903
Capital assets	354,040	334,493	297,861	287,331	651,901	621,824
Total assets	<u>578,789</u>	<u>511,304</u>	<u>519,316</u>	<u>507,423</u>	<u>1,098,105</u>	<u>1,018,727</u>
Long-term liabilities						
outstanding	323,672	282,499	179,934	184,993	503,606	467,492
Other liabilities	15,547	13,234	17,445	14,816	32,992	28,050
Total liabilities	<u>339,219</u>	<u>295,733</u>	<u>197,379</u>	<u>199,809</u>	<u>536,598</u>	<u>495,542</u>
Net assets:						
Invested in capital						
net of related debt	158,423	94,231	219,819	207,522	378,242	301,753
Restricted	71,828	72,627			71,828	72,627
Unrestricted	9,319	48,713	102,118	100,092	111,437	148,805
	<u>\$ 239,570</u>	<u>\$ 215,571</u>	<u>\$ 321,937</u>	<u>\$ 307,614</u>	<u>\$ 561,507</u>	<u>\$ 523,185</u>

By far the largest portion of the City's net assets (67.4%) reflects its investment in capital assets (e.g., land, building, infrastructure, machinery, and equipment), less any related debt

used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (12.8%) for the governmental activities represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$111.4 million) may be used to meet the City's ongoing obligations to citizens and creditors.

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

The City's net assets increased by \$38.3 million or 7.3% during the current fiscal year. Governmental activities account for 62.6% of this increase while Business-type activities account for 37.4% of the increase. Both increases are due to the degree by which revenues have outpaced similar increases in ongoing expenses. The City's revenues increased by \$24.9 million or 8.9% while expenses increased by \$5.7million or 2% over the prior year.



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

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

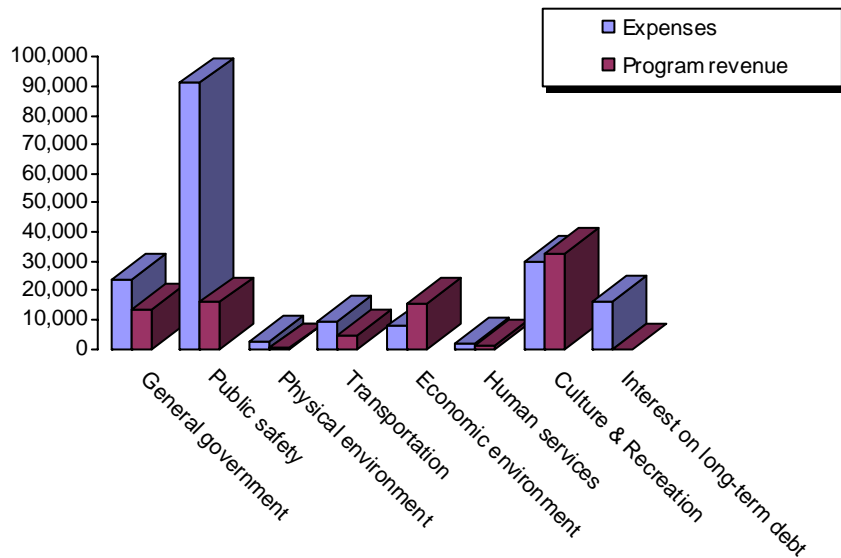
	2003	2002
Revenues:		
Program revenues:		
Charges for services	\$ 33,657	\$ 29,168
Operating grants and contributions	46,604	39,651
Capital grants and contributions	2,530	3,929
General revenues:		
Taxes:		
Property taxes, levied for general purposes	73,929	65,343
Property taxes, levied for debt services	10,368	9,600
Utility	12,482	13,348
Franchise fees	6,937	7,037
Rents and leases	3,961	2,267
Miscellaneous	9,966	8,706
Unrestricted investment earnings	3,399	5,301
Internal activity:		
Transfers	1,864	1,337
Total revenues and transfers	<u>205,697</u>	<u>185,687</u>
Expenses:		
General government	23,628	25,829
Public safety	91,078	84,602
Physical environment	2,727	2,895
Transportation	9,530	8,934
Economic environment	7,558	8,501
Human services	1,546	1,496
Culture and recreation	29,580	31,673
Interest on long-term debt	16,051	16,335
Total expenses	<u>181,698</u>	<u>180,265</u>
Changes in net assets	23,999	5,422
Net assets - beginning	215,571	210,149
Net assets - ending	<u>\$ 239,570</u>	<u>\$ 215,571</u>

**Governmental activities.** Governmental activities increased the City's net assets by \$23.9 million, thereby accounting for 62.6% of the total growth in the net assets of the City.

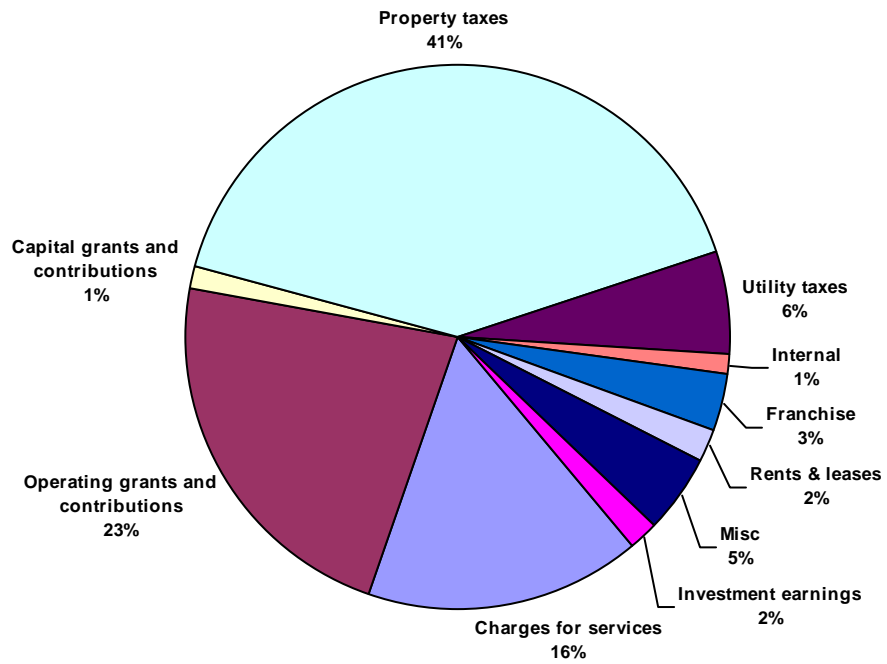
Key elements of the increase are as follows:

- Charges for services increased \$4.5 million or 15% over the prior year. This net increase was a result of a \$2.6 million increase in fees and the number of events at cultural and recreational facilities and an increase of \$2.1 million in fees collected from licenses and permits.
- Operating grants and contributions increased \$6.9 million or 18% over the prior year. This was due to \$4.8 million increase in cultural and recreational grants and a change in the City's grants application strategy.
- Property taxes increased in the general fund by \$8.5 million or 13% over the prior year. This was attributed to an increase in taxable property value from \$9.4 billion to \$10.6 billion which included over \$305.7 million in new construction.
- Total expenses for governmental activities remained constant between the current and the prior fiscal year. Expenses for the current year increased by \$1.4 million or 1% over the prior year.

**Expenses and Program Revenues – Governmental Activities  
for the year ended September 30, 2003 ( in thousands)**



**Revenues by Source – Governmental Activities**  
**for the year ended September 30, 2003 (in thousands)**



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

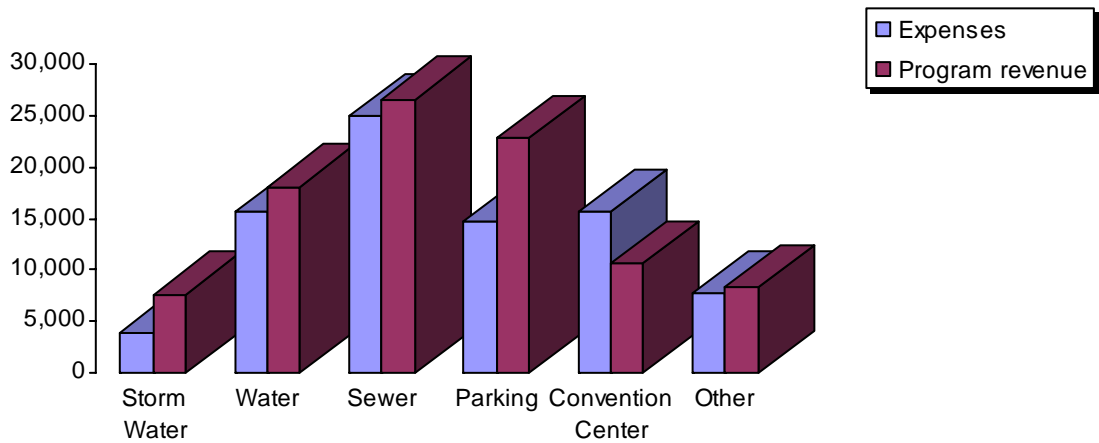
**CITY OF MIAMI BEACH**  
**Changes in Net Assets**  
**Business-type Activities**  
**for the fiscal year ended September 30,**  
(in thousands)

	<u>2003</u>	<u>2002</u>
Revenues:		
Program revenues:		
Charges for services	\$ 84,667	\$ 81,666
Operating grants and contributions	9,628	7,886
General revenues:		
Rents and leases		318
Miscellaneous		(1)
Unrestricted investment earnings	6,537	5,582
Internal activity:		
Transfers	(1,864)	(1,337)
Total revenues and transfers	<u>98,968</u>	<u>94,114</u>
Expenses:		
Storm water	3,969	4,020
Water	15,616	14,940
Sewer	24,949	25,460
Parking	16,740	15,172
Convention Center	15,615	13,469
Sanitation	6,205	5,503
Redevelopment Agency's Parking	1,424	1,530
Redevelopment Agency's Leasing	127	238
Total expenses	<u>84,645</u>	<u>80,332</u>
Changes in net assets	14,323	13,782
Net assets - beginning	307,614	293,832
Net assets - ending	<u>\$ 321,937</u>	<u>\$ 307,614</u>

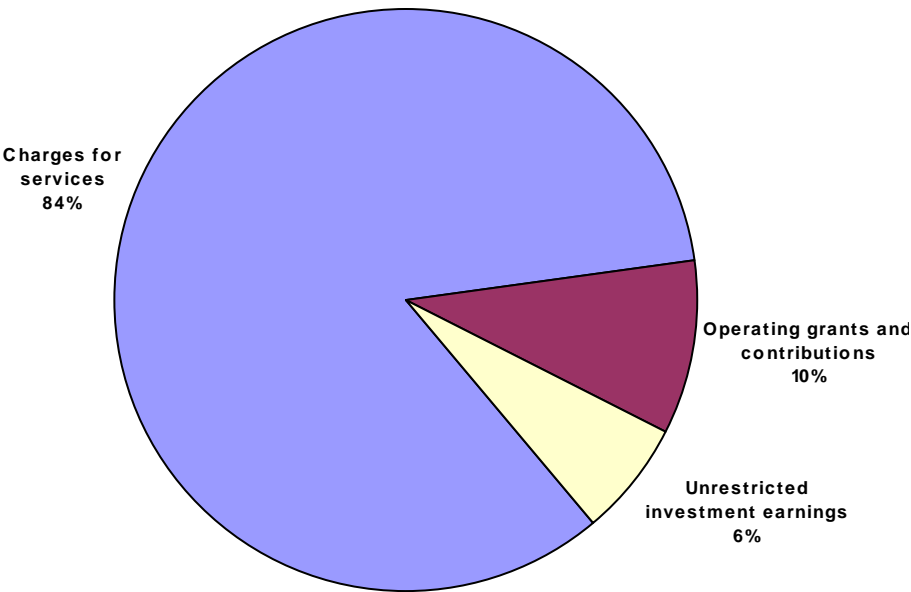
**Business-type activities.** Business-type activities increased the City's net assets by \$14.3 million or 37.4%. This was a result of charges for services, which increased by \$4.5 million or 15%. The Stormwater utility accounted for a significant portion of this increase, which resulted from the approval of a 38% rate increase designed primarily to provide additional resources to meet debt service requirements. Revenues also increased in the Stormwater and Water and Sewer funds due to an increase in the number of residential and commercial properties in the City and greater customer demands.

The following chart shows a comparison of expenses to program revenues for business-type activities for fiscal year 2003:

**Expenses and Program Revenues – Business-type Activities**  
**For the year ended September 30, 2003 (in thousands)**



**Revenue by Source – Business-type Activities**  
**for the year ended September 30, 2003 (in thousands)**



## Financial Analysis of the Governmental Funds

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

Governmental Funds (in thousands)						
	General	Resort Tax	Miami Beach Redevel- opment Agency	Capital Projects	Other Govern- mental Funds	Total Govern- mental Funds
Fund balances						
Sep. 30, 2002	\$ 28,927	\$ 3,399	\$19,458	\$ 63,449	\$28,070	\$ 143,303
Revenues	136,900	25,404	25,188	3,761	25,688	216,941
Expenditures	(149,866)	(8,998)	(3,923)	(21,982)	(44,031)	(228,800)
Other financing sources (uses)	13,207	(15,461)	(17,184)	65,779	21,668	68,009
Fund balances						
Sep. 30, 2003	<u>\$ 29,168</u>	<u>\$ 4,344</u>	<u>\$23,539</u>	<u>\$ 111,007</u>	<u>\$31,395</u>	<u>\$ 199,453</u>

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

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$27 million, while total fund balance reached \$29.1 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to fund balance expenditures. Unreserved fund balance represents 17.3% of total general fund expenditures, while total fund balance represents 18.7% of the same amount.

