



TOWN OF SURFSIDE, FLORIDA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2004

**Town of Surfside, Florida**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2004

Prepared by:  
Town of Surfside  
Finance Department

**TOWN OF SURFSIDE, FLORIDA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2004**  
**TABLE OF CONTENTS**

<b>INTRODUCTORY SECTION</b>	<u>Page</u>
Letter of Transmittal	i
Town Officials	vii
Town Government Structure	viii
<b>FINANCIAL SECTION</b>	
<b>Independent Auditor' Report</b>	1
<b>Management Discussion and Analysis</b>	3
<b>Basic Financial Statements</b>	
Government-wide Financial Statements	
Statement of Net Assets	15
Statement of Activities	16
Fund Financial Statements	
Balance Sheet - Governmental Funds	18
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	20
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	23
Statement of Net Assets - Proprietary Fund	24
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds	26
Statement of Cash Flows - Proprietary Funds	28
Statement of Fiduciary Net Assets - Fiduciary Fund	32
Statement of Changes in Fiduciary Net Assets - Pension Trust Fiduciary Fund	35
Notes to the Financial Statements	35
<b>Required Supplementary Information</b>	
Retirement Plan Schedules	
Schedule of Funding Progress	54
Schedule of Employer Contributions	55
Notes to Required Supplementary Information	56
<b>Combining Financial Statements</b>	
Combining Balance Sheet - Nonmajor Governmental Funds	58
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	60
Budgetary Comparisons Schedules	
Schedule of Revenues and Expenditures Compared to Budget - General Fund	62
Schedule of Revenues and Expenditures Compared to Budget - Special Projects Fund	63
Schedule of Revenues and Expenditures Compared to Budget - Police Forfeiture Fund	64
Notes to Budgetary Comparison Schedules	65

**TOWN OF SURFSIDE, FLORIDA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2004**

**TABLE OF CONTENTS (continued)**

**STATISTICAL SECTION**

<u>Table</u>	<u>Page</u>
<b>Government-Wide Information</b>	
1. Government-Wide Expenses by Function - Current Fiscal Year	66
2. Government-Wide Revenues - Current Fiscal Year	68
<b>Fund Information:</b>	
3. General Governmental Expenditures by Function	70
4. General Governmental Expenditures by Department	72
5. All Governmental Revenues by Source	74
6. Property Tax Levies and Collections	76
7. Assessed Value of Taxable Property	77
8. Property Tax Rates - Direct and Overlapping Governments	78
9. Property Value and Construction	79
10. Special Assessments Billings and collections	80
11. Principal Taxpayers - Real Property	81
12. Principal Taxpayers - Personal Property Taxes	82
13. Miscellaneous Statistical Data	83

**OTHER REPORTS OF INDEPENDENT AUDITOR**

Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on An Audit of Financial Statements Performed in Accordance with Government Auditing Standards	84
Independent Auditor's Report to Town Management	86
Town of Surfside Reply to Independent Auditor's Report To Town Management	89

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LETTER OF TRANSMITTAL

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## TOWN OF SURFSIDE

MUNICIPAL BUILDING  
9293 HARDING AVENUE  
SURFSIDE, FLORIDA 33154  
TELEPHONE: (305) 861-4863  
FACSIMILE: (305) 861-1302

April 28, 2005

**TIMOTHY WILL**  
MAYOR

Honorable Mayor Timothy Will  
Vice Mayor Frank MacBride  
Commissioners Orestes Jimenez  
Ruben Coto, and Steven Levine  
Residents of Town of Surfside, Florida

**FRANK MACBRIDE**  
VICE MAYOR

We are pleased to present the Comprehensive Annual Financial Report (the "CAFR") of the Town of Surfside, Florida ("Town") as of and for the fiscal year ended September 30, 2004. State law requires that all general purpose local governments publish within one year of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States (GAAP), and audited in accordance with generally accepted auditing standards and government auditing standards by licensed certified public accountants. Additionally, Section 33 of the Town Charter requires that qualified public accountants will make an independent audit of accounts for submission to the Town Commission. In fulfillment of these requirements, the Town of Surfside's Comprehensive Annual Financial Report as of and for the fiscal year ended September 30, 2004, is presented for your consideration and review.

**ORESTES JIMENEZ**  
COMMISSIONER

**RUBEN COTO**  
COMMISSIONER

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Town Management. We believe the enclosed information as presented is accurate in all material respects, that it is presented in a manner designed to present fairly the financial position and results of the operations of the Town, on a Government-wide and Fund basis. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed to safeguard Town assets from loss, theft, misappropriation and to compile sufficient reliable information for the preparation of the Town's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town of Surfside's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

**STEVEN LEVINE**  
COMMISSIONER

**TOWN OFFICIALS:**

**JEFF SMOLANSKY**  
TOWN MANAGER

All disclosures necessary to enable the reader to gain an understanding of the Town's financial activities have been included.

**BEATRIS ARGUELLES**  
TOWN CLERK

**STEPHEN H. CYPEN**  
TOWN ATTORNEY

The Town of Surfside's financial statements have been audited by A.M. Jones, C.P.A., P.A., a licensed certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Surfside for the fiscal year ended September 30, 2004, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting

principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town of Surfside's financial statements as of and for the fiscal year ended September 30, 2004, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the Financial Section of this report, (Page 1).

This year, the Town undertook the extensive task of implementing Statement Number 34 of the Governmental Accounting Standards Board, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The basic structure of the financial statements has changed significantly. Among the changes is the inclusion of new government-wide financial statements intended to provide a broad overview of the Town's finances in a manner similar to private sector accounting. Management's Discussion and Analysis (MD&A) is a narrative introduction, overview, and analysis provided by management accompanying the basic financial statements.

The report contains four sections, namely the introductory section, the financial section, required supplementary information, and the statistical section. Listed below is a summary of each section and the information presented.

- The introductory section includes the table of contents, a listing of Town officials, the Town's organization chart and this letter of transmittal.
- The financial section contains the auditor's report, management's discussion and analysis (MD&A), the entity-wide financial statements and separate fund statements for governmental activities, proprietary activities and trust and agency funds. It also includes the notes to the financial statements which provide additional information related to the financial statements.
- The required supplementary information includes budget information, retirement plan information, and combining financial statements for the nonmajor governmental funds.
- The statistical sections contain various schedules detailing comparative and trend information on the Town's revenues, expenditures, taxes, debt, population and other pertinent information.

This letter of transmittal is designed to complement the Management's Discussion and Analysis (MD&A) and should be read in conjunction with that analysis. The Town's MD&A can be found immediately following the independent auditor's report on the basic financial statements.

## **REPORTING ENTITY AND ITS SERVICES**

### **The Primary Government**

The Town's Charter was adopted under the provisions of Chapter 27914, Laws of Florida, in 1951. The Town is governed by an elected Mayor and four-member Board of Commissioners. The Town Mayor and Commission develop legislation and policies to direct the Town, but employs a professional Town Manager who implements Town policies and administers them on a full-time basis. The Mayor, elected to a two-year term, acts as the formal representative of the Town and presides over the Commission meetings. The public elects four City Commissioners who serve two-year terms.

The Town provides a broad range of municipal services to its approximately 5,000 residents. These services include general government, public safety, physical environment, a library, water and sewer utilities, solid waste collection, stormwater utility services, parks and recreation, tourism development, transportation, and general administrative.

For financial planning and control, the Town prepares and adopts an annual operating budget in accordance with Florida Statutes. The Town Manager presents a proposed budget to the Town Commission, after having reviewed and revised budget requests from all departments. The Commission holds two public hearings to receive public comment prior to adopting the final budget and tax millage. The budget is adopted prior to September 30. The department is the legal level of budgetary control. The Town Commission must approve all supplemental appropriations and any transfers of appropriations between departments. Budget-to-actual comparisons are provided in this report for certain individual governmental funds including the General Fund and the major governmental funds for which an appropriated annual budget has been adopted. These comparisons are presented in the Required Supplementary Information following the notes to the basic financial statements.

#### **ECONOMIC CONDITION AND OUTLOOK**

The Town of Surfside is a small, prestigious community situated on the Atlantic Ocean with Biscayne Bay to the west, Miami Beach to the south and Bal Harbour Village to the north. The Town is primarily a residential community and offers commercial development such as a downtown shopping district, restaurants, and tourist lodgings. The Town of Surfside continues to maintain its financial stability while providing the quality service level known and expected by the community.

During the past year there have been some noteworthy events in the Town that have or will have a positive impact on the area:

- The completion of the water park at the Community Center.
- Removal of vegetation and restoration of the beach dunes.
- The beginning of the renovations of Wachovia Bank.
- Improvements to the Town's sanitary system.
- Improvement and beautification of beach street end mini-parks. (Paid for by developers).
- Construction in progress on two prestigious luxury condominiums.
- Commencement of the installation of additional traffic calming devices in the residential area.
- Improvement and beautification of the right of way abutting the multifamily and commercial construction projects. (Paid for by developers).
- Acquisition of a new circulator bus.
- Expansion of the community recreation programs.
- The passage of a Charter Amendment giving the Town voters the voice on height and density zoning changes.

The renovations and improvements of the hotels along with the construction of prestigious condominiums, and new businesses, are an indication of the very positive economic environment of the Town. These meaningful upgrades in the Town have a combined impact of increasing the number of permanent and seasonal residents in the Town, and enhancing the walking traffic in the commercial district. This heightens business in the restaurants, retail stores, and all commercial and service areas. These advantageous trends for the Town exhibit signs of continuing in future years.

While growth in the geographic area is restricted, enhancement of property values and the quality of life are advancing steadily. Remodeling of private residences is taking place at a rapid pace. Building permit valuation was high again this year. The Town issued 1,120 building permits with a valuation of approximately \$45.7 million during the fiscal year ended September 30, 2004. The continuing influx of families is further evidence of an even higher quality of life, which is available to residents of the Town.

As mentioned above, new and prestigious condominiums are being constructed while hotels and motels continue to renovate and improve their facilities.

Tourism continues to flourish in the remaining hotel and motel properties, spurred by extensive renovations of almost all of the buildings. The Town resort tax collections provide funds for advertising, promotion of this tourism, and contribute to the maintenance of the community center. The community center continues to be a focal point of the Town. Meaningful events are presented at the center throughout the year which serve to unite the residents of our fine community.

One of the Town of Surfside's great success stories has been the creation of a beautiful and popular district for dining, shopping, and conducting business of all kinds. Over the last few years the Town of Surfside has developed one of Florida's premier "restaurant rows," with superb and reasonably priced food from around the globe.

With a wide array of shopping and business opportunities, and a beautiful tropical setting, the Surfside Business and Shopping District is a favorite place for residents and visitors of all ages.

Ample, reasonably priced parking is available throughout the District. There are numerous on-street parking spaces and several public parking lots surround the Business and Shopping District. Public transportation is available to and from the Business and Shopping District. The Town's own circulator bus service runs throughout Town of Surfside for the convenience of and at no cost to our residents and guests.

The economic condition of the Town during the past year was good, and the outlook is positive. Property tax values and revenues both grew during the year ended September 30, 2004.

The Town, itself, is in very sound financial condition. It has no long-term debt. It has a substantial non-allocated general fund reserve, and, has approximately \$2.28 million in a special projects fund. The fund balance of this fund is designated for special projects, mainly capital, which have to be approved by the Town Commission. The improvements and renovations to the Town Hall have been financed, mainly, by this special projects fund.

The capital projects challenges in the future will be to maintain our past capital investments and to continue to make sound decisions on the future investments needed to maintain the quality of life for all of our residents and visitors. The Town officials are committed to meet these challenges while maintaining the high level of service that our residents have come to expect. The capital improvement plan is reviewed each year to make the difficult decisions necessary to assure that resources are utilized in the most efficient and effective way possible.

Additionally, Town officials are evaluating significant upgrades to the Town's infrastructure. Renovations and improvements to the Community Center, water and sewer system, landscaping projects, and other infrastructure enhancements are included in the capital projects being considered.

#### **Cash Management and Investments**

The Town has adopted a cash management policy that is conservative and emphasizes, in order of priority, capital preservation, adequate liquidity, and maximization of total return. To ensure the safety of the Town's funds, all investments are with depositories that are qualified under Florida law and thus are fully collateralized in accordance with Chapter 280 of the State Statutes. All monies invested, except those held by the pension fund, are invested in the State of Florida Investment Pool for Local Governments. The annual yield on the invested funds at this State Investment Pool was 1.7% as of September 30, 2004, compared with a range of .1 for operating accounts, and 1.1% for money market accounts at a qualified public depository.