The fund balance of the City's general fund increased by \$242,000 during the current fiscal year. A key factor in this growth was the ability to maintain expenditures under budgeted amounts.

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

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

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

The total growth in net assets for all enterprise funds was \$14.3 million. Other factors concerning the finances of these funds have already been addressed in the discussion of the City’s business-type activities.

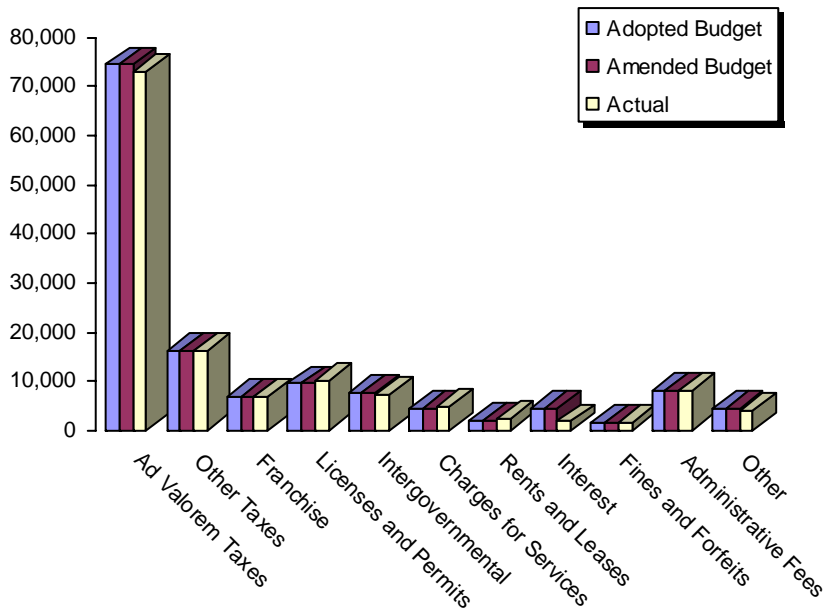
**Budgetary Highlights**

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

**General Fund Revenues**

The major variances between final budget and actual are primarily due to negative variances in ad valorem taxes and interest income revenues. Ad valorem taxes collected were lower than the final budgeted amount by \$1.5 million. This resulted from successful appeals by City residents seeking to lower the taxable assessment value of their property. A lower taxable assessment value results in a reduction in the dollar amount of ad valorem taxes collected by the City. Interest income was lower than the final budgeted amount by \$2.8 million. This was a direct result of average interest rates on our investments dropping from 2.5% to 1.3%. The following chart and table summarizes actual revenues by category for fiscal year 2003 and compare revenues with Adopted Budget, Amended Budget, and Actual.

**General Fund Revenues**  
**for the year ended September 30, 2003 (in thousands).**



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

**General Fund Revenues**  
**for the fiscal year ended September 30, 2003**  
(in thousands)

	Original Adopted budget	Final Amended Amended	Actual
Taxes:			
Property	\$ 74,458	\$ 74,458	\$ 72,996
Sales, use, fuel	1,827	1,827	1,864
Utility	12,532	12,532	12,482
Other	1,840	1,840	1,840
Taxes	<u>90,657</u>	<u>90,657</u>	<u>89,182</u>
Other than taxes:			
Franchise	6,933	6,933	6,937
Licenses and permits	9,632	9,632	10,245
Intergovernmental	7,757	7,757	7,429
Charges for services	4,550	4,550	4,802
Rents and leases	1,965	1,965	2,504
Interest income	4,662	4,662	1,842
Fines and forfeits	1,578	1,578	1,790
Administrative fees	8,139	8,139	8,144
Other	4,569	4,569	4,025
Other than taxes	<u>49,785</u>	<u>49,785</u>	<u>47,718</u>
Total revenues	<u>\$ 140,442</u>	<u>\$ 140,442</u>	<u>\$ 136,900</u>

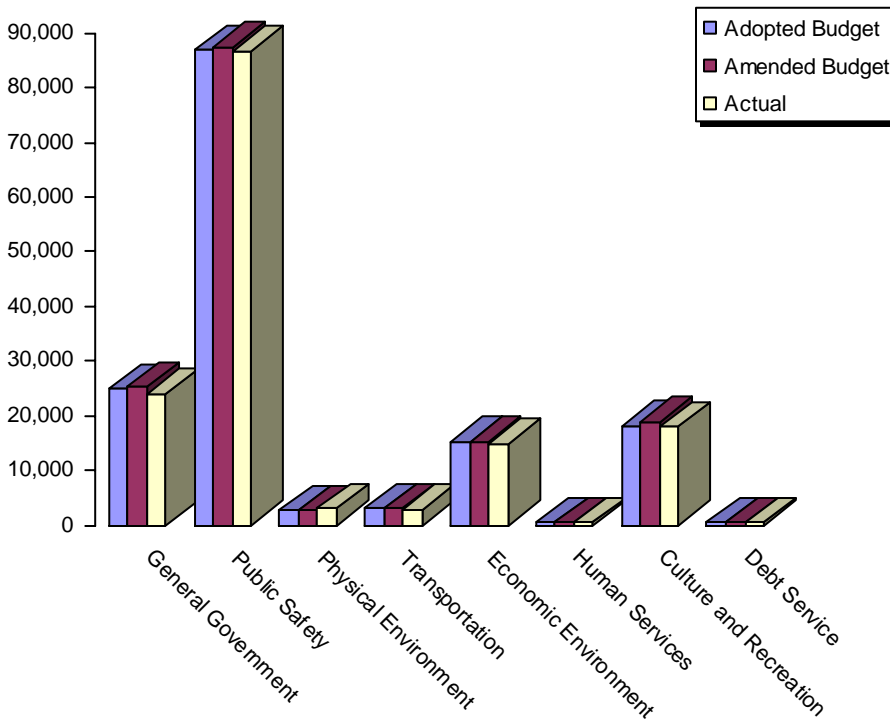
**General Fund Expenditures**

The major variances between the final budget and the actual are primarily due to positive variances in general government and culture and recreation expenditures. General government and culture and recreation expenditures were lower than budgeted amounts by \$1.3 million and \$1 million respectively. Both variances were due to the fact that encumbrances are not included in actual expenditures. At September 30, 2003, the general fund had \$2.2 million reserved for encumbrances. Encumbered dollars represents the dollar amount of purchase orders issued. When encumbrances are included in actual expenditures, there are no significant variances between final budget and actual expenditures.



The following chart and table summarizes actual expenditures by function/program for fiscal year 2003 and compare expenditures with Adopted Budget, Amended Budget and Actual.

**General Fund Expenditures**  
for the year ended September 30, 2003 (in thousands)



Major differences between the Adopted Budget and the Amended Budget (\$2.1 million increase in appropriations) are briefly summarized as follows:

- \$.50 million in increase allocation to general governmental activities
- \$.54 million in increase allocation to public safety
- \$.04 million in increase allocation to physical environment
- \$.10 million in increase allocation to transportation
- \$.74 million increase allocation to culture and recreation

The increase of \$2.1 million in appropriations was funded from the general fund's available fund balance.

**General Fund Expenditures**  
**for the fiscal year ended September 30, 2003**  
(in thousands)

	Original Adopted budget	Final Amended Amended	Actual
General government	\$ 24,815	\$ 25,313	\$ 23,980
Public safety	87,000	87,543	86,792
Physical environment	2,219	2,254	2,502
Transportation	2,955	3,054	2,820
Economic environment	15,251	15,254	14,929
Human services	430	430	438
Culture and recreation	18,151	18,945	17,908
Debt service	500	500	497
Total expenditure	<u>\$ 151,321</u>	<u>\$ 153,293</u>	<u>\$ 149,866</u>

**Capital Assets and Debt Administration**

**Capital Assets**

The City's investment in capital assets for its governmental and business-type activities at September 30, 2003 amounts to \$651.9 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, water & sewer distribution, storm drainage systems, lighting systems, sidewalks, curbs, signage, equipment, street improvements, and parks, which are detailed as follows (net of accumulated depreciation):

<b>Capital Assets</b> (in thousands)			
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
Land	\$ 77,404	\$ 22,510	\$ 99,914
Buildings and structures	76,935	141,595	218,530
Mains and lines		20,000	20,000
Meters and hydrants		5,323	5,323
Furniture, fixtures & equipment	18,317	9,917	28,233
Permanent improvements	8,463	2,271	10,735
Infrastructure	41,999		41,999
Construction work-in-progress	130,922	96,245	227,167
Total	<u>\$ 354,040</u>	<u>\$ 297,861</u>	<u>\$ 651,901</u>

The City has developed various capital improvement programs to improve the quality of life of its residents. Major projects included citywide water, wastewater and storm water improvements, streetscape enhancements, improvements to parks, beaches, and fire stations.

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

### Long-term Debt

At the end of the current fiscal year, the City had a total bonded debt outstanding of \$469 million. This debt had a net increased of \$43.5 million or 10.2% during the year due to the issuance of the City's General Obligation Bonds, Series 2003, in the amount of \$62 million.

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

	Governmental activities		Business-type activities		Total	
	2003	2002	2003	2002	2003	2002
General obligation	\$ 98,990	\$ 43,810	\$	\$	\$ 98,990	\$ 43,810
Special obligation	189,391	196,452			189,391	196,452
Revenue bonds and loan			180,669	185,288	180,669	185,288
Total	<u>\$ 288,381</u>	<u>\$ 240,262</u>	<u>\$ 180,669</u>	<u>\$ 185,288</u>	<u>\$ 469,050</u>	<u>\$ 425,550</u>

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

### Requests for Information

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



City of Miami Beach

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**CITY OF MIAMI BEACH, FLORIDA**  
**STATEMENT OF NET ASSETS**  
**September 30, 2003**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and investments	\$ 207,123,132	\$ 40,814,339	\$ 247,937,471	\$ 2,069,959
Cash with fiscal agent	100,000		100,000	
Inventories at cost	599,469	1,883,741	2,483,210	
Receivables (net)	11,133,041	9,411,842	20,544,883	222,968
Due from other governments	1,610,373	1,316	1,611,689	
Internal balances	(3,821,777)	3,821,777		
Prepaid expenses	839,796	465,782	1,305,578	
Restricted cash and investments	6,386,138	162,076,083	168,462,221	
Deferred charges	778,855	2,980,208	3,759,063	
Capital assets, net	354,039,948	297,861,345	651,901,293	6,552
Total assets	578,788,975	519,316,433	1,098,105,408	2,299,479
<b>LIABILITIES</b>				
Accounts payable	5,671,711	4,958,128	10,629,839	15,925
Accrued expenses	3,063,441	1,949,827	5,013,268	
Accrued interest payable	4,100,403		4,100,403	
Deferred revenues	2,711,886	540,565	3,252,451	
Due to other governments		2,922,406	2,922,406	
Liabilities payable from restricted assets		7,073,644	7,073,644	
Noncurrent liabilities:				
Due within one year	21,269,634	7,845,999	29,115,633	
Due in more than one year	302,401,691	172,088,426	474,490,117	
Total liabilities	339,218,766	197,378,995	536,597,761	15,925
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	158,422,795	219,819,296	378,242,091	6,552
Restricted for:				
Debt Service	10,010,750		10,010,750	
Capital improvements	15,664,889		15,664,889	
Economic development	27,882,747		27,882,747	
Transportation	13,390,885		13,390,885	
Other purposes	4,878,824		4,878,824	
Unrestricted	9,319,319	102,118,142	111,437,461	2,277,002
Total net assets	\$ 239,570,209	\$ 321,937,438	\$ 561,507,647	\$ 2,283,554

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

**CITY OF MIAMI BEACH, FLORIDA**  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended September 30, 2003

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-type Activities
<b>Primary government:</b>						
Governmental activities:						
General government	\$ 23,628,047	\$ 13,269,829	\$ 201,189	\$	\$ (10,157,029)	\$ (10,157,029)
Public safety	91,078,245	14,471,102	1,258,365		(75,348,778)	(75,348,778)
Physical environment	2,727,148		2,500		(2,724,648)	(2,724,648)
Transportation	9,529,725	915,377	3,399,601		(5,214,747)	(5,214,747)
Economic environment	7,557,709	1,202,554	14,482,869		8,127,714	8,127,714
Human services	1,546,396		928,931		(617,465)	(617,465)
Culture and recreation	29,579,682	3,798,117	26,330,397	2,529,706	3,078,538	3,078,538
Interest on long-term debt	16,051,074				(16,051,074)	(16,051,074)
Total governmental activities	181,698,026	33,656,979	46,603,852	2,529,706	(98,907,489)	(98,907,489)
<b>Business-type activities:</b>						
Storm Water	3,968,799	7,622,002	18,410		3,671,613	3,671,613
Water	15,615,833	17,925,175	190,558		2,499,900	2,499,900
Sewer	24,948,514	26,337,494	304,397		1,693,377	1,693,377
Parking	16,739,868	19,599,639	3,309,951		6,169,722	6,169,722
Convention Center	15,615,399	7,067,189	3,527,955		(5,020,255)	(5,020,255)
Sanitation	6,205,334	3,797,271	2,263,478		(144,585)	(144,585)
Redevelopment Agency's						
Parking	1,424,162	1,628,765	7,793		212,396	212,396
Redevelopment Agency's						
Leasing	126,562	689,604	5,130		568,172	568,172
Total business-type activities	84,644,471	84,667,139	9,627,672		9,650,340	9,650,340
Total primary government	\$ 266,342,497	\$ 118,324,118	\$ 56,231,524	\$ 2,529,706	(98,907,489)	(89,257,149)
<b>Component units:</b>						
Visitor and Convention	\$ 794,816	\$ 80,706	\$	\$		(714,110)
Health Facilities	89,341					(89,341)
Total component units	\$ 884,157	\$ 80,706	\$	\$		(803,451)
<b>General revenues:</b>						
<b>Taxes:</b>						
Property taxes, levied for general purposes					73,929,444	73,929,444
Property taxes, levied for debt service					10,368,504	10,368,504
Utility					12,481,722	12,481,722
Franchise fees					6,936,623	6,936,623
Rents and leases					3,961,554	3,961,554
Miscellaneous					9,965,739	9,965,739
Unrestricted investment earnings					3,399,593	3,399,593
Internal activity:						
Transfers					1,863,604	(1,863,604)
Total general revenues and transfers					122,906,783	127,579,945
Change in net assets					23,999,294	38,322,796
Net assets - beginning					215,570,915	523,184,851
Net assets - ending					\$ 239,570,209	\$ 561,507,647