The Retirement Plan for Employees of the Town of Surfside has its own investment policy appropriate to its longer-term perspective, and allows for positions in investment-grade debt and corporate stocks.

#### **Risk Management**

The Town participates with other municipalities and governmental units in a public entity risk pool administered by the Florida League of Cities Public Risk Services known as the Florida Municipal Insurance Trust (FMIT). The Town pays annual premiums to the FMIT for its general liability insurance, commercial real and personal property, including electronic data processing equipment, automobiles, liability, and physical damage insurance coverage.

The Town also participates in the Florida League of Cities public risk pool known as the Florida Municipal Self Insurers Fund (FMSIF) to which it pays annual premiums for its workers' compensation insurance. The agreement with these public risk pools provide that the pools will be self-sustaining through member premiums and will reinsure through commercial companies for workers' compensation and liability insurance for claims in excess of \$1,000,000. All policies are issued FMIT and FMSIF on a non-assessable basis.

#### **Employee Retirement System**

The Town maintains a defined benefit pension plan for its general and police department employees. Each year, independent actuaries engaged by the Pension Board calculate the amount of the annual required contribution (ARC) that the Town must make to the defined benefit pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, the Town funds 100% of each year's ARC to the defined benefit pension plans as determined by their actuaries. There was no required ARC for the fiscal year ended September 30, 2004; however, the Town made a voluntary contribution of \$102,410 to the retirement plan for the fiscal year ended September 30, 2004. All employees currently contribute either 5% or 6% of their compensation for benefit rates 2% and 2.5%, respectively.

The Town Commission adopted an Ordinance which provides for an annual 1.5% Cost of Living Adjustment (COLA) for all current and future retirees effective January 1, 2004.

A more detailed discussion of the Town's pension plan can be found in Note 8 of the Notes to the Financial Statements.

**Acknowledgments**

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the finance and administrative departments. These departments have our sincere appreciation for the contributions made in the preparation of this report.

We would like to extend our thanks to the Town Mayor and Town Commissioners. The financial responsibility exhibited by the Mayor and Commissioners throughout the year is certainly commendable. Their leadership, support, and continuing interest in the fiscal matters combined with a commitment to assure continued sufficient financial capacity are very much appreciated.

For further information, please refer to the Management's Discussion and Analysis section of this report.

Sincerely,



Jeff Spolansky  
Town Manager



Bella Carcasses  
Accounting Manager

**TOWN OF SURFSIDE, FLORIDA**  
**Listing of Elected and Appointed Officials**  
**Fiscal Year Ended September 30, 2004**

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**TOWN COMMISSION**

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Timothy Will, Mayor

Frank MacBride, Vice Mayor

Ruben Coto, Commissioner

Orestes Jimenez, Commissioner

Steven Levine, Commissioner

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**Appointed Officials**

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Jeff Smolansky, Town Manager

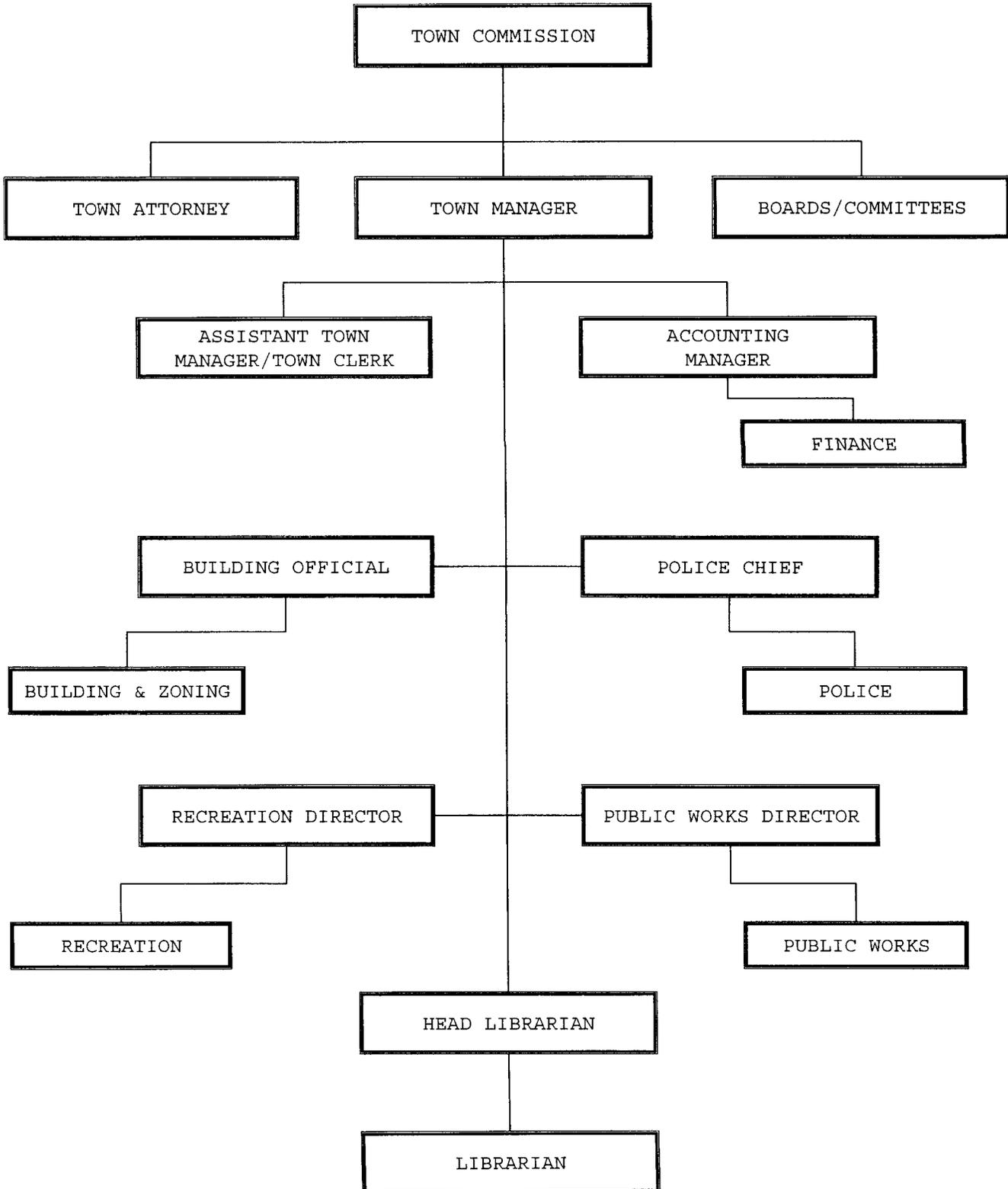
Beatris Arguelles, Town Clerk

Bella Carcasses, Accounting Manager

Stephen H. Cypen, Town Attorney

A. M. Jones, C.P.A., P.A.,  
Independent Certified Public Accountants

**TOWN OF SURFSIDE, FLORIDA**  
Government Structure - September 30, 2004



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**FINANCIAL SECTION**

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INDEPENDENT AUDITOR'S REPORT

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**INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor  
Members of the Town Commission  
and Town Manager  
Town of Surfside  
Surfside, Florida

We have audited the accompanying financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Surfside, Florida (the "Town") as of and for the year ended September 30, 2004, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town as of September 30, 2004, 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.

As described in Note 1 to the basic financial statements, the Town adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments and Related Pronouncements* as of and for the year ended September 30, 2004. This results in a change in the format and content of the basic financial statements.

Honorable Mayor  
Members of the Town Commission  
and Town Manager

In accordance with *Government Auditing Standards*, we also have issued our report dated April 28 2005, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis, and required supplementary information on pages three through thirteen, and fifty-four through sixty-five respectively, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Town of Surfside's basic financial statements. The introductory section and the statistical schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion of them.

*A.M. Jones, C.P.A., P.A.*

A.M. Jones, C.P.A., P.A.  
Pompano Beach, Florida  
April 28, 2005

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**MD&A**

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## Town of Surfside

### Management's Discussion and Analysis for the Year Ended September 30, 2004

As management of the Town of Surfside, we offer readers of the Town of Surfside financial statements this narrative overview and analysis of the financial activities of the Town of Surfside for its fiscal year ended September 30, 2004. 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 i - vi of this report, as well as the financial statements and notes to financial statements which follow.

This is the first year that the Town has reported its financial statements in a government-wide format in accordance with the Governmental Accounting Standards Board Statement Number 34 Reporting Model - *Basic Financial Statements and Management's Discussion And Analysis for State and Local Governments (GASB 34)*. Thus, comparative information from the prior years in the GASB 34 format is not available. Fund-based financial reporting and government-wide are not viewed as being in conflict; however, they are not comparable. However, in future years, comparisons will be more meaningful and will go further in explaining the Town of Surfside's financial position and results of operations. Since the government-wide comparative information is not available this year, the Town's fund-based comparative information is being used in selected sections.

#### Financial Highlights

The following are the highlights of financial activity for the fiscal year ended September 30, 2004:

- The assets of the Town of Surfside exceeded its liabilities at the close of the most recent fiscal year by \$19,490,947 (net assets). Of this amount \$8,581,298 may be used to meet ongoing obligations to citizens and creditors.
- The Town's revenues for governmental activities, excluding transfers, were \$7,948,109; expenditures for governmental activities excluding transfers were \$6,717,387.
- Revenues for the Town's business-type activities, excluding transfers, were \$2,850,032; expenses, excluding transfers, were 2,446,725.
- The Town's net assets increased by \$1,634,029 during the current fiscal year.
- As of the close of the current fiscal year, the Town of Surfside's governmental funds reported combined fund balances of \$9,583,694 an increase of \$787,640 over the prior fiscal year. Approximately 65%, or \$6,234,808 is available in the Town of Surfside's general fund for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$6,234,808 or 100.3% of the total general fund expenditures of \$6,215,974.

## **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Town of Surfside's basic financial statements. The Town of Surfside's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic 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 Town of Surfside's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the Town of Surfside'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 Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net assets changed during the most recent 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 the related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the Town of Surfside that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through use fees and charges (business-type activities). The governmental activities of the Town of Surfside include general government, public safety, building inspections and code enforcement, highway and streets, economic development, a local library, and culture and recreation. The business-type activities of the Town of Surfside are the water and sewer, municipal parking, sanitation, and stormwater utility operations.

The government-wide financial statements include not only the Town of Surfside itself, known as the primary government, but also included is the Fiduciary Fund and the business-type activities funds.

The government-wide financial statements can be found on pages 15 - 17 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 Town of Surfside, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Surfside 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. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on the *balances of spendable resources* available at the end of the 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 this comparison between *governmental funds* and *governmental activities*.

The Town of Surfside maintains three 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, the special revenue funds, and the capital projects fund. The special projects fund, and the police forfeiture fund are considered to be major funds. The special revenue funds including the resort tax fund, library fund, transportation surtax fund, along with the capital projects fund are reported as nonmajor funds.

The Town of Surfside adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided on pages 62 - 65 for the general fund and the special revenue funds, which are major funds, to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 18 - 23 of this report.

**Proprietary funds.** The Town of Surfside maintains one type of proprietary fund referred to as an enterprise fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses the enterprise fund to account for the water and sewer, municipal parking, sanitation, and the stormwater utility operations.

The proprietary fund provides the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer, municipal parking, and sanitation operations, which are considered major funds, and the stormwater utility operation, which is considered as a nonmajor fund. The basic proprietary fund financial statements can be found on pages 24 - 31 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside of the Town. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds and includes the Retirement Plan for Employees of the Town of Surfside. The basic fiduciary fund financial statements can be found on pages 32 and 33 of this report.

**Notes to the Basic Financial Statements.**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 35 - 53 of this report.

**Government-wide Financial Analysis**

Since this is the first year that the Town has reported its financial statements in a government-wide format using the GASB 34 reporting model, comparative information from prior years in the GASB 34 format is not available. Therefore, in lieu of government-wide comparative information, fund-based comparative information is being provided in selected sections. In future years, a comparative analysis of government-wide data will be presented.