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

**CITY OF MIAMI BEACH, FLORIDA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**September 30, 2003**

	General	Resort Tax	Miami Beach Redevelopment Agency	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and investments	\$ 28,337,541	\$ 3,411,473	\$ 23,859,716	\$ 112,130,078	\$ 30,155,097	\$ 197,893,905
Receivables:						
Accounts (net of allowance for uncollectibles)	4,035,989	2,153,316	41,667	12,086	1,617,277	7,860,335
Accrued interest	731,391			140,863	3,981	876,235
Delinquent taxes receivable	2,058,113				307,619	2,365,732
Due from other funds	805,086		255,909			1,060,995
Due from other governments	3,000			1,154,251	453,122	1,610,373
Inventories				186,304		186,304
Prepaid expenditures			62,388	8,255	29,075	99,718
Total assets	<u>\$ 35,971,120</u>	<u>\$ 5,564,789</u>	<u>\$ 24,219,680</u>	<u>\$ 113,631,837</u>	<u>\$ 32,566,171</u>	<u>\$ 211,953,597</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 1,155,813	\$ 531,424	\$ 403,786	\$ 1,652,656	\$ 804,028	\$ 4,547,707
Accrued expenditures	2,185,103	447,092	765	205,300	40,106	2,878,366
Deferred revenues	3,457,523			125,000	176,280	3,758,803
Due to other funds	4,050	242,255	34,400	641,911	150,916	1,073,532
Deposits			242,000			242,000
Total liabilities	<u>6,802,489</u>	<u>1,220,771</u>	<u>680,951</u>	<u>2,624,867</u>	<u>1,171,330</u>	<u>12,500,408</u>
Fund balances:						
Reserved for:						
Encumbrances	2,186,082	674,719		18,781,082	2,199,493	23,841,376
Debt service					11,828,052	11,828,052
Inventories				186,304		186,304
Prepaid			62,388	8,255	29,075	99,718
Unreserved:						
Designated for contingencies	17,414,131					17,414,131
Undesignated:						
General	9,568,418					9,568,418
Special Revenue		3,669,299	23,476,341		17,338,221	44,483,861
Capital Projects				92,031,329		92,031,329
Total fund balances	<u>29,168,631</u>	<u>4,344,018</u>	<u>23,538,729</u>	<u>111,006,970</u>	<u>31,394,841</u>	<u>199,453,189</u>
Total liabilities and fund balances	<u>\$ 35,971,120</u>	<u>\$ 5,564,789</u>	<u>\$ 24,219,680</u>	<u>\$ 113,631,837</u>	<u>\$ 32,566,171</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 335,097,950

Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 1,288,917

Internal service funds are used by management to charge the costs of fleet management, property management, central services, self insurance, and communications to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. 20,357,600

Other liabilities are not due and payable in the current period and therefore are not reported in the funds. (7,922,180)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Bonds payable (309,510,979)  
Deferred charges for bond issuance costs 805,712 (308,705,267)

Net assets of governmental activities (page 27) \$ 239,570,209

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

**CITY OF MIAMI BEACH, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended September 30, 2003**

	General	Resort Tax	Miami Beach Redevelopment Agency	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes:						
Property	\$ 72,996,295	\$	\$	\$	\$ 10,237,793	\$ 83,234,088
Sales, use and fuel taxes	1,863,755				1,297,833	3,161,588
Utility	12,481,722					12,481,722
Resort		24,002,336				24,002,336
Other	1,840,000					1,840,000
Franchise fees	6,936,623					6,936,623
Licenses and permits	10,245,029					10,245,029
Intergovernmental	7,429,083		23,705,214	2,429,706	6,706,680	40,270,683
Charges for services	4,801,663				2,155,039	6,956,702
Rents and leases	2,504,184		1,455,891			3,960,075
Interest	1,842,362	54,073	25,995	577,201	649,004	3,148,635
Fines and forfeitures	1,790,580				910,890	2,701,470
Administrative fees	8,143,990					8,143,990
Other	4,025,057	1,347,462	498	754,176	3,731,243	9,858,436
Total revenues	136,900,343	25,403,871	25,187,598	3,761,083	25,688,482	216,941,377
<b>EXPENDITURES</b>						
Current:						
General government	23,979,924	845,563		681,211		25,506,698
Public safety	86,791,854	65,341		776,500	2,181,747	89,815,442
Physical environment	2,502,004			605,531		3,107,535
Transportation	2,819,997			1,815,959	3,212,828	7,848,784
Economic environment	14,928,661	1,451,773	3,922,681	2,424,911	4,225,603	26,953,629
Human services	437,879			59,426	1,075,510	1,572,815
Culture and recreation	17,907,923	6,633,670		15,618,841	2,868,547	43,028,981
Debt service:						
Principal retirement	362,570	1,536			14,686,012	15,050,118
Interest and fiscal charges	135,144				15,781,184	15,916,328
Total expenditures	149,865,956	8,997,883	3,922,681	21,982,379	44,031,431	228,800,330
Excess (deficiency) of revenues over (under) expenditures	(12,965,613)	16,405,988	21,264,917	(18,221,296)	(18,342,949)	(11,858,953)
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds of debt issuance				62,465,000		62,465,000
Proceeds from loan					1,042,000	1,042,000
Transfers in	19,342,472	5,340,613	3,805,642	5,334,044	26,537,701	60,360,472
Transfers out	(6,135,011)	(20,801,697)	(20,989,304)	(2,019,870)	(5,912,172)	(55,858,054)
Total other financing sources (uses)	13,207,461	(15,461,084)	(17,183,662)	65,779,174	21,667,529	68,009,418
Net change in fund balances	241,848	944,904	4,081,255	47,557,878	3,324,580	56,150,465
Fund balances - beginning of year	28,926,783	3,399,114	19,457,474	63,449,092	28,070,261	143,302,724
Fund balances - end of year	\$ 29,168,631	\$ 4,344,018	\$ 23,538,729	\$ 111,006,970	\$ 31,394,841	\$ 199,453,189

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



**CITY OF MIAMI BEACH, FLORIDA  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

**For the Year Ended September 30, 2003**

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

Net change in fund balances - total governmental funds	\$ 56,150,465
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciated expense. This is the amount by which capital outlays exceeded depreciation in the current period.	16,994,387
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(509,440)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	955,585
The issuance of long-term debt (e.g. bonds, loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations is an expenditure in the governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The statement of net assets has been adjusted for these transactions as follows:	
Proceeds of debt issuance/loan	(63,507,000)
Principal retirement - debt service	15,050,118
Principal retirement - due to developer	940,882
Bond issuance cost	805,712
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds and are included in the governmental activities section of the statement of net assets.	(32,360)
Internal funds are used by management to charge the costs of fleet management, property management, central services, self insurance, and communications to individual funds.	(3,610,927)
The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>761,872</u>
Change in net assets of governmental activities (page 28)	<u><u>\$ 23,999,294</u></u>

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

**CITY OF MIAMI BEACH, FLORIDA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**September 30, 2003**

	Storm Water Utility Fund	Water and Sewer Fund	Parking System Fund	Convention Center Complex Fund	Other Enterprise Funds	Totals	Governmental Activities- Internal Service Funds
<b>ASSETS</b>							
Current assets:							
Cash and investments	\$ 3,980,856	\$ 1,257,734	\$ 27,309,744	\$ 2,674,013	\$ 5,591,992	\$ 40,814,339	\$ 9,229,227
Cash with fiscal agent							100,000
Inventories at cost		1,883,741				1,883,741	413,165
Accounts receivable (net of allowance for uncollectibles)	422,685	6,202,924	315,439	885,753	889,236	8,716,037	30,739
Accrued interest receivable	283,142	412,663				695,805	
Due from other governments			1,316			1,316	
Due from other funds							22,141
Prepaid expenses	28,254	76,064	171,258	13,385	176,821	465,782	713,221
Total current assets	4,714,937	9,833,126	27,797,757	3,573,151	6,658,049	52,577,020	10,508,493
Noncurrent assets:							
Cash and investments	55,501,702	73,452,058	20,526,335	12,538,548	57,440	162,076,083	6,386,138
Deferred charges	653,669	1,293,197	1,033,342			2,980,208	
Loan receivable			3,821,777			3,821,777	
Capital assets:							
Land		1,492,598	15,519,201	2,089,371	3,408,961	22,510,131	608,520
Buildings and structures	183,366	7,292,177	25,465,207	154,226,175	13,397,987	200,564,912	2,020,545
Parking lots			4,069,504			4,069,504	
Mains and lines		39,155,575				39,155,575	
Meters and hydrants		10,100,249	2,680,094			12,780,343	
Machinery and equipment	1,067,065	14,665,923	1,689,248	6,800,547	2,043,500	26,266,283	47,521,099
Construction in progress	7,313,782	66,994,081	12,000,491	9,936,308		96,244,662	477,029
Less accumulated depreciation	(744,591)	(36,440,919)	(15,552,082)	(47,972,035)	(3,020,438)	(103,730,065)	(31,685,195)
Total capital assets (net of accumulated depreciation)	7,819,622	103,259,684	45,871,663	125,080,366	15,830,010	297,861,345	18,941,998
Total assets	68,689,930	187,838,065	99,050,874	141,192,065	22,545,499	519,316,433	35,836,629
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable	303,110	3,246,628	401,340	832,751	174,299	4,958,128	1,124,004
Accrued expenses	239,260	527,036	235,685	867,212	80,634	1,949,827	185,075
Due to other funds							9,604
Due to other governments	934,701	1,955,604		32,101		2,922,406	
Current portion of loan payable					135,131	135,131	191,908
Current portion of bonds payable	910,000	2,605,000	1,325,314			4,840,314	
Accrued compensated absences	78,601	291,210	274,363	17,339	196,382	857,895	872,448
Current portion of capital leases payable			240,577			240,577	
Deferred revenues			342,644	197,921		540,565	
Total current liabilities	2,465,672	8,625,478	2,819,923	1,947,324	586,446	16,444,843	2,383,039
Liabilities payable from restricted assets:							
Deposits		5,163,375	37,474	1,815,355	57,440	7,073,644	
Total liabilities payable from restricted assets		5,163,375	37,474	1,815,355	57,440	7,073,644	
Noncurrent liabilities:							
Pending insurance claims							7,247,000
Insurance claims incurred but not reported							5,100,000
Loan payable					615,567	615,567	748,990
Revenue bonds payable (net of unamortized discounts)	48,954,043	92,450,223	31,840,675			173,244,941	
Total noncurrent liabilities	48,954,043	92,450,223	31,840,675		615,567	173,860,508	13,095,990
Total liabilities	51,419,715	106,239,076	34,698,072	3,762,679	1,259,453	197,378,995	15,479,029
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	1,809,440	52,789,461	24,310,019	125,080,366	15,830,010	219,819,296	18,941,998
Unrestricted	15,460,775	28,809,528	40,042,783	12,349,020	5,456,036	102,118,142	1,415,602
Total net assets	\$ 17,270,215	\$ 81,598,989	\$ 64,352,802	\$ 137,429,386	\$ 21,286,046	\$ 321,937,438	\$ 20,357,600