**Net Assets**

As noted earlier, net assets may serve over time as a useful indicator of the Town's financial position. In the case of the Town of Surfside, total net assets exceeded liabilities by \$19,490,947 at the close of the most recent fiscal year.

The remaining balance of unrestricted net assets represents resources that may be used to meet the Town of Surfside's ongoing obligations to citizens and creditors.

<b>TOWN OF SURFSIDE</b>			
Net Assets			
	Governmental	Business-	
	<u>Activities</u>	type	<u>Total</u>
		<u>Activities</u>	
Current and other assets	\$10,279,323	\$ 3,414,114	\$13,693,437
Capital assets	<u>6,469,295</u>	<u>771,812</u>	<u>7,241,107</u>
Total assets	<u>\$16,748,618</u>	<u>\$ 4,185,926</u>	<u>\$20,934,544</u>
Long-term liabilities	268,598	49,965	318,563
Other liabilities	<u>737,475</u>	<u>387,559</u>	<u>1,125,034</u>
Total liabilities	<u>1,006,073</u>	<u>437,524</u>	<u>1,443,597</u>
Net assets:			
Invested in capital assets, net of related debt	6,469,295	771,812	7,241,107
Restricted	3,327,718	340,824	3,668,542
Unrestricted	<u>5,945,532</u>	<u>2,635,766</u>	<u>8,581,298</u>
Total net assets	<u>\$15,742,545</u>	<u>\$ 3,748,402</u>	<u>\$19,490,947</u>

About 37.2% or \$7,241,107 of Surfside's reported net assets are composed of its investment in capital assets (e.g. land, buildings, and equipment), less any related debt used to acquire those assets that are still outstanding. As of September 30, 2004 there was no related debt outstanding for the capital assets. The capital assets are used to provide services to the citizens; consequently, they are not available for future spending.

The balance of the net assets includes resources subject to external restrictions of \$3,668,542, and unrestricted net assets of \$8,581,298, which may be used to meet the Town's ongoing obligations.

Total net assets increased by \$1,634,029 a 9.15% gain over the prior year. The following table summarizes the changes in net assets for governmental and business-type activities.

### Changes in Net Assets

As noted earlier, since this is the first year of implementation of GASB 34, comparative information from prior years is provided only in selected sections. In future years, comparative analysis of government-wide data will be presented.

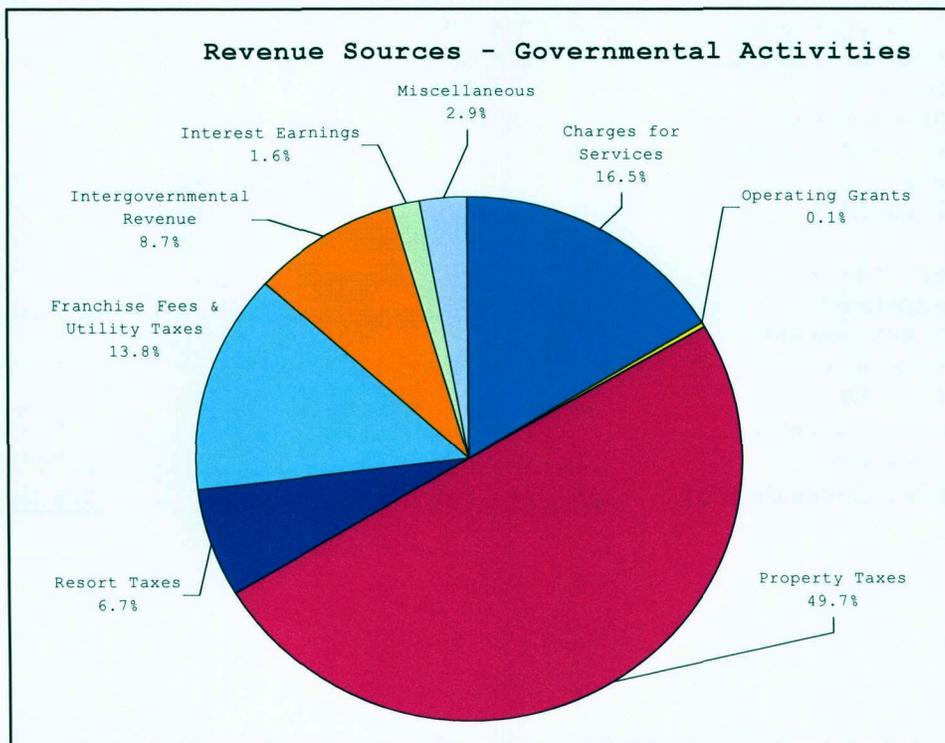
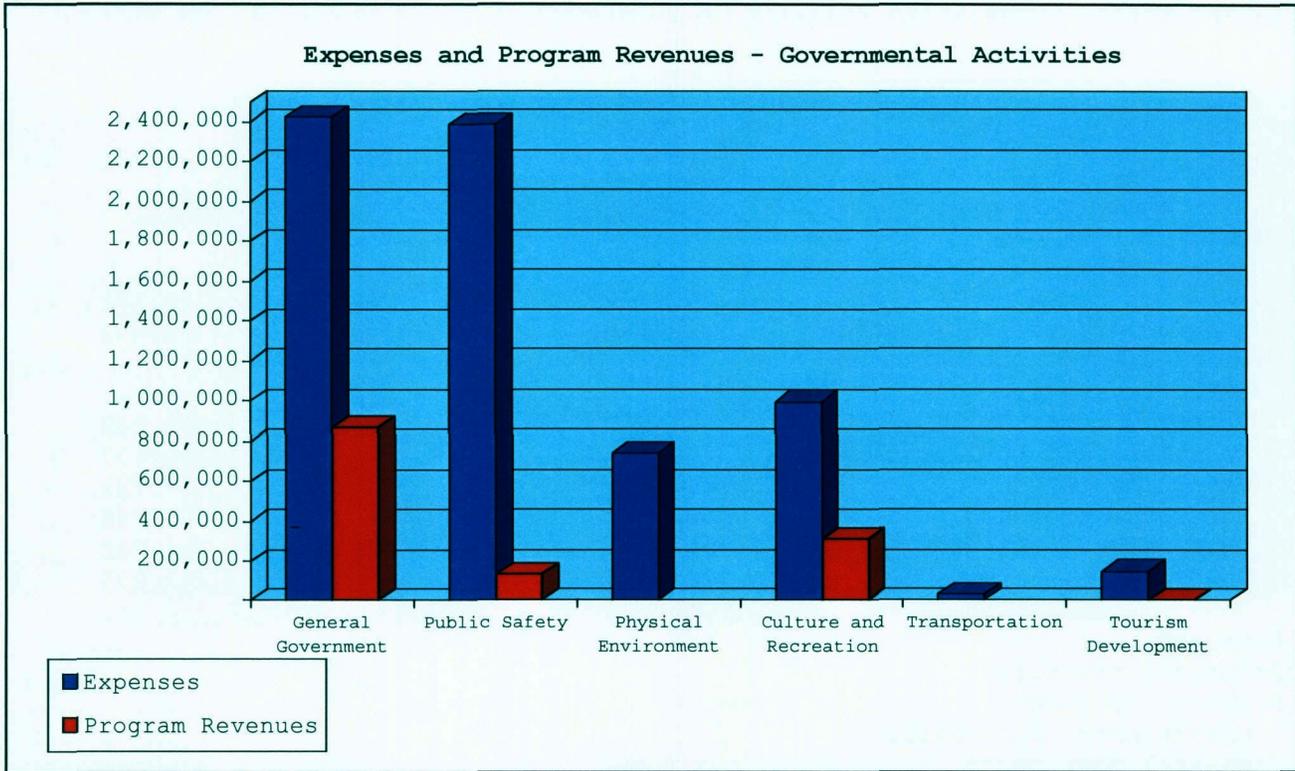
#### Town of Surfside's Change in Net Assets

	<u>Governmental</u> <u>Activities</u>	<u>Business-</u> <u>type</u> <u>Activities</u>	<u>Total</u>
REVENUES			
Program revenues:			
Charges for services	\$ 1,308,945	\$ 2,807,206	\$ 4,116,151
Operating grants/contributions	10,625	12,006	22,631
Capital grants/contributions			
General revenues:			
Property taxes	3,952,662	-	3,952,662
Franchise and utility taxes	1,100,131	-	1,100,131
Resort taxes	534,731	-	534,731
Intergovernmental	685,798	-	685,798
Investment earnings	127,922	30,820	158,742
Other	<u>227,295</u>	<u>-</u>	<u>227,295</u>
Total revenues	<u>7,948,109</u>	<u>2,850,032</u>	<u>10,798,141</u>
Expenses:			
Program Activities			
Primary Government			
Governmental Activities			
General Government	2,423,644	-	2,423,644
Public safety	2,388,141	-	2,388,141
Physical environment	736,607	-	736,607
Culture and recreation	992,699	-	992,699
Transportation	28,845	-	28,845
Tourism development	147,451	-	147,451
Business-type activities			
Water/Sewer	-	1,379,880	1,379,880
Municipal parking	-	134,292	134,292
Sanitation	-	875,509	875,509
Stormwater utility	<u>-</u>	<u>57,044</u>	<u>57,044</u>
Total expenses	<u>6,717,387</u>	<u>2,446,725</u>	<u>9,164,112</u>
Increase in net assets before transfers	1,230,722	403,307	1,634,029
Transfers in (out)	<u>(55,000)</u>	<u>55,000</u>	<u>-</u>
Increase in net assets	1,175,722	458,307	1,634,029
Net assets, October 1	<u>14,566,823</u>	<u>3,290,095</u>	<u>17,856,918</u>
Net assets, September 30	<u>\$15,742,545</u>	<u>\$ 3,748,402</u>	<u>\$19,490,947</u>

**Governmental Activities**

The Town's governmental net assets increased by \$1,175,722 from \$14,566,823 at the beginning of the year to \$15,742,545 at the end of the year.

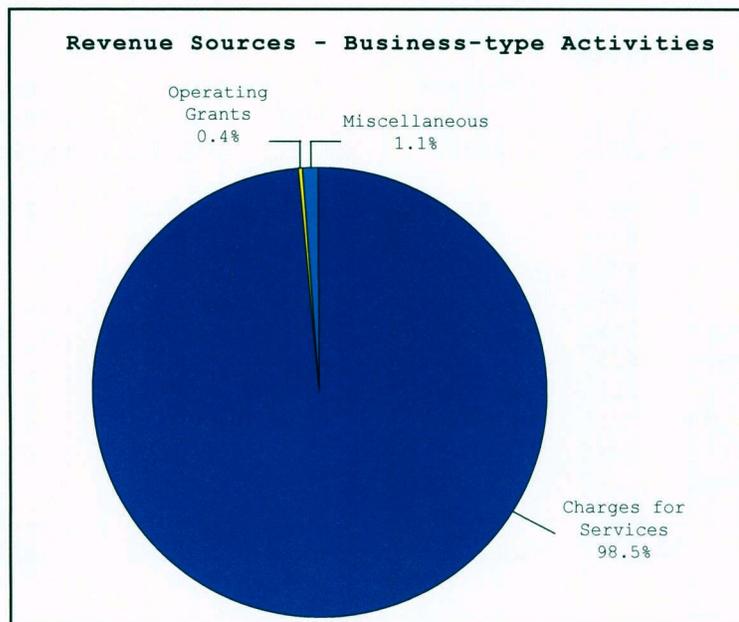
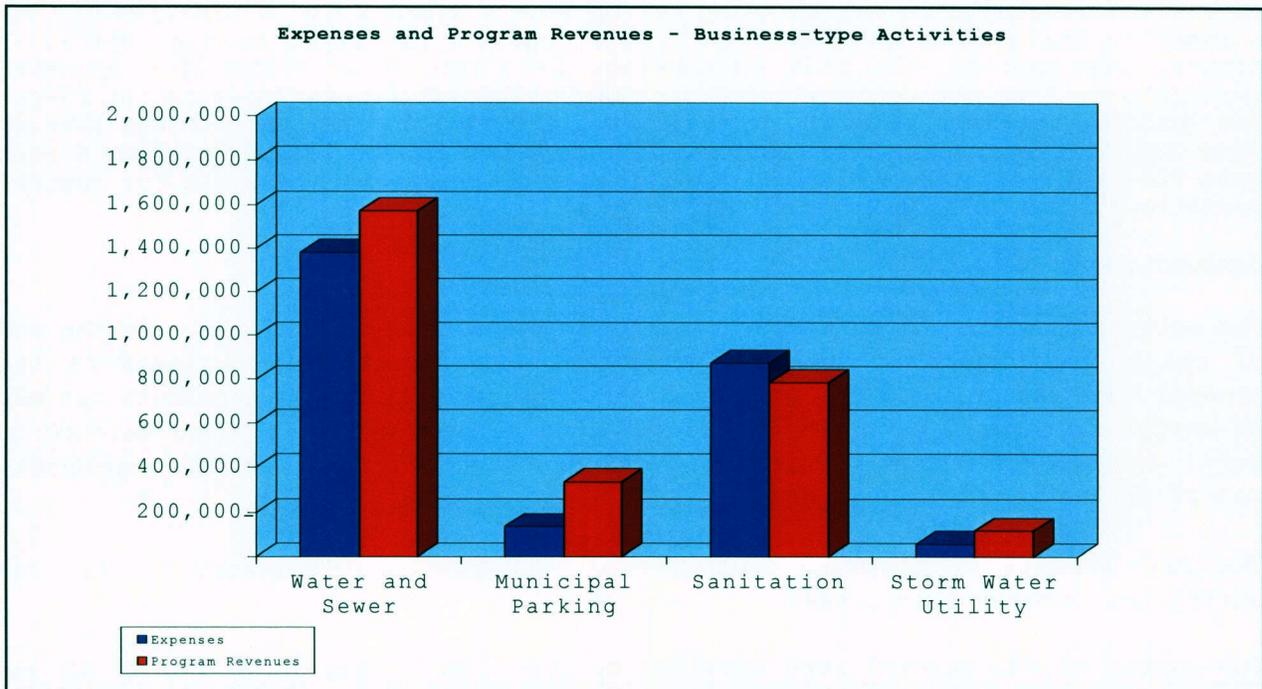
- Program revenues, comprised of charges for services, and operating grants and contributions, represent 16.6% of governmental activities total revenues.
- Property tax revenues represent 49.7% of the total revenues for governmental activities, are non-program specific and are used to fund all activities not covered by program revenues.
- Property tax revenue increased by approximately \$397,000 or 11.17% over the prior year.