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

**CITY OF MIAMI BEACH, FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended September 30, 2003**

	Storm Water Utility Fund	Water and Sewer Fund	Parking System Fund	Convention Center Complex Fund	Other Enterprise Funds	Totals	Governmental Activities- Internal Service Funds
Operating revenues:							
Charges for services	\$ 7,622,002	\$ 44,259,698	\$ 19,599,639	\$ 7,067,189	\$ 6,115,640	\$ 84,664,168	\$ 31,073,212
Permits, rentals, and other	18,410	494,955	3,309,951	3,527,955	2,276,401	9,627,672	308,368
Total operating revenues	7,640,412	44,754,653	22,909,590	10,595,144	8,392,041	94,291,840	31,381,580
Operating expenses:							
Personal services	782,077	4,199,821	4,672,650	4,219,953	2,529,609	16,404,110	7,687,373
Operating supplies	47,632	1,109,283	525,520	547,525	359,150	2,589,110	7,659,386
Contractual services	63,868	24,207,349	3,993,818	2,943,721	2,797,471	34,006,227	4,148,279
Utilities	942	493,846	478,541	1,545,834	14,592	2,533,755	1,738,579
Insurance				142,560		142,560	2,877,643
Internal charges	370,625	2,641,823	1,490,810	1,461,874	740,280	6,705,412	2,193,207
Depreciation	57,113	1,667,237	1,753,111	4,035,978	670,565	8,184,004	4,155,338
Administrative fees	250,000	2,894,896	2,300,000	700,000	250,000	6,394,896	846,094
Amortization	47,514	156,582	161,070			365,166	
Claims and judgements							1,716,710
Other operating	17,197	6,002		17,954	375,196	416,349	
Total operating expenses	1,636,968	37,376,839	15,375,520	15,615,399	7,736,863	77,741,589	33,022,609
Operating income (loss)	6,003,444	7,377,814	7,534,070	(5,020,255)	655,178	16,550,251	(1,641,029)
Nonoperating revenues (expenses):							
Interest and fiscal charges	(2,331,831)	(3,187,508)	(1,356,908)		(21,389)	(6,897,636)	(26,604)
Disposal of assets		2,971	(7,440)		2,194	(2,275)	201,189
Interest income	2,830,631	3,214,495	432,992	27,238	31,410	6,536,766	250,958
Total nonoperating revenues (expenses)	498,800	29,958	(931,356)	27,238	12,215	(363,145)	425,543
Income (loss) before contributions and transfers	6,502,244	7,407,772	6,602,714	(4,993,017)	667,393	16,187,106	(1,215,486)
Capital contributions	12,799	12,799	52,845		16,877	95,320	909,925
Transfers in					381,542	381,542	
Transfers out	(392,512)	(5,972)	(1,888,554)		(53,428)	(2,340,466)	(2,543,494)
Change in net assets	6,122,531	7,414,599	4,767,005	(4,993,017)	1,012,384	14,323,502	(2,849,055)
Total net assets - beginning	11,147,684	74,184,390	59,585,797	142,422,403	20,273,662	307,613,936	23,206,655
Total net assets - ending	\$ 17,270,215	\$ 81,598,989	\$ 64,352,802	\$ 137,429,386	\$ 21,286,046	\$ 321,937,438	\$ 20,357,600

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

**CITY OF MIAMI BEACH, FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Fiscal Year Ended September 30, 2003

	<b>Storm Water Utility Fund</b>	<b>Water and Sewer Fund</b>	<b>Parking System Fund</b>	<b>Convention Center Complex Fund</b>	<b>Other Enterprise Funds</b>	<b>Totals</b>	<b>Governmental Activities- Internal Service Funds</b>
Cash flows from operating activities:							
Cash received from customers	\$ 7,838,851	\$ 44,813,529	\$ 19,889,296	\$ 6,717,324	\$ 6,015,582	\$ 85,274,582	\$ 31,119,916
Cash paid to suppliers	(198,573)	(24,347,594)	(5,120,576)	(4,391,993)	(3,766,866)	(37,825,602)	(15,822,478)
Cash paid to employees	(779,512)	(4,158,106)	(4,637,925)	(4,176,535)	(2,471,411)	(16,223,489)	(7,495,689)
Cash paid for claims and judgements							(4,150,710)
Internal charges-payments made to other funds	(620,625)	(5,536,719)	(3,790,810)	(2,161,874)	(990,280)	(13,100,308)	(3,039,301)
Miscellaneous revenues	18,410	494,955	3,309,951	3,536,053	2,263,478	9,622,847	301,549
Net cash provided by (used in) operating activities	6,258,551	11,266,065	9,649,936	(477,025)	1,050,503	27,748,030	913,287
Cash flows for non-capital financing activities:							
Repayment of loan					(132,820)	(132,820)	(183,661)
Transfers in					381,542	381,542	
Transfers out	(392,512)	(5,972)	(1,888,554)		(53,428)	(2,340,466)	(2,543,494)
Net cash provided by (used in) non-capital financing activities	(392,512)	(5,972)	(1,888,554)		195,294	(2,091,744)	(2,727,155)
Cash flows from capital and related financing activities:							
Interest and fiscal charges	(2,328,568)	(4,684,867)	(1,337,722)		(22,254)	(8,373,411)	(27,823)
Bond payments-principal	(870,000)	(2,480,000)	(1,268,988)			(4,618,988)	
Capital lease payments			(554,134)			(554,134)	
Purchase of capital assets	(2,840,028)	(6,530,403)	(1,616,996)	(5,672,684)	(199,135)	(16,859,246)	(6,328,955)
Proceeds from sale of capital assets		2,971	755		5,376	9,102	222,552
Net cash used in capital and related financing activities	(6,038,596)	(13,692,299)	(4,777,085)	(5,672,684)	(216,013)	(30,396,677)	(6,134,226)
Cash flows from investing activities:							
Interest on investments	3,150,273	3,208,401	432,992	27,238	31,410	6,850,314	250,959
Net cash provided by investing activities	3,150,273	3,208,401	432,992	27,238	31,410	6,850,314	250,959
Net increase (decrease) in cash and equivalents	2,977,716	776,195	3,417,289	(6,122,471)	1,061,194	2,109,923	(7,697,135)
Cash and investments - beginning of year	56,504,842	73,933,597	44,418,790	21,335,032	4,588,238	200,780,499	23,412,500
Cash and investments - end of year	\$ 59,482,558	\$ 74,709,792	\$ 47,836,079	\$ 15,212,561	\$ 5,649,432	\$ 202,890,422	\$ 15,715,365
Classified as:							
Current assets	\$ 3,980,856	\$ 1,257,734	\$ 27,309,744	\$ 2,674,013	\$ 5,591,992	\$ 40,814,339	\$ 9,329,227
Restricted assets	55,501,702	73,452,058	20,526,335	12,538,548	57,440	162,076,083	6,386,138
Total cash and investments	\$ 59,482,558	\$ 74,709,792	\$ 47,836,079	\$ 15,212,561	\$ 5,649,432	\$ 202,890,422	\$ 15,715,365
Non-cash transactions affecting financial position:							
Capital contributions of capital assets	\$ 12,799	\$ 12,799	\$ 52,845	\$	\$ 16,877	\$ 95,320	\$ 909,925

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

(continued)

**CITY OF MIAMI BEACH, FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended September 30, 2003**

(continued)

	<u>Storm Water Utility Fund</u>	<u>Water and Sewer Fund</u>	<u>Parking System Fund</u>	<u>Convention Center Complex Fund</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>	<u>Governmental Activities- Internal Service Funds</u>
Operating income (loss)	\$ 6,003,444	\$ 7,377,814	\$ 7,534,070	\$ (5,020,255)	\$ 655,178	\$ 16,550,251	\$ (1,641,029)
Adjustments to reconcile operating income (loss) to cash provided by (used in) operating activities:							
Depreciation and amorti- zation	104,627	1,823,819	1,914,181	4,035,978	670,565	8,549,170	4,155,338
Provision for uncollectible accounts	(259,426)	(308,429)	(25,500)		(102,969)	(696,324)	(14,508)
Changes in assets and liabilities:							
(Increase) decrease inventories		67,599				67,599	(63,165)
(Increase) decrease in accounts receivable	216,849	553,831	289,657	(178,119)	(56,146)	826,072	59,059
(Increase) decrease in due from other govern- ments			(1,316)	8,098		6,782	
Increase in due from other funds							(19,174)
(Increase) decrease in prepaid expense		76,064		8	(5,139)	70,933	572,195
Increase (decrease) in accounts payable	194,282	907,237	6,209	318,924	(158,695)	1,267,957	103,309
Increase (decrease) in accrued expenses	(2,723)	11,626	5,623	158,345	23,662	196,533	23,607
Increase (decrease) in deposits		59,920	(3,594)	333,543	2,080	391,949	
Increase (decrease) in due to other governments		670,590	(9,340)	32,101		693,351	
Decrease in due to other funds					(21,486)	(21,486)	
Increase (decrease) in deferred revenues			(89,156)	(171,746)		(260,902)	
Decrease in insurance claims incurred but not reported							(2,434,000)
Increase in accrued compensated absences	1,498	25,994	29,102	6,098	43,453	106,145	171,655
Total adjustments	255,107	3,888,251	2,115,866	4,543,230	395,325	11,197,779	2,554,316
Net cash provided by (used in) operating activities	\$ 6,258,551	\$ 11,266,065	\$ 9,649,936	\$ (477,025)	\$ 1,050,503	\$ 27,748,030	\$ 913,287

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

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

**September 30, 2003**

	<u>Pension Trust Funds</u>	<u>Agency Fund</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 437,555	\$ 2,073,747
Accrued interest receivable	3,089,671	
Investments, at fair value:		
Short-term investments	17,528,060	
Commingled fixed income trust funds	14,959,868	
U.S. Government securities	61,986,357	
Corporate bonds	146,752,132	
Common stocks and index funds	436,234,806	
Money market funds	946,252	
Collective investment fund	41,668,251	
Mutual funds self-directed DROP participants	2,565,518	
Other bonds	250,000	
Total investments	<u>722,891,244</u>	
 Total assets	 <u>726,418,470</u>	 <u>2,073,747</u>
 <b>Liabilities</b>		
Accounts payable	4,135,037	328,262
Deposits		1,745,485
 Total liabilities	 <u>4,135,037</u>	 <u>2,073,747</u>
 <b>Net Assets</b>		
Held in trust for pension benefits	<u>\$ 722,283,433</u>	<u>\$</u>

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

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

**For the Fiscal Year Ended September 30, 2003**

	<u>Pension Trust Funds</u>
Additions:	
Contributions -	
Employer	\$ 8,577,326
Employee	7,113,933
Buybacks/transfers from other systems	1,152,421
Other	7,012
Total contributions	<u>16,850,692</u>
Investment income -	
Net increase in fair value of investments	81,657,791
Interest income	16,720,461
Dividends	4,349,279
	<u>102,727,531</u>
Investment management expenses	(1,893,838)
Deferred retirement option plan participants' losses	103,436
Net investment income	<u>100,937,129</u>
Total additions	<u>117,787,821</u>
Deductions:	
Benefit paid	41,219,986
Contributions refunded	387,759
Transfers to other systems	540,750
Administrative expenses	955,855
Total deductions	<u>43,104,350</u>
Net increase	<u>74,683,471</u>
Net assets held in trust for pension benefits - beginning of year	<u>647,599,962</u>
Net assets held in trust for pension benefits - end of year	<u><u>\$ 722,283,433</u></u>

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

**CITY OF MIAMI BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2003**

**I. Summary of Significant Accounting Policies**

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

**A. Reporting entity**

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

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

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

**1. Blended Component Units:**

**Miami Beach Redevelopment Agency**

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

**Miami Beach Neighborhood Improvement District No. 1**

The Miami Beach Neighborhood Improvement District No. 1 (the "NID No.1") was created under Chapter 87-243, Section 55-73, of the Florida Statutes. The NID No. 1's Board of Directors is the City Commission. The NID No.1 had no financial activity during fiscal year 2003.

**Miami Beach Neighborhood Improvement District No. 2**

The Miami Beach Neighborhood Improvement District No. 2 (the "NID No. 2") was created under Chapter 87-243, Section 55-73, of the Florida Statutes. The NID No. 2's Board of Directors is the City Commission. The NID No. 2 had no financial activity during fiscal year 2003.

**Miami Beach Neighborhood Improvement District No. 3**

The Miami Beach Neighborhood Improvement District No. 3 (the "NID No.3") was created under Chapter 87-243, Section 55-73, of the Florida Statutes. The NID No. 3's Board of Directors is the City Commission. The NID No. 3 had no financial activity during fiscal year 2003.



**CITY OF MIAMI BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2003**  
**(Continued)**

Normandy Shores Local Government Neighborhood Improvement District

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

2. Discrete Component Units-Government Fund Type:

Miami Beach Health Facilities Authority

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

Miami Beach Visitor and Convention Authority

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

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

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

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

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

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

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

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

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

**CITY OF MIAMI BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2003**  
**(Continued)**

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

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

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

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

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

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

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

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

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

**CITY OF MIAMI BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2003**  
**(Continued)**

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

The *General Fund* is the City's primary operating fund. It accounts for all financial resources that relate to the general operations of the City, except those required to be accounted for in another fund.

The *Resort Tax Special Revenue Fund* accounts for the collection of the special tax levied citywide on food, beverage and room rents used to support tourist related activities.

The *Miami Beach Redevelopment Agency Special Revenue Fund* accounts for the operations of the Miami Beach Redevelopment Agency, a tax increment district of the City. The Agency was established in 1976 under the provisions of Chapter 163 of the Florida Statutes to spur development and redevelopment in the South Shore and City Center/Historic Convention Village Redevelopment and Revitalization Area of the City.

The *Capital Projects Fund* accounts for proceeds of the City's bond sales and other revenues whose expenditure is restricted to the construction and acquisition of major capital projects.

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

The *Storm Water Utility Fund* accounts for the storm water utility operations of the City.

The *Water and Sewer Fund* accounts for the water and sewer operations of the City.

The *Parking System Fund* accounts for the parking operations of the City.

The *Convention Center Complex Fund* accounts for the Convention Center and the Theatre of Performing Arts (TOPA) operations of the City.

**Other fund types:**

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

*Fleet Management* – accounts for the warehouse operations and the purchase and maintenance of the City's fleet of vehicles.

*Property Management* – accounts for the cleaning, operating and renovations of City buildings.

*Central Services* – accounts for the operation of the office supplies warehouse, central printing function and central mail facility.

*Self Insurance* – accounts for the City's insurance operations, both retained and insured.

*Communications* – accounts for centralized telecommunications operations.

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

**CITY OF MIAMI BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2003**  
**(Continued)**

*Pension trust funds include:*

Retirement System for General Employees,

Retirement System for Firefighters and Police Officers, and

Retirement System for Unclassified Employees and Elected Officials

*General Agency fund* – this fund accounts for general deposits held in trust until obligations are met or refunds are made.

Private-sector standards of accounting and financial reporting issued on or before November 30, 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 Governmental Accounting Standards Board. The City also has the option of following subsequent private-sector guidance for business-type activities and enterprise funds, subject to this same limitation. The City 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. The following describes the four basic types of *interfund transactions* made during the year and the related accounting policies:

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the storm water utility enterprise fund, of the water and sewer enterprise fund, of the parking system enterprise fund, of the convention center enterprise fund, of the sanitation enterprise fund, of the Miami Beach redevelopment parking enterprise fund, of the Miami Beach redevelopment leasing enterprise fund, and the internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**CITY OF MIAMI BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2003**  
**(Continued)**

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

**1. *Deposits and investments***

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

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

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

Investments are recorded at fair value, except for those investments with remaining maturities of one year or less at the time of purchase are recorded at amortized cost. The City calculated the unrealized gain or loss for investments with remaining maturities of more than one year at the time of purchase and determined that the amount of net unrealized loss is immaterial for the fiscal year ended September 30, 2003. Thus, the City records all investments, except retirement system investments, at cost.

**2. *Receivables and payables***

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

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

Following are the significant components of the receivables due to the City at September 30, 2003:

- a. Water, Sewer and Waste Fees - This amount represents the unpaid, billed charges for various fines and municipal services;
- b. Fines and Assessments - This amount represents the unpaid, billed charges for various fines and assessments levied for violations of various City code provisions;
- c. Resort Taxes Receivable - This amount represents resort taxes due by September 30, 2003, but not collected as of that date.
- d. Delinquent Taxes Receivable - Taxes are due on November 1 and become delinquent on April 1 of each year. This amount represents amounts levied but uncollected at September 30, 2003; and
- e. Accrued Interest Receivable - This amount represents the interest earned but not collected on the City's investments at September 30, 2003.

**CITY OF MIAMI BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2003**  
**(Continued)**

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

Inventories are stated at cost. Cost is determined principally by the average cost method, which approximates the first-in, first-out method. Inventories are accounted for on the consumption basis. Fund balance has been reserved for the amount of inventories since they are not available for appropriation and expenditure at September 30, 2003.

Expenditures made for services that will benefit periods beyond September 30, 2003 are recorded as prepaid items and deferred items in both the government-wide and fund financial statements. Accordingly a portion of fund balance has been reserved to indicate that these funds are not available for appropriation.

**4. *Restricted assets***

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

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

Cash in the self-insurance internal service fund is restricted for claims and judgments made against the City for accidental losses for which the City is self-insured.

**5. *Capital Assets***

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. During the construction phase of capital assets interest of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the storm water utility enterprise fund was \$2,695,584 of which \$363,753 was included as part of the cost of capital assets under construction. The total interest expense incurred by the water and sewer utility enterprise fund was \$5,295,796, of which \$2,108,288 was included as part of the cost of capital assets under construction. The total interest expense incurred by the parking system enterprise fund was \$1,749,881, of which \$392,973 was included as part of the cost of capital assets under construction.

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

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

**CITY OF MIAMI BEACH, FLORIDA**  
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**SEPTEMBER 30, 2003**  
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**6. *Compensated Absences***

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

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

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

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

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

**7. *Long-term obligations***

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**8. *Fund Equity***

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

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**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2003**  
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9. *Use of estimates*

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

10. *Restricted Net Assets*

Net assets are restricted to comply with debt covenants, loan agreements, and grant contracts.

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

**A. New accounting standards adopted**

On October 1, 2002, the City adopted the following statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

1. Statement No. 39 *Determining Whether Certain Organizations Are Component Units*, an amendment of GASB Statement No. 14; and
2. Statement No. 41 *Budgetary Comparison Schedules – Perspective Differences*, an amendment of GASB Statement No. 34.

Statement No. 39 provides additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. Generally, it requires reporting, as a component unit, an organization that raises and hold economic resources for the direct benefit of a governmental unit. Statement No. 39 continues the requirement in Statement No. 14 to apply professional judgment in determining whether the relationship between a primary government and other organizations for which the primary government is not financially accountable and that do not meet these criteria is such that exclusion of the organization would render the financial statements of the reporting entity misleading or incomplete. Those component units should be reported based on the existing blending and discrete presentation display requirements of Statement No. 14. There were no changes to the reporting entity of the City as a result of the implementation of Statement No. 39.

Statement No. 41 clarifies existing guidance on budgetary comparisons in GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* by requiring the budgetary comparisons be presented for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The City has presented this information in the required supplementary information section of the financial statements.

**B. Excess of expenditures over appropriations**

For the year ended September 30, 2003, expenditures exceeded appropriations in the Miami Beach Redevelopment Agency's (the Agency) Special Revenue Fund in the economic environment category by \$2,922,681. The excess of expenditures over appropriations represents payments made to Developers. Those expenditures were incurred in the Agency's Special Revenue Fund, but budgeted for in the Agency's Capital Projects Fund.



**CITY OF MIAMI BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2003**  
**(Continued)**

**C. Deficit net assets**

At September 30, 2003 the City's Internal Service's Self Insurance Fund has a cumulative deficit of \$5,507,870. This deficit represents the amounts expected to be charged back to the City's other funds over a reasonable period of time. The current reserves will also be evaluated to determine if it is sufficient to cover claims against the City.

**III. Detailed notes on all funds**

**A. Deposits and Investments**

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

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

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

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

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

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

The City has adopted an ordinance designating the investments which are allowable for its cash management activities. The policy specifies the types and limits by instruments and establishes a diversified investment objective that takes into consideration the safety, return, and liquidity of capital. The authorized investments include direct United States Treasury obligations, United States government agencies, corporate bonds, state or municipal obligations, commercial paper and repurchase agreements. All City investments, except for swap agreements must be held in an independent custodial account. The custodial account will not be utilized to buy or sell investments for the City. These investments are insured or registered, or the securities held by the City or its agent in the City's name. The City's cash management investments at September 30, 2003 (including restricted cash and cash with paying agent) and the level of risk assumed by the City are shown below:

	Carrying Amount/ Fair Value	Risk Category
U.S. government agencies	\$ 107,049,359	1
U.S. treasuries	29,572,685	1
Corporate bonds	9,492,810	1
Guaranteed investment contracts	108,462,505	1
Common stock	15,018	1
Money market deposits	105,601,000	1
Repurchase agreements	58,146,180	1
Total City cash management investments	<u>418,339,557</u>	

**CITY OF MIAMI BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
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City funds managed by others:

Cash with fiscal agent	100,000	1
Money market deposits	<u>133,882</u>	1
Total cash and investments	<u>\$ 418,573,439</u>	

Schedule of Cash & Investments by Major Funds:

General	\$ 28,337,541
Resort Tax	3,411,473
Redevelopment Agency	23,859,716
Capital Projects	112,130,078
Storm Water	59,482,558
Water and Sewer	74,709,792
Parking	47,836,079
Convention Center Complex	15,212,561
Agency Fund	2,073,747
Nonmajor Funds	<u>51,519,894</u>
Total Cash & Investments	<u>\$ 418,573,439</u>

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

As of September 30, 2003, the level of credit risk of the Plan's investments is in Category 1 as defined by the Governmental Accounting Standards Board Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements", which includes investments that are insured or registered or securities held by the plan or its agent in the Plan's name. There are no investments, loans to or leases with parties related to the pension plan. There were no investments in any one company which individually exceeded 5% of the net assets available for plan benefits.

The investments of the Retirement Systems at September 30, 2003 and the level of risk assumed are presented below:

	Carrying Amount/ Fair Value	Risk Category
Short term investments	\$ 17,528,060	1
Fixed income trust funds	14,959,868	1
U. S. government securities	61,986,357	1
Corporate bonds	146,752,132	1
Common stock and index funds	436,234,806	1
Money market funds	946,252	1
Collective investment funds	41,668,251	1
Mutual funds	2,565,518	1
Cash	437,555	1
Other	<u>250,000</u>	1
Total cash and investments	<u>\$ 723,328,799</u>	

**CITY OF MIAMI BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2003**  
**(Continued)**

**B. Receivables**

Receivables at September 30, 2003 for the City's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Governmental Activities							
	General	Resort Tax	Redevelopment Agency	Capital Projects	Internal Service	Nonmajor Funds	Totals
Receivables:							
Accounts	\$4,701,631	\$2,153,316	\$41,667	\$ 12,086	\$31,441	\$1,676,418	\$ 8,616,559
Interest	731,391			140,863		3,981	876,235
Taxes	2,058,113					307,619	2,365,732
Gross receivables	7,491,135	2,153,316	41,667	152,949	31,441	1,988,018	11,858,526
Less: allowance for uncollectible	665,642				702	59,141	725,485
Net Total							
Receivables	<u>\$6,825,493</u>	<u>\$2,153,316</u>	<u>\$41,667</u>	<u>\$152,949</u>	<u>\$30,739</u>	<u>\$1,928,877</u>	<u>\$11,133,041</u>

Business-type Activities						
	Storm Water	Water and Sewer	Parking	Convention Center Complex	Nonmajor Funds	Totals
Receivables:						
Accounts	\$ 698,621	\$7,604,754	\$ 316,158	\$ 885,753	\$ 1,253,116	\$10,758,402
Interest	283,142	412,663				695,805
	981,763	8,017,417	316,158	885,753	1,253,116	11,454,207
Less: allowance for uncollectible	275,936	1,401,830	719		363,880	2,042,365
Net Total						
Receivables	<u>\$ 705,827</u>	<u>\$6,615,587</u>	<u>\$ 315,439</u>	<u>\$ 885,753</u>	<u>\$ 889,236</u>	<u>\$ 9,411,842</u>

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

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

**CITY OF MIAMI BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2003**  
**(Continued)**

**C. Capital assets**

Capital asset activity for the year ended September 30, 2003 was as follows:

**Primary Government**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 77,403,771	\$	\$	\$ 77,403,771
Construction in progress	<u>106,750,826</u>	<u>24,680,290</u>	<u>509,440</u>	<u>130,921,676</u>
Total capital assets, not being depreciated	<u>184,154,597</u>	<u>24,680,290</u>	<u>509,440</u>	<u>208,325,447</u>
Capital assets, being depreciated:				
Buildings	113,498,057			113,498,057
Permanent improvements	68,638,110	234,501		68,872,611
Furniture and fixtures	1,392,198	58,573		1,450,771
Equipment	47,249,597	7,284,795	2,879,092	51,655,300
Infrastructure	<u>116,795,794</u>			<u>116,795,794</u>
Total capital assets being depreciated	347,573,756	7,577,869	2,879,092	352,272,533
Less accumulated depreciated for:				
Buildings	34,451,139	2,112,152		36,563,291
Permanent improvements	59,533,413	875,988		60,409,401
Furniture and fixtures	931,986	148,590		1,080,576
Equipment	32,029,609	4,522,535	2,844,463	33,707,681
Infrastructure	<u>70,289,383</u>	<u>4,507,700</u>		<u>74,797,083</u>
Total accumulated depreciation	<u>197,235,530</u>	<u>12,166,965</u>	<u>2,844,463</u>	<u>206,558,032</u>
Total capital assets, being depreciated, net	<u>150,338,226</u>	<u>(4,589,096)</u>	<u>34,629</u>	<u>145,714,501</u>
 Governmental activities capital assets, net	 <u>\$334,492,823</u>	 <u>\$20,091,194</u>	 <u>\$ 544,069</u>	 <u>\$354,039,948</u>

**CITY OF MIAMI BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2003**  
**(Continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
<b>Storm Water</b>				
Capital assets, not being				
Depreciated:				
Land				
Construction in progress	\$ 4,648,197	\$ 2,665,585	\$	\$ 7,313,782
Capital assets, being				
depreciated:				
Storm sewers	183,366			183,366
Furniture equipment and				
vehicles	886,350	180,715		1,067,065
Total capital assets, being				
depreciated	1,069,716	180,715		1,250,431
Less accumulated				
depreciation for:				
Storm sewers	1,528	3,056		4,584
Furniture, equipment				
and vehicles	685,950	54,057		740,007
Total accumulated				
depreciation	687,478	57,113		744,591
Total capital assets, being				
depreciated, net	382,238	123,602		505,840
Storm water capital assets				
net	\$ 5,030,435	\$ 2,789,187	\$	\$ 7,819,622
<b>Water &amp; Sewer</b>				
Capital assets, not being				
Depreciated:				
Land	\$ 1,492,598	\$	\$	\$ 1,492,598
Construction in progress	59,872,249	7,332,190	210,358	66,994,081
Total capital assets, not				
Being depreciated	61,364,847	7,332,190	210,358	68,486,679
Capital assets, being				
Depreciated:				
Mains and lines	39,108,115	70,341	22,881	39,155,575
Buildings and structures	7,292,177			7,292,177
Meters and hydrants	9,814,916	285,333		10,100,249
Furniture equipment and				
vehicles	14,174,648	580,272	88,997	14,665,923
Total capital assets, being				
depreciated	70,389,856	935,946	111,878	71,213,924
Less accumulated depreciation for:				
Mains and lines	18,581,484	642,603	73,601	19,150,486
Buildings and structures	2,900,082	121,130		3,021,212
Meters and hydrants	4,673,688	359,727		5,033,415
Furniture, equipment				
and vehicles	8,626,949	700,980	92,123	9,235,806
Total accumulated				
depreciation	34,782,203	1,824,440	165,724	36,440,919
Total capital assets, being				
Depreciated, net	35,607,653	(888,494)	(53,846)	34,773,005
Water and sewer capital				
assets net	\$ 96,972,500	\$ 6,443,696	\$ 156,512	\$103,259,684