**Business-type Activities**

Business-type activities increased the net assets of the Town of Surfside by \$458,307 accounting for 28.0% of the total growth in the net assets of the Town of Surfside. Three of the Town's enterprise funds, the water and sewer fund, municipal parking fund, and the storm water utility fund, contributed operating income and showed increases in net assets. The sanitation fund had an operating loss of \$90,000 for the year.

- The Water and Sewer Fund revenues increased by \$176,792 or 11.3%, and operating expenses decreased by \$25,538 or 1.8%. Including an operating transfer in of \$100,000, the Water and Sewer Fund net assets increased \$300,811.
- The Municipal Parking Fund revenues remained stable, and the expenses increased by \$52,966 or 65.1%, including an operating transfer out of \$150,000, the Municipal Parking Fund net assets increased by \$64,988.
- The Sanitation Fund revenues increased by \$5,485 or .7%; however, the operating expenses increased by \$72,901. Including an operating transfer in of \$105,000, the net assets of the Sanitation Fund increased by \$18,603.
- The Storm Water Utility Fund revenues decreased by \$16,946; however, the expenses decreased by \$16,373. The Storm Water Utility Fund net assets increased by \$73,885.



## Financial Analysis of the Town of Surfside's Funds

As noted previously, the Town of Surfside uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### Governmental funds

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

As of the end of the current fiscal year, the Town of Surfside governmental funds reported combined ending fund balances of \$9,583,694, an increase of \$787,640 in comparison with the prior year. Approximately 65.1% of this total amount or \$6,234,808 is available for spending at the Town's discretion. \$2,281,356 of this balance is designated for subsequent years' special projects, mainly capital in nature, approved by the Town Commission, \$538,085 is available for approved expenditures from the Police Forfeiture Fund, \$256,341 is available in the Resort Tax Fund for tourism-related expenditures, \$70,820, is available in the Library Fund for Library operations, \$120,190 is available in the Transportation Surtax Fund for transportation-related activities, and \$82,094 is available for capital projects in the Capital Projects Fund.

### General Fund

The general fund is the main operating fund of the Town of Surfside. At the end of the current fiscal year, unreserved and undesignated fund balance of the general fund was \$6,234,808. As a measure of the general fund's liquidity, it may be useful to compare both the unreserved fund balance and total fund balance to total fund expenditures. Unreserved and undesignated fund balance represents 100.3% of the total fund expenditures.

The fund balance of the Town of Surfside's general fund increased by \$681,010 during the current fiscal year.

The amount of the General Fund revenues by type, their percent of the total and the amount of the changed compared to last fiscal year are shown in the following schedule.

*Dollar amounts in thousands.*

	2004	Percent	2003	Percent	Increase	Percent
	<u>Amount</u>	<u>of</u>	<u>Amount</u>	<u>of</u>	<u>(Decrease)</u>	<u>Increase</u>
		<u>Total</u>		<u>Total</u>	<u>from 2003</u>	<u>(Decrease)</u>
Revenues:						
Property taxes	\$ 3,952	53.6%	\$ 3,555	56.8%	\$ 397	11.2%
Utility taxes	699	9.5%	688	10.9%	11	1.6%
Franchise taxes	401	5.4%	312	5.0%	89	28.5%
Resort taxes	376	5.1%	369	5.9%	7	1.9%
Licenses & permits	365	5.0%	427	6.8%	(62)	(14.5%)
Fines & forfeitures	635	8.6%	152	2.4%	483	317.8%
Intergovernmental	531	7.2%	523	8.4%	8	1.5%
Charges for services	91	1.2%	93	1.5%	(2)	(2.2%)
Interest earnings	89	1.2%	85	1.4%	4	4.7%
Miami-Dade Co. Grant	11	.1%	-	-	11	-
Miscellaneous	<u>227</u>	<u>3.1%</u>	<u>57</u>	<u>.9%</u>	<u>170</u>	<u>298.2%</u>
Total revenues	<u>\$7,377</u>	<u>100.0%</u>	<u>\$ 6,261</u>	<u>100.0%</u>	<u>\$ 1,116</u>	

- Property tax revenues increased 11.2% because of increasing taxable valuations. Property tax millage rates remained constant.
- Franchise fees from the electric company increased significantly.
- Fines and forfeitures revenues increased significantly because of the code enforcement fines and penalties dramatically increased.
- Miscellaneous revenues increased because of the receipt of insurance reimbursements relating to prior years.

Dollar amounts in thousands.

	2004 <u>Amount</u>	Percent of <u>Total</u>	2003 <u>Amount</u>	Percent of <u>Total</u>	Increase (Decrease) <u>from 2003</u>	Percent Increase <u>Decrease</u>
Expenditures						
General government	\$ 2,233	35.9%	\$ 1,391	28.5%	842	60.5%
Public safety	2,293	36.9%	1,970	40.3%	323	16.4%
Public works	717	11.6%	692	14.2%	25	3.6%
Culture & recreation	779	12.5%	623	12.7%	156	25.0%
Capital outlay	<u>194</u>	<u>3.1%</u>	<u>212</u>	<u>4.3%</u>	<u>(18)</u>	<u>(8.5%)</u>
Total expenditures	<u>\$ 6,216</u>	<u>100.0%</u>	<u>\$ 4,888</u>	<u>100.0%</u>	<u>\$ 1,328</u>	

- General government expenditures increased significantly because of increased legal expenses reflecting the costs of certain litigation and code enforcement cases.
- Public safety expenditures increased because of the increases in the labor costs.
- Culture and recreation expenses increased because of the additional programs offered in the recreation department.

#### Proprietary funds.

The Town of Surfside's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the proprietary funds (enterprise funds) totaled \$2,635,766.

#### General Fund Budgetary Highlights

There was one budget amendment during the year. Differences between the original budget and the final amended budget are summarized as follows:

General Fund. The differences between the original budget and the final amended budget was a net increase in estimated revenues of \$1,035,542. The significant budgetary changes in the revenues included an increase of \$496,350 in code enforcement fines and penalties; an insurance reimbursement for prior year legal fees of \$197,784; increases in building and other permits of \$164,400; a net increase in taxes and franchise fees of \$111,458; an increase in charges for services in parks and recreation of \$16,550; and an increase in investment earnings of \$49,000.

General Fund. There was a net increase in appropriations in the general fund of \$907,178. The increase in net legal fees accounted for \$648,430 of this total. The building department appropriations were increased by \$125,859 as a result of additional building permits issued during the year. Increases in the appropriations for the police department, and executive department were \$70,173, and \$39,770, respectively. and There were also various other budget adjustments and revisions in the appropriations to accommodate unforeseen expenses and changes thereto during the year. Transfers in were increased by \$150,000, and transfers out were decreased by \$153,986. See page 62 - 65 of this report for the amended budgetary to actual information for the general fund and major governmental funds.

### Capital Assets

The Town of Surfside's investment in capital assets for its governmental and business-type activities as of September 30, 2004, amounts to \$7,241,107 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements other than buildings, water and sewer systems, machinery and equipment, and furniture as well as construction in progress. The investment does not include governmental infrastructure assets acquired prior to the fiscal year ended September 30, 2004, as GASB 34 does not require Phase III governments to report infrastructure retroactively. The total increase in the Town's investment in capital assets for the current fiscal year was \$788,101 of which \$620,565 was for capital asset additions in the governmental funds, and \$167,536 for capital asset additions in the enterprise funds.

Major capital asset events during the current fiscal year included the acquisition of police vehicles, continuing improvements to Town Hall, and the installation of the water park equipment near the community center. Construction in progress has been recorded for the commencement of the installment of traffic calming devices (roundabouts).

Major capital asset events of the business-type activities included improvements to the pump stations in the water and sewer fund.

	Governmental Activities <u>2004</u>	Business-type Activities <u>2004</u>	Total <u>2004</u>	Total <u>2003</u>
Capital Assets:				
Land	\$ 1,461,229	\$ -	\$ 1,461,229	\$ 1,461,229
Construction in progress	160,970	-	160,970	-
Buildings	4,359,186	-	4,359,186	4,282,759
Improvements other than buildings	234,623	2,265,542	2,500,165	2,280,149
Furniture and equipment	<u>2,663,502</u>	<u>659,474</u>	<u>3,322,976</u>	<u>3,183,451</u>
Total	<u>\$ 8,879,510</u>	<u>\$ 2,925,016</u>	<u>\$11,804,526</u>	<u>\$11,207,588</u>

Additional information on the Town of Surfside's capital assets can be found in Note 4 on pages 44 - 45 of this report.

## Long-term Liabilities

The Town of Surfside's only long-term liabilities consisted of compensated absences payable to the Town's employees for earned but unused sick and vacation benefits, which are limited to certain maximums. The balances as of September 30, 2004, are as follows:

	<u>Ending Balance</u>	<u>Payable Within One Year</u>
Governmental Activities	\$ 310,444	\$ 41,846
Business-type Activities	\$ 88,491	\$ 39,164

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

The State of Florida, by constitution, does not have a state personal income tax. Therefore, the State operates primarily using sales, gasoline and corporate income taxes. Local governments (cities, counties, and school boards) primarily rely on property and a limited array of permitted other taxes (sales, gasoline, and utilities and fees - franchise, occupational licenses) for their governmental activities.

For business-type and certain governmental activities (construction services and recreational programs), the user pays a related fee or charge associated with the service.

The Town of Surfside's property values continue on a rising trend. Tear-downs of family dwellings is expected to continue, and condominium projects are in the progress in the ocean front area.

Water and sewer rates; sanitation fees; and stormwater fees have remained stable.

The Town's current millage rate of 5.603 has remained constant for the past thirteen years.

During the fiscal year ending September 30, 2005, the Town will be considering the following programs/projects.

- Renovations or new construction of the Community Center
- Studies in progress for the construction of a new library facility
- Infrastructure improvements including street repavements
- Studies regarding the installation of new storm water pump stations in conjunction with the Florida Department of Transportation (FDOT).
- Landscape architect to be engaged for a proposed landscaping project for all of the Town property
- Evaluations of and applications for additional grants and additional funding from the State for various Town projects

All of the above factors were considered in preparing the Town of Surfside's budget for the fiscal year ending September 30, 2005.

## Requests for Information

This financial report is designed to provide a general overview of the Town of Surfside's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Manager, Town of Surfside, 9293 Harding Avenue, Surfside, Florida 33154.

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## BASIC FINANCIAL STATEMENTS

These basic financial statements contain Government-wide  
Financial Statements, Fund Financial Statements and  
Notes to the Financial Statements

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Town of Surfside, Florida  
Statement of Net Assets  
September 30, 2004

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 9,846,588	\$ 2,422,057	\$ 12,268,645
Accounts receivable - net	247,915	47,184	295,099
Due from other governments	182,745	-	182,745
Unbilled revenue	-	284,121	284,121
Deposits	2,075	-	2,075
Restricted assets:			
Cash and investments	-	660,752	660,752
Land and construction in progress	1,622,199	-	1,622,199
Capital assets (net of accumulated depreciation)	<u>4,847,096</u>	<u>771,812</u>	<u>5,618,908</u>
Total assets	<u>16,748,618</u>	<u>4,185,926</u>	<u>20,934,544</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 188,598	\$ 113,888	\$ 302,486
Accrued liabilities	258,326	114,108	372,434
Customer deposits	248,705	-	248,705
Payable from restricted assets:			
Customer deposits	-	104,200	104,200
Deferred revenue	-	16,199	16,199
Noncurrent liabilities:			
Due within one year			
Compensated absences	41,846	39,164	81,010
Due in more than one year			
Compensated absences	<u>268,598</u>	<u>49,965</u>	<u>318,563</u>
Total liabilities	<u>1,006,073</u>	<u>437,524</u>	<u>1,443,597</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	6,469,295	771,812	7,241,107
Restricted for:			
Tourism development	255,679	-	255,679
Library operations	50,314	-	50,314
Specific projects	2,281,356	-	2,281,356
Law enforcement	538,085	-	538,085
Transportation	120,190	-	120,190
Capital projects	82,094	-	82,094
Renewal and replacement	-	340,824	340,824
Unrestricted	<u>5,945,532</u>	<u>2,635,766</u>	<u>8,581,298</u>
Total net assets	<u>\$ 15,742,545</u>	<u>\$ 3,748,402</u>	<u>\$ 19,490,947</u>

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

Town of Surfside, Florida  
Statement of Activities  
For the Year Ended September 30, 2004

Program Revenues

Functions/Programs:	<u>Expenses</u>	Charges for <u>Services</u>	Operating Grants and <u>Contributions</u>
<b>Primary government:</b>			
Governmental activities:			
General government	\$ 2,423,644	\$ 869,361	\$ -
Public Safety	2,388,141	130,614	10,625
Physical environment	736,607	-	-
Culture and recreation	992,699	307,693	-
Transportation	28,845	-	-
Tourism development	<u>147,451</u>	<u>1,277</u>	<u>-</u>
Total governmental activities	<u>6,717,387</u>	<u>1,308,945</u>	<u>10,625</u>
<b>Business-type activities:</b>			
Water and Sewer	1,379,880	1,569,718	-
Municipal Parking	134,292	336,475	-
Sanitation	875,509	785,509	-
Storm Water Utility	<u>57,044</u>	<u>115,504</u>	<u>12,006</u>
Total business-type activities	<u>2,446,725</u>	<u>2,807,206</u>	<u>12,006</u>
Total primary government	<u>\$ 9,164,112</u>	<u>\$ 4,116,151</u>	<u>\$ 22,631</u>

General revenues:

Taxes:

Property taxes

Resort taxes

Franchise fees

Utility services taxes and communication taxes

Intergovernmental revenue

Interest earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets, beginning

Net assets, ending

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

Town of Surfside, Florida

Net (Expense) Revenues and  
Changes in Net Assets

<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ -	\$ (1,554,283)	\$ -	\$ (1,554,283)
-	(2,246,902)	-	(2,246,902)
-	(736,607)	-	(736,607)
-	(685,006)	-	(685,006)
-	(28,845)	-	(28,845)
-	(146,174)	-	(146,174)
-	(5,397,817)	-	(5,397,817)
-	-	189,838	189,838
-	-	202,183	202,183
-	-	(90,000)	(90,000)
-	-	70,466	70,466
-	-	372,487	372,487
<u>\$ -</u>	<u>\$ (5,397,817)</u>	<u>\$ 372,487</u>	<u>\$ (5,025,330)</u>
	3,952,662	-	3,952,662
	534,731	-	534,731
	401,532	-	401,532
	698,599	-	698,599
	685,798	-	685,798
	127,922	30,820	158,742
	227,295	-	227,295
	(55,000)	55,000	-
	<u>6,573,539</u>	<u>85,820</u>	<u>6,659,359</u>
	1,175,722	458,307	1,634,029
	<u>14,566,823</u>	<u>3,290,095</u>	<u>17,856,918</u>
	<u>\$ 15,742,545</u>	<u>\$ 3,748,402</u>	<u>\$ 19,490,947</u>

Town of Surfside, Florida  
 Balance Sheet  
 Governmental Funds  
 September 30, 2004

	General	Special Projects	Police Forfeiture
<b>ASSETS:</b>			
Equity in pooled cash and investments	\$ 6,494,105	\$ 2,296,076	\$ 538,085
Accounts receivable - net	247,915	-	-
Due from other governments	165,169	-	-
Deposits	<u>2,075</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 6,909,264</u>	<u>\$ 2,296,076</u>	<u>\$ 538,085</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	170,374	14,720	-
Accrued liabilities	255,377	-	-
Customer deposits	<u>248,705</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>674,456</u>	<u>14,720</u>	<u>-</u>
 Fund Balances:			
Unreserved, reported in:			
General fund	6,234,808	-	-
Special revenue funds	-	-	538,085
Designated for subsequent years expenditures	-	2,281,356	-
Capital projects fund	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>6,234,808</u>	<u>2,281,356</u>	<u>538,085</u>
Total liabilities and fund balances	<u>\$ 6,909,264</u>	<u>\$ 2,296,076</u>	<u>\$ 538,085</u>

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

Town of Surfside, Florida

Nonmajor Governmental Funds	Total Governmental Funds
\$ 518,322	\$ 9,846,588
-	247,915
17,576	182,745
-	<u>2,075</u>
<u>\$ 535,898</u>	<u>\$ 10,279,323</u>
\$ 3,504	\$ 188,598
2,949	258,326
-	<u>248,705</u>
<u>6,453</u>	<u>695,629</u>
-	6,234,808
447,351	985,436
-	2,281,356
<u>82,094</u>	<u>82,094</u>
<u>529,445</u>	<u>9,583,694</u>
<u>\$ 535,898</u>	<u>\$ 10,279,323</u>

Town of Surfside, Florida  
 Reconciliation of the Balance Sheet of the Governmental Funds  
 To the Statement of Net Assets  
 September 30, 2004

Fund Balances - total governmental funds \$ 9,583,694

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 governmental funds:

The cost of the capital assets is	\$ 8,879,510	
Accumulated depreciation is	<u>(2,410,215)</u>	
		6,469,295

Long-term liabilities are not due and payable in the current period, and, therefore, are not reported in governmental funds:

Compensated Absences	<u>(310,444)</u>
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Net assets of governmental activities \$15,742,545

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

Town of Surfside, Florida  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

For the Year Ended September 30, 2004

	General	Special Projects	Police Forfeiture
<b>REVENUES</b>			
Property taxes	\$ 3,952,662	\$ -	\$ -
Resort taxes	376,290	-	-
Utility taxes	698,599	-	-
Franchise taxes	401,532	-	-
Licenses and permits	365,350	-	-
Fines and forfeitures	634,624	-	-
Intergovernmental	530,522	-	-
Charges for services	91,011	-	-
Insurance reimbursement	197,784	-	-
Interest earnings	88,957	29,401	5,765
Miami-Dade County grant	10,625	-	-
Miscellaneous	<u>29,511</u>	<u>-</u>	<u>-</u>
Total revenues	<u>7,377,467</u>	<u>29,401</u>	<u>5,765</u>
<b>EXPENDITURES</b>			
Current:			
General government	2,233,840	-	29,942
Public safety	2,292,629	-	-
Public works	716,840	-	-
Culture and Recreation	778,698	-	-
Capital outlay	<u>193,967</u>	<u>340,825</u>	<u>-</u>
Total expenditures	<u>6,215,974</u>	<u>340,825</u>	<u>29,942</u>
Excess of revenues over (under) expenditures	<u>1,161,493</u>	<u>(311,424)</u>	<u>(24,177)</u>
Other financing sources (uses):			
Transfers in	150,000	285,483	-
Transfers out	<u>(630,483)</u>	<u>-</u>	<u>-</u>
Total other financial sources (uses)	<u>(480,483)</u>	<u>285,483</u>	<u>-</u>
Net change in fund balances	681,010	(25,941)	(24,177)
Fund balances - beginning	<u>5,553,798</u>	<u>2,307,297</u>	<u>562,262</u>
Fund balances - ending	<u>\$ 6,234,808</u>	<u>\$ 2,281,356</u>	<u>\$ 538,085</u>

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

Town of Surfside, Florida

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 3,952,662
158,441	534,731
-	698,599
-	401,532
-	365,350
2,049	636,673
155,276	685,798
210,912	301,923
-	197,784
3,799	127,922
-	10,625
<u>4,997</u>	<u>34,508</u>
<u>535,474</u>	<u>7,948,107</u>
340,543	2,604,325
-	2,292,629
-	716,840
-	778,698
<u>178,183</u>	<u>712,975</u>
<u>518,726</u>	<u>7,105,467</u>
<u>16,748</u>	<u>842,640</u>
140,000	575,483
<u>-</u>	<u>(630,483)</u>
<u>140,000</u>	<u>(55,000)</u>
156,748	787,640
<u>372,697</u>	<u>8,796,054</u>
<u>\$ 529,445</u>	<u>\$ 9,583,694</u>

Town of Surfside, Florida  
 Reconciliation of the Statement of Revenues, Expenditures,  
 and Changes in Fund Balances of Governmental Funds to the  
 Statement of Net Assets  
 September 30, 2004

Net change in fund balances - total governmental funds \$ 787,640

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

Governmental funds report capital outlays as  
 expenditures; however, in the statement of  
 activities the cost of those assets is  
 depreciated over their estimated useful lives.

Expenditures for capital assets	\$ 620,565	
Current year depreciation expense	<u>(242,512)</u>	
		378,053

Change in compensated absences liability	<u>10,029</u>
--	---------------

Change in net assets of governmental funds	<u>\$ 1,175,722</u>
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The accompanying notes are an integral part of these financial statements.