**CITY OF MIAMI BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2003**  
**(Continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
<b>Parking Department</b>				
Capital assets, not being				
Depreciated:				
Land	\$ 15,519,201	\$	\$	\$ 15,519,201
Construction in progress	<u>10,215,859</u>	<u>1,885,448</u>	<u>100,816</u>	<u>12,000,491</u>
Total capital assets, not				
Being depreciated	<u>25,735,060</u>	<u>1,885,448</u>	<u>100,816</u>	<u>27,519,692</u>
Capital assets, being				
Depreciated:				
Buildings and structures	25,465,207			25,465,207
Parking Meters	2,680,094			2,680,094
Furniture equipment and				
vehicles	1,475,799	246,230	32,781	1,689,248
Improvements other than				
buildings	<u>4,069,504</u>	<u>                    </u>	<u>                    </u>	<u>4,069,504</u>
Total capital assets, being				
depreciated	<u>33,690,604</u>	<u>246,230</u>	<u>32,781</u>	<u>33,904,053</u>
Less accumulated				
depreciation for:				
Buildings and structures	9,372,651	916,575		10,289,226
Parking Meters	1,912,044	512,034		2,424,078
Furniture, equipment				
and vehicles	828,750	235,911	24,585	1,040,076
Improvements other				
than buildings	<u>1,715,656</u>	<u>83,046</u>	<u>                    </u>	<u>1,798,702</u>
Total accumulated				
depreciation	<u>13,829,101</u>	<u>1,747,566</u>	<u>24,585</u>	<u>15,552,082</u>
Total capital assets, being				
Depreciated, net	<u>19,861,503</u>	<u>(1,501,336)</u>	<u>8,196</u>	<u>18,351,971</u>
Parking department				
capital assets, net	<u>\$ 45,596,563</u>	<u>\$ 384,112</u>	<u>\$ 109,012</u>	<u>\$ 45,871,663</u>

**CITY OF MIAMI BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2003**  
**(Continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
<b>Convention Center</b>				
Capital assets, not being Depreciated:				
Land	\$ 2,089,371	\$	\$	\$ 2,089,371
Construction in progress	<u>6,324,361</u>	<u>5,684,995</u>	<u>2,073,048</u>	<u>9,936,308</u>
Total capital assets, not Being depreciated	<u>8,413,732</u>	<u>5,684,995</u>	<u>2,073,048</u>	<u>12,025,679</u>
Capital assets, being Depreciated:				
Buildings and structures	153,640,441	784,814	199,080	154,226,175
Furniture equipment and vehicles	<u>5,961,582</u>	<u>1,492,958</u>	<u>653,993</u>	<u>6,800,547</u>
Total capital assets, being depreciated	<u>159,602,023</u>	<u>2,277,772</u>	<u>853,073</u>	<u>161,026,722</u>
Less accumulated depreciation for:				
Buildings and structures	39,792,421	3,782,527		43,574,948
Furniture, equipment and vehicles	<u>4,779,674</u>	<u>271,405</u>	<u>653,992</u>	<u>4,397,087</u>
Total accumulated depreciation	<u>44,572,095</u>	<u>4,053,932</u>	<u>653,992</u>	<u>47,972,035</u>
Total capital assets, being Depreciated, net	<u>115,029,928</u>	<u>(1,776,160)</u>	<u>199,081</u>	<u>113,054,687</u>
Business-type activities Capital assets, net	<u>\$ 123,443,660</u>	<u>\$ 3,908,835</u>	<u>\$ 2,272,129</u>	<u>\$125,080,366</u>

**CITY OF MIAMI BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2003**  
**(Continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
<b>Non-Major</b>				
Capital assets, not being				
Depreciated:				
Land	\$ 3,408,961	\$ _____	\$ _____	\$3,408,961
Capital assets, being				
Depreciated:				
Buildings and structures	13,397,987			13,397,987
Furniture equipment and vehicles	<u>1,886,826</u>	<u>217,151</u>	<u>60,477</u>	<u>2,043,500</u>
Total capital assets, being depreciated	<u>15,284,813</u>	<u>217,151</u>	<u>60,477</u>	<u>15,441,487</u>
Less accumulated depreciation for:				
Buildings and structures	1,646,728	437,561		2,084,289
Furniture, equipment and vehicles	<u>759,301</u>	<u>233,570</u>	<u>56,722</u>	<u>936,149</u>
Total accumulated depreciation	<u>2,406,029</u>	<u>671,131</u>	<u>56,722</u>	<u>3,020,438</u>
Total capital assets, being Depreciated, net	<u>12,878,784</u>	<u>(453,980)</u>	<u>3,755</u>	<u>12,421,049</u>
Non major proprietary capital assets, net	<u>\$ 16,287,745</u>	<u>\$ (453,980)</u>	<u>\$ 3,755</u>	<u>\$15,830,010</u>



**CITY OF MIAMI BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2003**  
**(Continued)**

**Business-type activities:**

Capital assets, not being Depreciated:				
Land	\$ 22,510,131	\$	\$	\$ 22,510,131
Construction in progress	<u>81,060,666</u>	<u>17,568,218</u>	<u>2,384,222</u>	<u>96,244,662</u>
Total capital assets, not Being depreciated	<u>103,570,797</u>	<u>17,568,218</u>	<u>2,384,222</u>	<u>118,754,793</u>
Capital assets, being Depreciated:				
Mains and lines	39,108,115	70,341	22,881	39,155,575
Buildings and structures	199,979,178	784,814	199,080	200,564,912
Meters and hydrants	12,495,010	285,333		12,780,343
Furniture equipment and Vehicles	24,385,205	2,717,326	836,248	26,266,283
Improvements other than buildings	<u>4,069,504</u>			<u>4,069,504</u>
Total capital assets, being depreciated	<u>280,037,012</u>	<u>3,857,814</u>	<u>1,058,209</u>	<u>282,836,617</u>
Less accumulated depreciation for:				
Mains and lines	18,583,012	645,659	73,601	19,155,070
Buildings and structures	53,711,883	5,257,793		58,969,676
Meters and hydrants	6,585,730	871,761		7,457,491
Furniture, equipment and vehicles	15,680,625	1,495,923	827,422	16,349,126
Improvements other than buildings	<u>1,715,656</u>	<u>83,046</u>		<u>1,798,702</u>
Total accumulated depreciation	<u>96,276,906</u>	<u>8,354,182</u>	<u>901,023</u>	<u>103,730,065</u>
Total capital assets, being Depreciated, net	<u>183,760,106</u>	<u>(4,496,368)</u>	<u>157,186</u>	<u>179,106,552</u>
Business type activities capital assets, net	<u>\$ 287,330,903</u>	<u>\$13,071,850</u>	<u>\$ 2,541,408</u>	<u>\$297,861,345</u>

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

**Governmental activities:**

General government	\$ 810,592
Public safety	1,539,920
Transportation	3,908,590
Economic environment	756,050
Human services	1,261
Culture and recreation	995,207
Capital assets held by the government's internal service funds are charged to The various functions based on their usage of the assets	<u>4,155,338</u>

Total depreciation expense – governmental activities \$12,166,958

**Business-type activities:**

Storm water	\$ 57,113
Water and Sewer	1,667,237
Parking	1,753,111
Convention Center Complex	4,053,978
Nonmajor enterprise funds	<u>670,565</u>
Total depreciation expense – business-type activities	<u>\$ 8,184,004</u>

**CITY OF MIAMI BEACH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2003**  
**(Continued)**

**D. Construction commitments**

The City has active construction projects at September 30, 2003, which includes citywide, water, waste water and storm water improvements; as well as a variety of streetscape enhancement projects.

At September 30, 2003, the City had in process various uncompleted construction projects with remaining balances totaling \$51,080,455.

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

Interfund balances at September 30, 2003 consist of the following:

Due From	Due To			Total
	General Fund	M.B. Redevelopment	Internal Service	
General Fund	\$	\$ 4,050	\$	\$ 4,050
Resort Tax		242,255		242,255
M.B. Redevelopment	34,400			34,400
Capital Projects	620,235		21,676	641,911
Other Governmental	150,451		465	150,916
Internal Service		9,604		9,604
	<u>\$ 805,086</u>	<u>\$ 255,909</u>	<u>\$ 22,141</u>	<u>\$ 1,083,136</u>

All 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 system, and (3) payment between funds are made.

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Interfund transfers for the year ended September 30, 2003 consisted of the following:

Transfer From	Transfer To						Total
	General Fund	Resort Taxes	MB Redevelopment	Capital Projects	Other Governmental	Other Enterprise	
General Fund	\$	\$	\$	\$ 175,711	\$ 5,959,300	\$	\$ 6,135,011
Resort Taxes	16,318,450		2,015,326	564,803	1,903,118		20,801,697
M.B. Redevelopment				4,337,483	16,651,821		20,989,304
Capital Projects			1,790,316		229,554		2,019,870
Other Governmental		5,340,613		256,047	315,512		5,912,172
Storm Water					10,970	381,542	392,512
Water & Sewer					5,972		5,972
Parking	550,000				1,338,554		1,888,554
Other Enterprise					53,428		53,428
Internal Service	2,474,022				69,472		2,543,494
	<u>\$ 19,342,472</u>	<u>\$ 5,340,613</u>	<u>\$ 3,805,642</u>	<u>\$ 5,334,044</u>	<u>\$ 26,537,701</u>	<u>\$ 381,542</u>	<u>\$ 60,742,014</u>

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 expand them; (2) move receipts restricted to debt services from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

In the year ended September 30, 2003, the City made a one-time transfer of \$16,318,450 to the General Fund to support Beach Patrol and other tourism related citywide expenditure, such as Cultural Arts Council, Police, Fire and the South Beach area enhancements.

**F. Leases**

**1. Operating Leases**

The City serves as the lessor for tenants leasing various building, office and retail facilities. The tenant leases are considered operating leases, which expire at various dates through fiscal year 2049. Future minimum lease receivables under the operating leases at September 30, 2003, are as follows:

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

<u>September 30</u>	Governmental Operating <u>Leases</u>	Business Type Operating <u>Leases</u>
2004	\$ 869,369	\$ 425,000
2005	803,272	425,000
2006	601,996	425,000
2007	97,169	425,000
2008	97,169	425,000
2009 and thereafter	<u>731,250</u>	<u>16,674,997</u>
	<u>\$3,200,225</u>	<u>\$18,799,997</u>

The Miami Beach Redevelopment Agency serves as the lessor for tenants leasing various retail facilities. The tenant leases are considered operating leases, which expire at various dates through fiscal year 2015. Future minimum lease receivables under the operating leases at September 30, 2003, are as follows:

<u>September 30</u>	Operating <u>Leases</u>
2004	\$ 656,374
2005	656,374
2006	656,374
2007	656,374
2008	648,571
2009 and thereafter	<u>2,182,423</u>
	<u>\$5,456,490</u>

On June 24, 1983, the City and the Miami Beach Redevelopment Agency entered into a 30-year net operating lease (the Lease) expiring on December 31, 2014, with Carner-Mason Associates, Ltd. (Carner-Mason) to construct, develop and operate the Miami Beach Marina (the Marina). The Lease provides for three 10-year renewal options at the same lease terms. Rent under the Lease equals the minimum annual guaranteed rent, as defined in the Lease. The lease further requires the lessee to pay all operating and maintenance expenses of the Marina. As provided by the third amendment to the Lease, dated May 27, 1997, the operating lease is now held by the Miami Beach Marina Associates, Ltd. Approximate minimum annual guaranteed rent payments to be received under the Marina lease at September 30, 2003 is as follows:

<u>September 30</u>	Operating <u>Leases</u>
2004	\$ 120,000
2005	120,000
2006	120,000
2007	120,000
2008	120,000
2009 and thereafter	<u>750,000</u>
	<u>\$1,350,000</u>

**2. Ground Lease**

The Miami Beach Redevelopment Agency is the lessor in an agreement with a development company in which the Miami Beach Redevelopment Agency leases the land on which the Loews Hotel is located. The lease is an operating lease which commenced on December 24, 1998, and expires on December 24, 2098. Future minimum lease receivables under the operating leases at September 30, 2003, are as follows:

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

<u>September 30</u>	<u>Operating Leases</u>
2004	\$ 500,000
2005	500,000
2006	500,000
2007	500,000
2008	500,000
2009 and thereafter	<u>45,125,000</u>
	<u><u>\$47,625,000</u></u>