Town of Surfside, Florida  
Statement of Net Assets  
Proprietary Funds  
September 30, 2004

	<u>Business-type Activities - Enterprise Funds</u>			
	Water and Sewer	Municipal Parking	Sanitation	Nonmajor Storm Water Utility
<b>ASSETS</b>				
Current assets:				
Equity in pooled cash and investments	\$ 444,316	\$ 1,337,128	\$ 258,217	\$ 382,396
Accounts receivable, net	40,483	-	4,871	1,830
Unbilled revenue	<u>264,809</u>	<u>-</u>	<u>-</u>	<u>19,312</u>
Total current assets	<u>749,608</u>	<u>1,337,128</u>	<u>263,088</u>	<u>403,538</u>
Noncurrent assets:				
Restricted assets:				
Cash and investments	<u>660,752</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total restricted asset	<u>660,752</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital assets:				
System and other improvements	1,233,425	729,583	-	-
Equipment	<u>167,121</u>	<u>162,543</u>	<u>329,810</u>	<u>-</u>
	1,400,546	892,126	329,810	-
Less accumulated depreciation	<u>(1,046,476)</u>	<u>(619,269)</u>	<u>(184,925)</u>	<u>-</u>
Total capital assets (net of accumulated depreciation)	<u>354,070</u>	<u>272,857</u>	<u>144,885</u>	<u>-</u>
Total noncurrent assets	<u>1,014,822</u>	<u>272,857</u>	<u>144,885</u>	<u>-</u>
Total assets	<u>\$ 1,764,430</u>	<u>\$ 1,609,985</u>	<u>\$ 407,973</u>	<u>\$ 403,538</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 66,956	\$ 406	\$ 39,461	\$ 7,065
Accrued liabilities	79,012	5,381	29,218	497
Compensated absences	38,665	-	499	-
Payable from restricted assets:				
Customer deposits	104,200	-	-	-
Deferred revenue	<u>10,202</u>	<u>-</u>	<u>5,997</u>	<u>-</u>
Total current liabilities	<u>299,035</u>	<u>5,787</u>	<u>75,175</u>	<u>7,562</u>
Noncurrent liabilities				
Compensated absences	<u>14,037</u>	<u>1,640</u>	<u>33,949</u>	<u>339</u>
Total liabilities	<u>313,072</u>	<u>7,427</u>	<u>109,124</u>	<u>7,901</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	354,070	272,857	144,885	-
Restricted for renewal and replacement	340,824	-	-	-
Unrestricted	<u>756,464</u>	<u>1,329,701</u>	<u>153,964</u>	<u>395,637</u>
Total net assets	<u>\$ 1,451,358</u>	<u>\$ 1,602,558</u>	<u>\$ 298,849</u>	<u>\$ 395,637</u>

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

Town of Surfside, Florida

Totals

\$ 2,422,057  
47,184  
284,121  
2,753,362

660,752  
660,752

1,963,008  
659,474  
2,622,482  
(1,850,670)

771,812  
1,432,564  
\$ 4,185,926

113,888  
114,108  
39,164

104,200  
16,199  
387,559

49,965  
437,524

771,812  
340,824  
2,635,766  
\$ 3,748,402

**Town of Surfside, Florida**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**Proprietary Funds**  
**For the Year Ended September 30, 2004**

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water and Sewer</b>	<b>Municipal Parking</b>	<b>Sanitation</b>	<b>Nonmajor Storm Water Utility</b>
Operating revenues:				
Charges for services:				
Water sales	\$ 697,168	\$ -	\$ -	\$ -
Sewer charges	865,992	-	-	-
Parking fees	-	336,475	-	-
Garbage charges	-	-	744,814	-
Recycling fees	-	-	40,695	-
Drainage fees	-	-	-	115,504
Miscellaneous	6,558	-	-	-
Total operating revenues	<u>1,569,718</u>	<u>336,475</u>	<u>785,509</u>	<u>115,504</u>
Operating expenses:				
Personal services	192,245	40,872	374,167	22,477
Administrative	126,250	44,673	99,182	34,567
Water system	366,223	-	-	-
Sewer system	635,822	-	-	-
Solid waste system	-	-	355,044	-
Depreciation	59,340	48,747	47,116	-
	<u>1,379,880</u>	<u>134,292</u>	<u>875,509</u>	<u>57,044</u>
Operating income (loss)	<u>189,838</u>	<u>202,183</u>	<u>(90,000)</u>	<u>58,460</u>
Nonoperating income:				
FDOT Grant - reimbursement	-	-	-	12,006
Interest earnings	10,993	12,805	3,603	3,419
Total nonoperating income	<u>10,993</u>	<u>12,805</u>	<u>3,603</u>	<u>15,425</u>
Income before operating transfers	<u>200,831</u>	<u>214,988</u>	<u>(86,397)</u>	<u>73,885</u>
Operating transfers in	100,000	-	105,000	-
Operating transfers out	-	(150,000)	-	-
	<u>100,000</u>	<u>(150,000)</u>	<u>105,000</u>	<u>-</u>
Change in assets	300,831	64,988	18,603	73,885
Total net assets - beginning	<u>1,150,527</u>	<u>1,537,570</u>	<u>280,246</u>	<u>321,752</u>
Total net assets - ending	<u>\$ 1,451,358</u>	<u>\$ 1,602,558</u>	<u>\$ 298,849</u>	<u>\$ 395,637</u>

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

Town of Surfside, Florida

Totals

\$ 697,168  
865,992  
336,475  
744,814  
40,695  
115,504  
6,558  
2,807,206

629,761  
304,672  
366,223  
635,822  
355,044  
155,203  
2,446,725

360,481

12,006  
30,820  
42,826

403,307

205,000  
(150,000)  
55,000

458,307  
3,290,095

\$ 3,748,402

**Town of Surfside, Florida**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended September 30, 2004**

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Water and Sewer</u>	<u>Municipal Parking</u>	<u>Sanitation</u>	<u>Nonmajor Storm Water Utility</u>
<b>Cash flows from operating activities</b>				
Receipts from customers	\$ 1,501,519	\$ 336,475	\$ 509,247	\$ 126,389
Payments to suppliers	(1,272,525)	(50,886)	(444,373)	(35,009)
Payments to employees	(192,245)	(40,871)	(374,167)	(17,265)
Receipts for interfund services	<u>32,213</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by operating activities	<u>68,962</u>	<u>244,718</u>	<u>(309,293)</u>	<u>74,115</u>
<b>Cash flow from noncapital financial activities</b>				
Operating transfers in - from other funds	100,000	-	105,000	-
Operating transfers out - to other funds	<u>-</u>	<u>(150,000)</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities	<u>100,000</u>	<u>(150,000)</u>	<u>105,000</u>	<u>-</u>
<b>Cash flow from capital and related financing activities</b>				
Acquisition of capital assets	<u>(163,483)</u>	<u>(4,055)</u>	<u>-</u>	<u>-</u>
Net cash used for capital related financing activities	<u>(163,483)</u>	<u>(4,055)</u>	<u>-</u>	<u>-</u>
<b>Cash flow from investing activities</b>				
Interest on investments	<u>10,993</u>	<u>12,805</u>	<u>3,603</u>	<u>3,419</u>
Net cash provided by investing activities	<u>10,993</u>	<u>12,805</u>	<u>3,603</u>	<u>3,419</u>
Net increase (decrease) in cash and cash equivalents	16,472	103,468	(200,690)	77,534
Beginning cash and cash equivalents	<u>1,088,596</u>	<u>1,233,660</u>	<u>458,907</u>	<u>304,862</u>
Ending cash and cash equivalents	<u>\$ 1,105,068</u>	<u>\$ 1,337,128</u>	<u>\$ 258,217</u>	<u>\$ 382,396</u>

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

Town of Surfside

Totals

\$ 2,473,630  
(1,802,793)  
(624,548)  
32,213

78,502

205,000

(150,000)

55,000

(167,538)

(167,538)

30,820

30,820

(3,216)

3,086,025

\$ 3,082,809

**Town of Surfside, Florida**  
**Statement of Cash Flows (continued)**  
**Proprietary Funds**  
**For the Year Ended September 30, 2004**

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Water and Sewer</u>	<u>Municipal Parking</u>	<u>Sanitation</u>	<u>Nonmajor Storm Water Utility</u>
<b>Reconciliation of operating income provided by (used in) operating activities</b>				
Operating income	\$ 189,838	\$ 202,183	\$ (90,000)	\$ 70,466
Adjustment to reconcile operating income to net cash provided by (used by) operating activities				
Depreciation and amortization	59,340	48,747	47,116	-
(Increase) decrease in:				
Accounts receivable	(8,521)	-	78,850	(393)
Unbilled revenue	(23,233)	-	-	(728)
Increase (decrease in):				
Accounts payable	(62,676)	(6,493)	13,049	4,298
Accrued expenses	(87,546)	(945)	3,656	199
Deferred revenue	168	-	(355,112)	-
Compensated absences	5,992	1,226	(6,852)	273
Customer deposits	(4,400)	-	-	-
Total adjustments	<u>(120,876)</u>	<u>42,535</u>	<u>(219,293)</u>	<u>3,649</u>
Net cash provided by activities	<u>\$ 68,962</u>	<u>\$ 244,718</u>	<u>\$ (309,293)</u>	<u>\$ 74,115</u>
 <b>Reconciliation of cash and cash equivalents to Balance Sheet</b>				
Equity in pooled cash and in current assets	\$ 444,316	\$ 1,337,128	\$ 258,217	\$ 382,396
Restricted cash and investments	<u>660,752</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash and cash equivalents	<u>\$ 1,105,068</u>	<u>\$ 1,337,128</u>	<u>\$ 258,217</u>	<u>\$ 382,396</u>

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

Town of Surfside, Florida

Totals

\$ 372,487

155,203

69,936  
(23,961)

(51,822)  
(84,636)  
(354,944)

639

(4,400)

(293,985)

\$ 78,502

\$ 2,422,057

660,752

\$ 3,082,809

Town of Surfside, Florida  
Statement of Fiduciary Assets  
Fiduciary Fund  
September 30, 2004

	Pension Trust Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 219,680
Receivables -	
Interest	33,063
Investments, at fair value	
U.S. Government obligations	925,438
Mortgage backed securities	2,684,254
Corporate bonds	1,152,377
Common stocks	4,201,294
	8,963,363
Total Assets	9,216,106
<b>LIABILITIES</b>	
Accounts payable	10,014
Benefits payable	1,682
Refunds payable	28,947
Total liabilities	40,643
<b>NET ASSETS</b>	
Held in Trust for Pension Benefits	\$ 9,175,463

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

Town of Surfside, Florida  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund  
For the Year Ended September 30, 2004

	Pension Trust Fund
<b>ADDITIONS</b>	
Contributions:	
Employees' contributions	\$ 157,645
Employer's contributions	<u>102,410</u>
Total contributions	<u>260,055</u>
Investment earnings:	
Net increase in fair value of investments	451,171
Interest	221,878
Dividends	<u>76,504</u>
	<u>749,553</u>
Less investment expenses	<u>(62,349)</u>
Net investment earnings	<u>687,204</u>
Total additions	<u>947,259</u>
<b>DEDUCTIONS</b>	
Benefits	300,085
Refunds	102,925
Administrative expenses	<u>39,396</u>
Total deductions	<u>442,406</u>
<b>Net increase</b>	504,853
Net assets in trust for pension benefits	
Beginning of year	<u>8,670,610</u>
End of year	<u>\$ 9,175,463</u>

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

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NOTES TO BASIC FINANCIAL STATEMENTS

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TOWN OF SURFSIDE  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Surfside's Charter was adopted under the provisions of Chapter 27914, Laws of Florida, 1951. The Town is governed by an elected five-member Board of Commissioners. The Town provides services to its approximately 5,000 residents in many areas including general government, public safety (police), physical environment, solid waste collection, transportation (maintenance of roads and streets), parks and recreation, tourism development, water and sewer utilities, and general administrative services.

The summary of the Town of Surfside, Florida's (the "Town") Significant Accounting Policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies are considered essential and should be read in conjunction with the accompanying financial statements.

The financial statements of the Town of Surfside, Florida (the Town) have been prepared in conformity with accounting principles generally accepted in the United States ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. For the fiscal year ended September 30, 2004, the Town adopted the new accounting and financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, an amendment of GASB Statements No. 21 and 34; Statement No.38, *Certain Financial Statement Note Disclosures*; and *Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. Statement No. 34 as amended, represents a very significant change in the financial reporting model used by state and local governments. As part of this Statement, there is a new reporting requirement regarding the local government's infrastructure (roads, bridges, traffic signals, etc.) In accordance with Statement No. 34, the Town has the option, and is not required, to retroactively report infrastructure. The Town has elected to report infrastructure on a prospective basis only. The following notes to the basic financial statements are an integral part of the Town's financial statements.

**a. Financial Reporting Entity**

In accordance with accounting principles generally accepted in the United States, these financial statements present the Town and its organizations for which the Town is considered financially accountable. Financial accountability includes 1) the appointment of a voting majority of the organization's governing body, 2) the ability of the primary government to impose its will on the organization, or 3) if there is a financial benefit/burden relationship. In addition, an organization, which is fiscally dependent on the primary government, should be included in its reporting entity.

The Town is not associated with entities that meet the criteria of a component unit.

TOWN OF SURFSIDE  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Town. 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.

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

Separate financial statements are provided for governmental funds, proprietary funds, and the fiduciary fund, even though the latter is 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. All remaining nonmajor governmental funds are aggregated and reported as other governmental funds. The Town has four nonmajor governmental funds (the Resort Tax Fund (Tourist Board), the Library Fund, the Transportation Surtax Fund, and the Capital Projects Fund). The Town has only one nonmajor proprietary fund (the Storm Water Utility Fund).

**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 the 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 imposed by the provider have been met.

Government 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 enough

TOWN OF SURFSIDE  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. **Measurement Focus, Basis of Accounting and Financial Statement Presentation** (Continued)

thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as required by accrual accounting, except for debt service expenditures and expenditures related to compensated absences, which are recorded when payment is due.

Property taxes, intergovernmental revenue, franchise taxes, licenses, 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. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The reporting practices of the Proprietary Fund Types closely parallel comparable commercial financial reporting, which recognize revenue when earned and expenses when incurred (the accrual basis) including, in the case of the Enterprise Fund, depreciation on its exhaustible fixed assets. Earned, but unbilled service receivables have been accrued as revenue in the Enterprise Funds.

The Town reports the following major governmental funds:

The **general fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **special projects fund** accounts for the special projects of the Town, mainly capital, which have received the approval of the Town Commission.

The **police forfeiture fund** accounts for the proceeds of police forfeitures and confiscations, and expenditures, which are restricted to approved functions and activities.

The focus of Proprietary Fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses. The Town reports the following major proprietary funds:

The **water and sewer fund** is used to account for water and sewer utility operations, which are financed and operated in a manner similar to private business enterprises. The intent of the Town is that the costs (expenses including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

The **municipal parking fund** accounts for all parking revenues and expenses.

TOWN OF SURFSIDE  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. **Measurement Focus, Basis of Accounting and Financial Statement Presentation** (Continued)

The *sanitation fund* is used to account for the activities of the Town residential and commercial refuse, recycling and waste collection system.

The nonmajor proprietary fund of the Town is as follows:

The *storm water utility fund* is used to account for the stormwater utility fees, which are collected to construct, operate, and maintain a stormwater management system.

Additionally, the government reports the following fund types:

The *pension trust fund* is used to account for assets held by the Retirement Plan for Employees of the Town of Surfside which accumulates resources for retirement and disability benefit payments to qualifying Town employees.

The private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Town has the option of following subsequent private-sector guidance for their business-type activities and enterprise funds subject to this same limitation. The Town 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. Exceptions to this general rule are charges between the Town's water and sewer function and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. The general revenues include all taxes.

Proprietary Funds distinguish operating revenues and expenses from non-operating 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 Town's enterprise fund are charges to customers for services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

TOWN OF SURFSIDE  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**d. Deposits and Investments**

The Town utilizes a consolidated cash pool to account for cash and investments of all Town funds other than those which are required to be physically segregated. The consolidated cash pool concept allows each participating fund to benefit from the economies of scale and improved yield which are inherent to a larger investment pool. Formal accounting records detail the individual equities of the participating funds. The cash pool utilizes a single checking account for Town receipts and disbursements with a separate checking account for payroll disbursements.

For the purposes of the statement of cash flows, the Town's cash and cash equivalents are considered to be cash and short-term investments with original maturities of three months or less. The Town's cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and investments with the Local Government Surplus Fund administered by the State Board of Administration.

All investments of the Town, except the State Board Investment Pool, are recorded at fair value. Investments in the State Board Investment Pool are stated at the fair value of its position in the pool, which is the same as the value of its pool shares, and income from these investments is recorded in the respective funds as it is earned.

**e. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of the interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**f. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the fund financial statements.

**g. Restricted Assets**

Certain resources set aside for the repayment of certain debt are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited. Additionally, the Town reports amounts paid by customers for water and sewer deposits as restricted assets.

TOWN OF SURFSIDE  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**h. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., sidewalks and other 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 government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the Town is depreciated using the straight-line method over the estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	15-40
Improvements other than buildings	10-30
Machinery and equipment	5-10
Infrastructure	15-30

GASB Statement No. 34 requires the reporting and depreciation of new infrastructure assets effective in the implementation year.

**i. Compensated Absences**

The Town's policy is to permit employees to accumulate earned but unused sick as well as vacation pay benefits, limited to certain maximums. All vacation and sick pay is accrued when incurred in the government-wide, and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**j. 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 business-type activities or proprietary fund type statement of net assets. Loan issuance costs, are deferred and amortized over the life of the loans using the effective interest method. Loan issuance costs are reported as deferred charges and amortized over the life of the related debt.

TOWN OF SURFSIDE  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. **Fund Equity**

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

l. **Comparative Data/Reclassifications**

Comparative total data for the prior year has not been presented for the fiscal year because of the implementation of GASB 34. Comparative figures are not available, but will be included next year in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds.

m. **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 expenditures/expenses during the reporting period. Actual results may differ from management's estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

*Deposits*

In addition to insurance provided by the Federal Depository Insurance Corporation (FDIC), all deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, *Florida Security for Public Deposits Act*, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or another bank institution eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

As of September 30, 2004, the Town's deposits in a qualified public depository were \$2,349,216 and bank balances of \$2,378,323 of which \$100,000 covered by FDIC insurance with the remaining funds insured or collateralized by banks in the Multiple Financial Institution Collateral Pool established by Chapter 280, Florida Statutes.

TOWN OF SURFSIDE  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

**Investments**

The Town's Investment Policy authorizes Town officials to invest in those instruments authorized by the Florida Statutes and the Town's Investment Policy, including the certificates of deposit and money market funds (placed with "qualified public depositories"); U.S. Treasury and Government Agency securities; corporate bonds; commercial paper; mutual funds; repurchase agreements; and the Local Government Surplus Trust Fund administered by the Florida State Board of Administration (State of Florida Investment Pool).

The Town's investments are categorized by type to give an indication of the level of credit risk assumed by the Town.

Category one includes investments that are insured or registered or for which the securities are held by the Town or its agents in the Town's name.

Category two includes investments that are collateralized with securities held by the pledging financial institution's trust department or by an agent in the Town's name.

Category three includes uninsured and unregistered investments for which the securities are held by financial institutions who act as purchasing agents for the Town.

The value of the Town's investment in the Florida State Investment Pool, which is not Securities and Exchange Commission (SEC) registered but which qualifies as a SEC 2a7-like pool, is the same as the pool's share price. This local government surplus fund investment pool is administered by the Florida State Board of Administration, an agency of the State of Florida, with regulatory oversight exercised by the State. The State Board of Administration is part of the Local Government Surplus Funds Trust Fund and is governed by 19-7 of the Florida Administrative Code. These rules provide guidance and establish the general operating procedures for the administration of the Local Government Surplus Funds Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the State Board of Administration. The investments in the State Board of Administration Local Government Surplus Funds Pool (LGSF) are not required to be categorized as these investments are not evidenced by securities that exist in physical or book entry form.

As of September 30, 2004, the Florida State Investment Pool (Pool) contained no floating or variable rate notes, which could be classified as "derivative" investments under GASB Technical Bulletin No. 2003-1. Derivatives are generally defined as contracts whose value depends on, or derives from, the value of an underlying asset, reference rate or index. During the year, all floating and variable rate notes owned by the Pool were index-based floaters derived from the fixed prime rate and/or one and three month London Inter-Bank Offered Rates.

**Government-wide Statement of Net Assets:**

Equity in pooled cash and equivalents	\$12,268,645
Cash and cash equivalents - restricted	660,752

**Statement of Fiduciary Net Assets:**

Cash and investments with Trustee	<u>9,183,043</u>
	<u>\$22,112,440</u>

TOWN OF SURFSIDE  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2004

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

A reconciliation of cash and cash equivalents and investments as shown on the statement of net assets and fiduciary net assets is as follows:

By category:

Carrying amount of deposits	\$ 2,350,336
Carrying amount of investments	<u>19,762,104</u>
	<u>\$22,112,440</u>

The following is a summary of the Town's Pension Trust Fund investments by category as of September 30, 2004.

		<u>Category</u>
U.S. Treasury Portfolio	\$ 219,680	1
U.S. Government Securities	925,438	1
Government Agency Bonds	2,684,254	1
Corporate Bonds	1,152,377	1
Corporate Stocks	<u>4,201,294</u>	1
Total Town's Pension Trust Fund	<u>\$ 9,183,043</u>	

*Government-wide cash, cash equivalents, and investments  
 Investments not subject to categorization:*

Investments in the State Treasurer's Investment Pool	10,579,061
Cash Deposits	<u>2,350,336</u>
Total government-wide cash, cash equivalents, and investments	<u>\$12,929,397</u>

**NOTE 3 - RECEIVABLES**

Receivables as of year end for the government's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Water/ Sewer</u>	<u>Sanitation</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:					
Taxes	\$ 101,001	\$ -	\$ -	\$ -	\$ 101,001
Intergovernmental	69,168	-	-	17,576	86,744
Other	247,915	-	-	-	247,915
Accounts - billed	-	44,483	20,871	1,830	67,184
Accounts - unbilled	<u>-</u>	<u>264,809</u>	<u>-</u>	<u>19,312</u>	<u>284,121</u>
Gross receivables	418,084	309,292	20,871	38,718	786,965
Less allowance for uncollectibles	<u>5,000</u>	<u>4,000</u>	<u>16,000</u>	<u>-</u>	<u>25,000</u>
Net total receivables	<u>\$ 413,084</u>	<u>\$ 305,292</u>	<u>\$ 4,871</u>	<u>\$ 38,718</u>	<u>\$ 761,965</u>

TOWN OF SURFSIDE  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2004, was as follows:

<u>Governmental activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 1,461,229	\$ -	\$ -	\$ 1,461,229
Construction in progress	-	160,970	-	160,970
Capital assets being depreciated:				
Buildings	4,282,759	76,427	-	4,359,186
Improvements other than buildings	-	234,623	-	234,623
Furniture, fixtures, & equipment	<u>2,538,025</u>	<u>148,545</u>	<u>23,068</u>	<u>2,663,502</u>
	<u>8,282,013</u>	<u>620,565</u>	<u>23,068</u>	<u>8,879,510</u>
Less accumulated depreciation for:				
Buildings	929,624	92,902	-	1,022,526
Improvements other than buildings	-	5,865	-	5,865
Furniture, fixtures & equipment	<u>1,261,148</u>	<u>143,744</u>	<u>23,068</u>	<u>1,381,824</u>
	<u>2,190,772</u>	<u>242,511</u>	<u>23,068</u>	<u>2,410,215</u>
Governmental activities capital assets, net	<u>\$ 6,091,241</u>	<u>\$ 378,054</u>	<u>\$ -</u>	<u>\$6,469,295</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Business-type activities</u>				
Capital assets being depreciated:				
Improvements other than buildings	\$ 2,280,149	\$ 153,388	\$ 167,995	\$ 2,265,542
Equipment	<u>645,426</u>	<u>14,048</u>	<u>-</u>	<u>659,474</u>
	<u>2,925,575</u>	<u>167,436</u>	<u>167,995</u>	<u>2,925,016</u>
Less accumulated depreciation for:				
Improvements other than buildings	1,823,544	75,984	167,995	1,731,533
Equipment	<u>342,452</u>	<u>79,219</u>	<u>-</u>	<u>421,671</u>
	<u>2,165,996</u>	<u>155,203</u>	<u>167,995</u>	<u>2,153,204</u>
Business-type activities capital assets, net	<u>\$ 759,579</u>	<u>\$ 12,333</u>	<u>\$ -</u>	<u>\$ 771,812</u>

During the fiscal year ended September 30, 2004, the Town made major improvements to the Water and Sewer pump stations. The previous improvements, which were replaced, and which were fully depreciated were written during the year.

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

<i>Governmental activities:</i>	
General government	\$ 119,234
Public safety	82,242
Physical environment	6,237
Culture and recreation	12,989
Tourism	1,151
Library	17,712
Transportation	<u>2,946</u>
Total depreciation expense - governmental activities	<u>\$ 242,511</u>
<i>Business-type activities:</i>	
Water and Sewer	\$ 59,340
Municipal parking	48,747
Sanitation	<u>47,116</u>
Total depreciation expense - business-type activities	<u>\$ 155,203</u>

**TOWN OF SURFSIDE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004**

**NOTE 5 - PROPERTY TAXES**

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the State regulating tax assessments, also, are designed to assure a consistent property valuation method statewide. State statutes permit municipalities to levy property taxes at a rate of up to 10.0 mils. The millage rate assessed by the Town for the fiscal year ended September 30, 2004, was 5.603. The tax levy of the Town is established by the Town Commission prior to October 1 each year, and the County Property Appraiser incorporates the millage into the total tax levy, which includes Miami-Dade County, Miami-Dade County School Board and special taxing districts.