**3. Capital Lease**

The City is obligated under capital leases for parking meters, whose leases expire on December 18, 2003, February 12, 2004, February 18, 2004, and August 25, 2004, respectively. At September 30, 2003, the gross amount of parking meters and related accumulated amortization recorded under capital leases are \$2,560,169 and \$2,304,152 respectively. Amortization of these assets held under capital leases is included with depreciation expense. The future minimum lease obligation and the net present value of the minimum lease payments as of September 30, 2003 is as follows:

<u>Year Ending September 30</u>	<u>Capital Leases</u>
2004	244,335
Less: amount representing interest	<u>3,758</u>
Present value of net minimum capital lease payments	<u><u>\$ 240,577</u></u>

**G. Long-Term debt**

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

The City issues general obligation bonds to provide funds for the acquisition, construction and improvements of major capital facilities. General obligation bonds have been issued for governmental activities. The amount of outstanding general obligation bonds issued is \$107,465,000.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds are generally issued as 20-year serial bonds. The General Obligation Bonds outstanding at September 30, 2003 consist of the following:

<u>Issue Name</u>	<u>Interest Rates</u>	<u>Year Issued</u>	<u>Final Maturity</u>	<u>Original Issue</u>	<u>Outstanding 9/30/03</u>
General Obligations – Series 1996	3.70-4.50	1997	2007	\$ 15,000,000	\$ 8,375,000
1985B Gulf Breeze	4.55-5.40	2000	2013	15,910,000	14,060,000
1985E Gulf Breeze	5.50-5.80	2000	2020	14,090,000	14,090,000
General Obligations – Series 2003	2.00-5.25	2003	2033	<u>62,465,000</u>	<u>62,465,000</u>
Total General Obligation Bonds				<u><u>\$ 107,465,000</u></u>	<u><u>\$ 98,990,000</u></u>

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

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

Fiscal Year Ending September 30	General Obligation Bonds Governmental Activities		
	Principal	Interest	Total
2004	\$ 5,515,000	\$ 4,665,755	\$ 10,180,755
2005	5,975,000	4,147,151	10,122,151
2006	6,060,000	3,889,277	9,949,277
2007	2,820,000	3,722,834	6,542,834
2008	2,535,000	3,615,557	6,150,557
2009-2013	13,575,000	16,499,936	30,074,936
2014-2018	16,985,000	12,989,206	29,974,206
2019-2023	17,445,000	8,246,118	25,691,118
2024-2028	12,530,000	5,181,044	17,711,044
2029-2033	15,550,000	2,160,225	17,710,225
	<u>\$ 98,990,000</u>	<u>\$ 65,117,103</u>	<u>\$164,107,103</u>

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

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

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

2. Special Obligation Bonds – Governmental Activities

At September 30, 2003 the outstanding principal of special obligation bond issues and repayment sources were as follows:

Issue Name	Repayment Source	Total Outstanding Principal
1996 Resort Tax Revenue Refunding Bonds	2% Resort Tax	\$ 3,495,000
1985B Gulf Breeze Fixed rate	Annual Appropriation	2,090,000
1985C Gulf Breeze Fixed rate	Annual Appropriation	13,530,942
1985E Gulf Breeze Fixed rate	Annual Appropriation	21,575,000
1994 Sunshine State VRDS	Annual Appropriation	5,835,000
1994 Pension Obligation Bonds	Annual Appropriation	44,905,000
1989 Tax Increment Revenue Bonds	RDA Tax Increment Revenue	1,535,000
1993 Tax Increment Revenue Bonds	RDA Tax Increment Revenue	20,660,000
1996 Tax Increment Revenue Bonds	RDA Tax Increment Revenue	40,645,000
1998 Tax Increment Revenue Bonds	RDA Tax Increment Revenue	35,120,000
Total Special Obligation Bonds		<u>\$189,390,942</u>

**CITY OF MIAMI BEACH, FLORIDA**  
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On March 1995 the City issued \$57,710,000 in taxable Series 1994 Special Obligation Bonds for the purpose of eliminating the unfunded pension liability of three of the City's pension systems. The Series 1994 bonds were issued with interest rates of 6.60% to 8.82% payable in annual installments through 2021. Indebtedness from this issue at September 30, 2003 is \$44,905,000.

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

**Loan Pool**

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

A portion of the Gulf breeze 1985 C outstanding debt relates to the construction of a Parking Garage. The Parking Enterprise Fund includes an outstanding amount of \$7,704,058 that relates to this debt.

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

**DEBT SERVICE REQUIREMENTS - SPECIAL OBLIGATION BONDS**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 6,874,686	\$ 12,969,778	\$ 19,844,464
2005	7,079,732	12,524,646	19,604,378
2006	6,646,592	12,063,456	18,710,048
2007	7,064,824	11,644,000	18,708,824
2008	7,498,056	11,195,925	18,693,981
2009-2013	45,411,550	47,939,578	93,351,128
2014-2018	56,040,502	30,356,076	86,396,578
2019-2023	52,775,000	9,346,293	62,121,293
	<u>\$189,390,942</u>	<u>\$ 148,039,752</u>	<u>\$ 337,430,694</u>

**CITY OF MIAMI BEACH, FLORIDA**  
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3. Revenue bonds

a. Parking Fund

The Parking Revenue Fund had the following changes in its current and Long-Term debt outstanding for the year ended September 30, 2003:

<u>Indebtedness</u>	<u>Balance 10/1/02</u>	<u>Debt Repaid</u>	<u>Balance 9/30/03</u>
Special Obligation Bonds and loan	<u>\$ 35,163,046</u>	<u>\$ 1,268,988</u>	<u>\$ 33,894,058</u>

Parking Revenue Fund indebtedness at September 30, 2003, is comprised of the following issued indebtedness:

\$10,795,000	1996 Special Obligation Refunding Bonds due in annual installments through 2009: interest at 3.2% and 5.0%	<u>\$ 5,455,000</u>
\$21,000,000	1997 Special Obligation Bonds due in annual installments through 2022: interest at 4.00% - 5.125%	<u>\$ 20,735,000</u>
\$ 8,143,046	2001 Gulf Breeze Loan Pool due in annual installments through 2015: interest at 3.875% - 4.75%	<u>\$ 7,704,058</u>

The aggregate maturities of Long-Term Debt at September 30, 2003, are as follows:

<u>Year Ending September 30</u>	<u>Bonded Debt</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 1,325,314	\$ 1,645,286	\$ 2,970,600
2005	1,380,268	1,586,530	2,966,798
2006	1,443,408	1,524,259	2,967,667
2007	1,510,176	1,458,821	2,968,997
2008	1,576,944	1,390,054	2,966,998
2009-2013	9,068,450	5,761,512	14,829,962
2014-2018	9,889,498	3,350,531	13,240,029
2019-2022	<u>7,700,000</u>	<u>1,010,907</u>	<u>8,710,907</u>
	33,894,058	17,727,900	51,621,958
Less: Unamortized Bond Discount	<u>728,069</u>		<u>728,069</u>
	<u>\$ 33,165,989</u>	<u>\$ 17,727,900</u>	<u>\$ 50,893,889</u>

b. Water and Sewer Fund

The Water & Sewer Fund issued \$59,060,000 in Water and Sewer Revenue Bonds, Series 1995, on June 8, 1995. The bonds will be repaid solely from pledged revenues of the Water and Sewer system. They are registered transcripts and insured. The bonds were issued to construct various improvements and extensions to the Water and Sewer utility. Indebtedness of the Water and Sewer Fund at September 30, 2003 is as follows:

\$59,060,000	1995 Revenue Bonds Due in annual installments through 2015: Interest at 4.20% - 5.40%	<u>\$ 42,000,000</u>
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The Water & Sewer Fund issued \$54,310,000 in Water and Sewer Revenue Bonds, Series 2001, on September 1, 2001. The bonds will be repaid solely from pledged revenues of the Water and Sewer system. They are registered transcripts and insured. The bonds were issued to construct various improvements and extensions to the Water and Sewer utility.



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Indebtedness of the Water and Sewer Fund at September 30, 2003 is as follows:

\$54,310,000	2000 Revenue Bonds Due in annual installments through 2030: Interest at 5.00% - 5.75%	<u>\$ 54,310,000</u>
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The aggregate maturities of Long-term debt as of September 30, 2003 are as follows:

Year Ending September 30	Bonded Debt		
	Principal	Interest	Total
2004	\$ 2,605,000	\$ 5,183,223	\$ 7,788,223
2005	2,735,000	5,052,972	7,787,972
2006	2,875,000	4,913,488	7,788,488
2007	3,020,000	4,766,143	7,786,143
2008	3,180,000	4,607,594	7,787,594
2009-2013	18,650,000	20,279,931	38,929,931
2014-2018	16,585,000	15,077,826	31,662,826
2019-2023	15,830,000	10,993,075	26,823,075
2024-2028	20,855,000	5,973,337	26,828,337
2029-2030	<u>9,975,000</u>	<u>754,250</u>	<u>10,729,250</u>
	96,310,000	77,601,839	173,911,839
Less: Unamortized Bond Discount	<u>1,254,777</u>		<u>1,254,777</u>
	<u>\$ 95,055,223</u>	<u>\$ 77,601,839</u>	<u>\$172,657,062</u>

c. Storm Water

The Storm Water Fund issued \$52,170,000 in Storm Water Revenue Bonds, Series 2000, on November 7, 2000. The bonds will be repaid solely from pledged revenues of the Storm Water System. They are registered transcripts and insured. The bonds were issued to construct certain improvements to the Storm Water utility. Indebtedness of the Storm Water Fund at September 30, 2003 is as follows:

\$52,170,000	2000 Storm Water Revenue Bonds Due in annual installments through 2030: Interest at 4.5%-5.75%	<u>\$50,465,000</u>
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The aggregate maturities of Long-term debt at September 30, 2003 are as follows:

Year Ending September 30			
	Principal	Interest	Total
2004	\$ 910,000	\$ 2,659,696	\$ 3,569,696
2005	950,000	2,618,746	3,568,746
2006	995,000	2,575,997	3,570,997
2007	1,040,000	2,531,221	3,571,221
2008	1,085,000	2,484,421	3,569,421
2009-2013	6,255,000	11,595,044	17,850,044
2014-2018	8,185,000	9,663,519	17,848,519
2019-2023	10,660,000	7,182,831	17,842,831
2024-2028	13,780,000	4,064,087	17,844,087
2029-2030	<u>6,605,000</u>	<u>537,232</u>	<u>7,142,232</u>
	50,465,000	45,912,794	96,377,794
Less: Unamortized Bond Discount	<u>600,957</u>		<u>600,957</u>
	<u>\$49,864,043</u>	<u>\$45,912,794</u>	<u>\$95,776,837</u>

**CITY OF MIAMI BEACH, FLORIDA**  
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4. Due to Developer

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

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

As of September 30, 2003, the estimated cost of such performance as per the settlement agreement was approximately \$5 million.

5. Loans

The Parking Enterprise Fund purchased an office building which will be reimbursed by the General Fund in the amount of \$4.2 million. The General Fund will reimburse the Parking Enterprise Fund from the net operating income generated from the building's rental tenants. Terms of repayment will be amortized over a nine year period at an assumed interest rate of 3%; actual rate will be set annually to match the City's interest rate of return. At September 30, 2003, the General Fund was indebted to the Parking Enterprise Fund for \$3,821,777.

In October 2001, the City entered into a loan agreement that allows the City to be reimbursed for purchases of machinery and equipment up to a maximum of \$21,000,000. The interest is calculated at funding at ninety day LIBOR rates times 64%, plus spreads for the specified life terms. At September 30, 2003, the City was indebted for \$1,691,596. This indebtedness has been recorded as a liability in the following funds:

Internal Service	\$ 940,898
Other Enterprise	750,698
	<u>\$ 1,691,596</u>

6. Other Obligations

On June 23, 2000, the City issued a Non-ad Valorem Revenue Note, Series 2000, to Florida Power & Light Company ("FPL") in the amount of \$3,941,059 with an annual interest rate not to exceed 4.75 percent. The note is for a ten year period and interest and principal payments of \$248,857 are due on the first day of June and December of each year until June 1, 2009. The City issued the note to finance a contribution to aid construction of an underground electric transmission line within the City limits. At September 30, 2003 the City was indebted for \$2,572,148.

On March 24, 2000, the City issued a Subordinate Resort Tax Revenue Note, Series 2000, to a financial institution in the amount of \$1,294,000 to be used as a line of credit, with an annual interest rate of 4.6%.

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The note is for a five-year period and will be repaid by using one twelfth of the additional 1% Resort Tax revenue. Principal payments are due the first day of December of each year, commencing on December 1, 2000 and ending on December 1, 2003, in the amount of 20% of outstanding principal amount. Interest payments on the outstanding principal balance are due semiannually, which commenced on June 1, 2000. The City may draw from the \$1,294,000 in increments of \$25,000, with a minimum of \$100,000 per draw in order to finance a beautification project. At September 30, 2003, the City was indebted for \$6,144.

On September 27, 2000, the City was granted a \$4,000,000 Section 108 U. S. Housing and Urban Development loan. The City has drawn \$2,042,000 of this loan for improvements to the North Shore Park and Youth Center. At September 30, 2003, \$1,958,000 was available to draw on, and the outstanding balance on the amount drawn was \$1,077,000. The interest rate on this loan is a variable rate (LIBOR plus 20 basis points or .2%)

The aggregate maturities of other long-term obligations at September 30, 2003, is as follows:

<u>Year Ending September, 30</u>	<u>Long-term Obligation</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 746,141	\$ 132,729	\$ 878,870
2005	778,261	99,453	877,714
2006	754,403	80,311	834,714
2007	437,466	60,249	497,715
2008	458,492	39,223	497,715
2009	480,529	17,186	497,715
	<u>\$ 3,655,292</u>	<u>\$ 429,151</u>	<u>\$4,084,443</u>

**7. Changes in long-term liabilities**

Long-term liability activity for the year ended September 30, 2003, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
<b>Bonds payable:</b>					
General obligation	\$ 43,810,000	\$ 62,465,000	\$ 7,285,000	\$ 98,990,000	\$ 5,515,000
Special obligation	196,451,954		7,061,012	189,390,942	6,874,686
Total bonds payable	<u>240,261,954</u>	<u>62,465,000</u>	<u>14,346,012</u>	<u>288,380,942</u>	<u>12,389,686</u>
Due to developer	5,905,146		940,882	4,964,264	2,378,889
Claims and judgments	14,781,000	2,620,092	5,054,092	12,347,000	4,610,000
Compensated absences	12,920,489	2,578,993	2,116,553	13,382,929	1,000,000
Other obligations	3,317,398	1,042,000	704,106	3,655,292	704,107
Loan Payable	1,124,559		183,661	940,898	186,952
Governmental activity Long-term liabilities	<u>\$278,310,546</u>	<u>\$ 68,706,085</u>	<u>\$23,345,306</u>	<u>\$323,671,325</u>	<u>\$21,269,634</u>
<b>Business-type activities:</b>					
Revenue bonds payable	\$185,288,046	\$	\$ 4,618,988	\$180,669,058	\$ 6,874,686
Less deferred amounts:					
For issuance discounts					
On refunding	<u>2,724,897</u>		<u>141,094</u>	<u>2,583,803</u>	<u>141,094</u>
Total bonds payable	<u>182,563,149</u>		<u>4,477,894</u>	<u>178,085,255</u>	<u>7,015,781</u>
Loan Payable	883,518		132,820	750,698	327,038
Capital leases	794,711		554,134	240,577	240,577
Compensated absences	<u>751,750</u>	<u>262,604</u>	<u>156,459</u>	<u>857,895</u>	<u>262,603</u>
Business-type activity Long-term liabilities	<u>\$184,993,128</u>	<u>\$ 262,604</u>	<u>\$ 5,321,307</u>	<u>\$179,934,425</u>	<u>\$ 7,845,999</u>

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The City's internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At September 30, 2003, \$872,448 of internal service funds compensated absences are included in the above amounts.

**8. Restricted assets**

The balances of the restricted asset accounts in the enterprise funds are as follows:

	Storm Water	Water and Sewer	Parking Systems Fund	Convention Center Complex	Other Enterprise Funds	Total
Customer deposits	\$	\$ 5,163,375	\$ 37,474	\$ 1,815,355	\$ 57,440	\$ 7,073,644
Interlocal agreement				10,680,377		10,680,377
Restricted for co-promotions				42,816		42,816
Revenue bonds construction	51,929,489	64,688,683	16,057,854			132,676,026
Revenue bonds current debt service	3,569,696	3,600,000	2,970,600			10,140,296
Revenue bonds future debt service	2,517		1,460,407			1,462,924
Total restricted assets	<u>\$ 55,501,702</u>	<u>\$ 73,452,058</u>	<u>\$ 20,526,335</u>	<u>\$ 12,538,548</u>	<u>\$ 57,440</u>	<u>\$ 162,076,083</u>

**9. Swaption**

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

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

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

**H. Other Information**

**1. Risk Management**

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

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

All-Risk property insurance (exclusive of windstorm coverage) provides coverage for losses to City buildings above various deductible amounts. The City maintains no excess coverage with independent

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insurance carriers for the workers' compensation, general, automobile, police professional and public official liability self-insurance program. Premiums are charged to the respective City funds and determined based on amounts necessary to provide funding for current losses and to meet the required annual payments during the fiscal year. There were no settlements in excess of applicable insurance for the past three years. During fiscal year 2003, there were no significant changes in insurance premiums.

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

The following are the changes in the funds' claims liability amount during fiscal year 2003 and 2002 respectively:

	<u>2003</u>	<u>2002</u>
Unpaid claims, beginning of year	\$ 14,781,000	\$ 13,711,000
Incurred claims (includes incurred but not reported claims)	2,620,092	6,148,235
Less: claim payments	<u>5,054,092</u>	<u>5,078,235</u>
Unpaid claims, end of year	<u>\$ 12,347,000</u>	<u>\$ 14,781,000</u>

**2. Significant Commitments and Contingencies**

- a. The City, in the normal course of operations, is a party to various other actions in which plaintiffs have alleged certain damages. In all cases, management does not believe the disposition of these matters will materially affect the financial position of the City.
- b. The City participates in a number of Federal and State assisted grant programs, which are subject to financial and compliance audits. Audits for these programs are to be conducted at a future date, and the City expects the amount, if any, of the expenditures which may be disallowed by the granting agency to be immaterial.
- c. The Agency has committed to provide the developers of two hotels certain incentives. The Request for Proposal originally called for a \$60 million incentive for which \$10 million was designated for the development of a hotel, which requires African American majority ownership. The Agency issued \$108 million in bonds of which \$100 million has been spent for land acquired for both hotels, related hotel agreement negotiations, and construction of an 800 space parking facility for the hotels. The remaining \$18 million will be used to construct a boardwalk, sidewalk and streetscape improvements, the acquisition of property for development and construction of a cultural center facility, and restoration of the Colony Theater. This commitment is in addition to the incentive to be provided to the developers.
- d. The City believes it is in compliance with all material terms of bond indenture agreements, contracts, and federal, state and local laws and regulations.

**3. Post Retirement Benefits**

The City paid \$4,194,169 for health, life and dental insurance coverage for its 867 participating retirees and beneficiaries during the fiscal year ended September, 30, 2003. Under City ordinances, retirees are entitled to 50% of the cost of health, life and dental insurance to be paid by the City. These expenditures are considered current costs and no provision for future funding has been made.

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4. Employee retirement

a. Retirement System For General Employees

i. Plan Description

All full-time employees of the City, who work more than 30 hours per week and hold classified positions, except for Policemen and Fireman, are covered by the City's General Employees Retirement System (the "Plan"). A classified employee is one who is employed by the City on a regular basis, receives compensation from the City for personal services, and who is within a group or classification of employees designated by the Board of Trustees as eligible for membership in the Plan. The Plan is the administrator of a Single-Employer Defined Benefit Plan that was established by the City under Ordinance No. 1901 on November 1, 1971, as amended through January 10, 1996. At October 1, 2002 and 2001, membership consisted of the following:

	<u>2002</u>	<u>2001</u>
Retired and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	<u>910</u>	<u>929</u>
Current employees	<u>535</u>	<u>506</u>

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

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

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

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

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

ii. Funding Policy, Contributions Required and Contributions Made

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates are determined using the entry age actuarial cost method. The Plan also uses the level percentage of payroll method to amortize any unfunded actuarial accrued liability over a 15-year period.

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

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

The Plan uses the following actuarial valuations:

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

For the year ended September 30, 2003, the City was not required to make any contributions to the Plan in accordance with actuarially determined requirements computed through an actuarial valuation performed as of October 1, 2002. For the year ended September 30, 2003, the employees contributed \$2,450,573 which represents 10.82% of covered payroll.

Effective with the Actuarial Valuation Report performed as of October 1, 2002, an employee transferring after September 30, 2002 from the Unclassified Employees and Elected Retirement System to the General Employee Retirement System will have transferred the actuarially determined accumulated benefit obligation that he or she has accrued. The amount of each accumulated benefit obligation of each such transferee will be determined by the actuarial valuation report as of October 1, and will be transferred during the fiscal year ended September 30. Conversely, an employee transferring from the General Employee Retirement System to the Unclassified Employees and Elected Retirement System will have transferred to Unclassified Retirement System the actuarially determined accumulated benefit obligation that he or she has accrued. The net amount due as a result of such transfer should be paid, or received, by the General Employee Retirement System. The Boards of both systems have agreed to this policy. Prior to this policy, when an employee transferred between systems only his or her contribution to the Plan was transferred.

iii. Trend Information

Trend information indicates the progress made in accumulating sufficient assets to pay benefits when due. An analysis of funding progress for the fiscal year ended September 30, 2003, for the Retirement System for General Employees is as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Annual Required</u> <u>Contribution - City</u>	<u>Percentage</u> <u>Contributed</u>
2001	-	N/A
2002	-	N/A
2003	-	N/A

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b. Retirement System For Unclassified Employees and Elected Officials

i. Plan Description

All elected officials and full-time employees of the City who have unclassified positions and who do not have civil service status are covered by the City's Unclassified Employees and Elected Official Retired System Plan (the "Plan"). The Plan is the administrator of a Single-Employer Defined Benefit Pension Plan that was established by the City in accordance with City Ordinance No. 88-2603. (the "ordinance"), as amended through February 19, 1997. At October 1, 2002 and 2001, membership consisted of the following:

	<u>2002</u>	<u>2001</u>
Retired and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	<u>154</u>	<u>147</u>
Current employees	<u>116</u>	<u>114</u>

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

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

All covered employees are required by ordinance to contribute 10% of their salary to the Plan. Employee contributions include buybacks.

ii. Funding Policy, Contributions Required and Contributions Made

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates are determined using the entry age actuarial cost method. There is no unfunded actuarial accrued liability at October 1, 2002, as of the latest actuarial report.

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



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The Plan uses the following actuarial valuations:

Actuarial Cost Method	Frozen Entry age
Actuarial Asset Valuation Method	5 years smoothed market
Actuarial Assumptions:	
Investment rate of return	9%
Projected salary increases	6%
Inflation	4%
Cost of living adjustment (COLA)	1.5%

The Plan uses the aggregate actuarial cost method which does not identify or separately amortize unfunded actuarial liabilities.

For the year ended September 30, 2003, the City was not required to make any contributions to the Plan in accordance with actuarially determined requirements computed through an actuarial valuation performed as of October 1, 2002. For the year ended September 30, 2003, the employees contributed \$847,803, which represents 11.02% of covered payroll.

Effective with the Actuarial Valuation Report performed as of October 1, 2002, an employee transferring after September 30, 2002 from the General Employee Retirement System to the Unclassified Employee and Elected Official Retirement System will have transferred the actuarially determined accumulated benefit obligation that he or she has accrued. The amount of accumulated benefit obligation of each such transferee will be determined by the actuarial valuation report as of October 1, and will be transferred during the fiscal year ended September 30. Conversely, an employee transferring from the Unclassified Employees and Elected Officials Retirement System to the General Employee Retirement System will have transferred to General Employees Retirement System the actuarially determined accumulated benefit obligation that he or she has accrued. The net amount due as a result of such transfer should be paid, or received, by the Unclassified Employees and Elected Officials Retirement System. The Boards of both systems have agreed to this policy. Prior to this policy, when an employee transferred between systems only his or her contribution to the Plan was transferred.

iii. Trend Information

Trend information indicates the progress made in accumulating sufficient assets to pay benefits when due. An analysis of funding progress for the fiscal year ended September 30, 2003, for the Retirement System for Non-Civil Service Employees is as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Annual Required</u> <u>Contribution - City</u>	<u>Percentage</u> <u>Contributed</u>
2001	-	N/A
2002	-	N/A
2003	-	N/A

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c. Retirement System for Firefighters and Police Officers

i. Plan Description

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

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

At October 1, 2002 and 2001, the plan membership consisted of the following:

	As of October 1, 2002	As of October 1, 2001
Active Members	506	510
Deferred Vested Members	9	11
Retired Members:		
a. Service	335	316
b. Disabled	56	60
c. Beneficiaries	81	79
	472	455
Total	987	976

ii. Funding Policy, Contributions Required and Contributions Made.

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

The contributions to the Plan for the year ended September 30, 2003, of \$13,014,855 were made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of October 1, 2002. The contributions consisted of \$13,014,855 normal cost (34% of current covered payroll). The City contributed \$8,577,326 (22.4% of current payroll and employees contributed \$4,437,529 (11.6% of current covered payroll) including buybacks of \$611,671 and transfers of \$10,301.

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

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The Plan uses the following actuarial valuations:

Actuarial Cost Method	Entry age
Amortization Method	Level percentage of payroll
Remaining amortization period	29 – 30 years
Asset Valuation Method	5-year average market
Actuarial Assumptions:	
Investment rate of return	8.5%
Projected salary increases	4.53% - 10.17%
*Includes inflation at:	3.5%
Cost of living adjustment	2.5%

iii. Trend Information

Trend information indicates the progress made in accumulating sufficient assets to pay benefits when due. An analysis of funding progress for the fiscal year ended September 30, 2003, for the Retirement System for Fire Fighters and Police Officers is as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Annual Required</u> <u>Contribution - City</u>	<u>Percentage</u> <u>Contributed</u>
2001	\$ 733,425	100%
2002	3,510,328	100
2003	8,577,326	100

d. Defined Contribution Retirement Plan-401(A)

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

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

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

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

Plan information as of and for the fiscal year ended September 30, 2003 is a follows:

Members in the Plan	403
City's contribution	\$1,882,251
Percentage of covered payroll	10.39%
Employees' contribution	2,282,984
Percentage of covered payroll	12.61%

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e. Financial Statements

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

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

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

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