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

All real and tangible personal property taxes are due and payable on November 1 of each year or as soon thereafter as the assessment roll is certified by the County Property Appraiser. Miami-Dade County mails to each property owner on the assessment roll a notice of taxes due and Miami-Dade County collects the taxes for the Town. Taxes may be paid upon receipt of such notice from Miami-Dade County, with discounts at the rate of four percent (4%) if paid in the month of November, three percent (3%) is paid in the month of December, two percent (2%) if paid in the month of January, and one percent (1%) if paid in the month of February. Taxes paid during the month of March are without discount and all unpaid taxes on real and tangible personal property become delinquent and liens are placed on April 1 of the year following the year in which the taxes were assessed. Procedures for the collection of delinquent taxes by Miami-Dade County are provided for in the laws of the State of Florida. As of September 30, 2004, there were no material delinquent taxes.

**NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

***Interfund Receivables/Payables***

The interfund balances generally represent short-term loans to cover temporary negative balances in each fund's equity in pooled cash at year end. There were no interfund balances as of September 30, 2004.

***Interfund Transfers***

Interfund transfers for the year ended September 30, 2004, were as follows:

<u>FUND</u>	<u>Transfers In</u>	<u>Transfers (out)</u>
General Fund	\$ 150,000	\$ (630,483)
Special Projects Fund	285,483	-
Capital Projects Fund	140,000	-
Water and Sewer Fund	100,000	-
Municipal Parking Fund	-	(150,000)
Sanitation Fund	105,000	-
	<u>\$ 780,483</u>	<u>\$ (780,483)</u>

The Town transfers funds from the General Fund to the Special Projects Fund and Capital Projects Funds to provide funding for various capital projects reported in those Funds. The Town transfers funds from the General Fund to the Water and Sewer Fund, and the Sanitation Fund to help defray operating expenses. The Municipal Parking Fund transfers funds to the General Fund to fund various capital projects.

TOWN OF SURFSIDE  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2004

**NOTE 7 - LONG-TERM LIABILITIES**

**Compensated absences**

The following indicates the changes in long-term liabilities for the year ended September 30, 2004:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Payable Within One Year</u>
<b>Governmental activities:</b>					
Compensated absences	<u>\$ 320,473</u>	<u>\$226,188</u>	<u>\$236,217</u>	<u>\$310,444</u>	<u>\$41,846</u>
<b>Business-type activities:</b>					
Compensated absences	<u>\$ 88,491</u>	<u>\$ 29,515</u>	<u>\$ 28,877</u>	<u>\$ 89,129</u>	<u>\$39,164</u>

**NOTE 8 - EMPLOYEE RETIREMENT PLANS**

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

**a. Summary of Significant Accounting Policies**

The Town adopted the provisions of the GASB Statements No. 25 "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans," and 27 "Accounting for Pensions by State and Local Governmental Employers." The objective of these statements is to enhance the understandability and usefulness of pension information included in the financial statements of state and local governmental employers.

**Basis of Accounting**

The Retirement Plan for Employees of the Town of Surfside's financial statements are prepared on the accrual basis of accounting, reflecting income when earned and contributions for the year (regardless of when received) and expenses and other obligations when incurred (regardless of when paid). Benefit payments and refunds of contributions are recorded as they become due. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and payable, and the employer has made a formal commitment to provide the contributions.

**Method Used to Value Investments**

The Retirement Plan reports investments on a fair value basis in accordance with the provisions of Statements No. 25 of the Governmental Accounting Standards Board. Short-term investments are reported at cost, which approximates fair value. The net appreciation (depreciation) in fair value of investments is recorded as an increase (decrease) in the investment income based on the valuation of investments as of the balance sheet date.

Fair value is determined using closing prices from the national securities exchange markets on the last business day of the Retirement Plan's year.

TOWN OF SURFSIDE  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2004

**NOTE 8 - EMPLOYEE RETIREMENT PLANS (Continued)**

**Plan Membership**

The actual valuation as of October 1, stated the Retirement Plan's membership consisted of:

	<u>2003</u>	<u>2002</u>
Retirees and beneficiaries currently receiving benefits	<u>23</u>	<u>23</u>
Terminated employees entitled to benefits but not yet receiving them	<u>1</u>	<u>1</u>
Current employees:		
Vested	29	26
Partially vested	11	10
Non-vested	<u>39</u>	<u>37</u>
	<u>79</u>	<u>73</u>

**Plan Description**

The Retirement Plan was established by a Town ordinance approved by the Commissioners and effective January 1, 1962. The Plan is also subject to certain provisions of Chapter 112, Florida Statutes. The benefit provisions and all other requirements, and amendments are established by Town Ordinance.

Financial statements for the Retirement Plan for Employees of the Town are separately issued and are available at the Town Hall location at 9293 Harding Avenue, Surfside, Florida.

The Retirement Plan is a contributory defined benefit single-employer retirement plan covering substantially all employees of the Town of Surfside. All full-time employees became members of the Plan immediately upon employment. The administration of the Plan is under the responsibility of a five-member Board of Trustees, which is subject to the ultimate authority of the Town Commission.

Investments - The Town maintains a separate Defined Contribution Retirement Plan under Internal Revenue Code Section 401(a) administered by the International City Managers Association (ICMA) Retirement Corporation. The Town is required to contribute to the Plan each year on behalf of certain employees in accordance with their employment agreements. The total contributions to the Plan during the current fiscal year were approximately \$26,288.

**Contributions**

Funding of the Plan is provided by contributions from the Town and the employees. The Town's funding policy provides for annual actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due. The actuarial calculation determined that the Town was not required to make a contribution to the Retirement Plan for the fiscal year ended September 30, 2004; however, the Town made a voluntary contribution of \$102,410 for that year.

Initially employees were required to contribute either 5% of their salary or after January 1, 1980, members as of that date had the irrevocable option to contribute either 5% or 7% of their compensation. Effective July 1, 1996, each member had the irrevocable option to increase his (her) contribution rate from 5% to 7% or 8% of compensation.

TOWN OF SURFSIDE  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004

**NOTE 8 - EMPLOYEE RETIREMENT PLANS** (Continued)

Every employee who became a member of the Plan after July 1, 1996, had the one-time irrevocable option to contribute either 5% or 8% of compensation.

Ordinance Number 1438 reflects the following changes in plan provisions effective February 1, 2003:

The contribution rate for plan members currently contributing 7% and 8% has been decreased to 6% with a benefit rate of 2.5% for all future service.

The plan members who are currently contributing 5% have the option to retain this contribution rate with an increase in the benefit rate to 2% for all future service.

The contribution rate for all plan members hired on February 1, 2003, and thereafter will be 6% with the benefit rate of 2.5% for all future service.

**Plan Amendment**

Ordinance Number 1444 provides for a 1.5% automatic annual cost of living benefit increase for all current and future retirees, disableds, beneficiaries, and vested terminated members effective January 1, 2004.

**Service Retirement Benefits**

Members who are sworn Police Officers may retire at the age of 55 with 20 years of service (as defined in the Plan agreement) or at the age of 62 regardless of length of service. All other members may retire at the age of 62 with 15 years of service, or at the age of 65 regardless of the length of service. Annual retirement benefits are as follows:

For service rendered prior to October 1, 1979, 1-2/3% of the average final compensation multiplied by the number of years of creditable service rendered prior to October 1, 1979.

For each member who contributes 5% of compensation after January 1, 1980, 1-2/3% of the average final compensation multiplied by the number of years of creditable service rendered after September 30, 1979.

For each member who contributes 7% of compensation after January 1, 1980, 2% of the average final compensation multiplied by the number of years of creditable service rendered after September 30, 1979.

For each member who contributes 8% of compensation after July 1, 1996, 2.5% of the average final compensation multiplied by the number of years of creditable service rendered after July 1, 1996.

Effective February 1, 2003, employee contributions were reduced to 6% for employees previously contributing 7% to 8%. The accrual rate was increased to 2.5% for creditable service after February 1, 2003. Employees previously contributing 5% were given the one-time option to increase contributions to 6%. The accrual rate for employees who opted to continue contributing 5% was increased to 2% for creditable service after February 1, 2003.

The maximum benefit allowable for any member is 60% of the average final compensation.

TOWN OF SURFSIDE  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004

**NOTE 8 - EMPLOYEE RETIREMENT PLANS (Continued)**

**Vested Benefits**

Effective February 1, 2003, the Plan adopted a graded vesting whereby a 50% vested interest in the accrued benefits is earned upon completion of five years service. The vesting rate will increase by 10% each year thereafter until 100% vesting is attained. If separated from service, such vested member will be entitled to a service retirement annuity commencing at age 65, provided such member has not applied for and received a refund of their contributions to the Plan. A member who becomes eligible for early or normal retirement is automatically 100% vested regardless of the length of service.

**Early Retirement**

A member may retire at age 55 with 15 years of service, or upon the completion of 20 years service regardless of age. Benefits begin at age 62 or at age 55 at a reduced rate.

**Termination of Employment**

If a member terminates employment prior to attaining vested rights, the member receives a refund of his (her) accumulated contributions plus interest of 4% per annum on such contributions made on or after January 1, 1979. If a member terminates employment after age 55 with ten years' service, the member may elect to leave his contributions in the plan and receive benefits commencing at age 65.

**Disability Benefits**

**Service Connected** - Any member who becomes totally disabled as a direct result of performance of service to the Town shall receive 75% (if physical injury incurred in line of duty) or 45% (if not direct result of physical injury) of the rate of pay in effect on the date of the disability, less social security benefits, until the death, recovery, or normal retirement of the member. Payments commence when social security disability benefits begin.

**Non-Service Connected** - The member receives the normal retirement benefit accrued to date of disability and terminating upon the death, recovery, or normal retirement of the member.

**Post-Employment Health Benefits** - The Town's Retirement Plan does not administer any post-employment health benefits. However, any full-time permanent employee of the Town who is granted a service-related pension from the Town's Retirement Plan shall be eligible to receive the same level of health insurance benefits in force on the day of the employee's injury at no cost to the employee. The Town will continue to provide health insurance benefits until the employee becomes eligible for Medicare. If the employee's spouse was insured on the day of the employee's injury, the Town will pay for such spouse's inclusion in the then-current health insurance plan until the spouse becomes eligible for Medicare or Medicaid, or the expiration of thirty-six months, whichever is the earliest. The benefits will be funded by the Town on a pay-as-you-go basis.

TOWN OF SURFSIDE  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004

NOTE 8 - EMPLOYEE RETIREMENT PLANS (Continued)

**Termination** - Upon termination of the Plan for any reason, the Pension Trust Fund shall be apportioned and distributed to participants in accordance with the provisions of the Plan. Those provisions include giving a priority right to pensioners to receive the present value of their pension. The active members are to receive a pro rata share of the remainder.

**Death Benefits** - If death occurs prior to normal retirement eligibility, the member contributions plus interest are refunded to the member's beneficiary or estate. After retirement, any remaining member contributions are refunded; or the optional survivor's benefits option applies if this option is elected after reaching normal retirement eligibility, and prior to retirement.

**Related Parties** - There are no investments in, loans to, or leases with parties related to the Retirement Plan.

**Plan Expenses** - In accordance with the provisions of the Plan, investment and administrative expenses of the Plan may be paid either by the Town or the Plan as the Town shall determine. It had been the Town's policy to pay these expenses. This policy was changed October 1, 1997. As of that date, the Retirement Plan commenced the payment of all investment and administration expenses of the Plan.

**Investments** - The investment activity of the Plan is directed by an investment advisory firm. The Investment Manager is empowered to invest in cash or cash equivalents, to which quality and minimum risk guidelines apply. The Investment Manager may also invest in U.S. government obligations; certificates of deposit with major money center banks; commercial paper rated A-1 or P-1 by Standard and Poor's or Moody's respectively; A-rated fixed income securities; and equity securities listed on one of the Nation's major stock exchanges. The aggregate investment in any issuing company shall not exceed five percent of the outstanding capital stock, nor shall it exceed ten percent of the fund equity assets. The portfolio is limited to a maximum of fifty percent of total assets at cost in equity securities.

No investment in any one organization, other than U.S. Treasury obligations, represents five percent or more of the net assets available for benefits.

See note 2 for the listing of the investments held by the Plan at year end. Net appreciation (depreciation) in the fair value of the investments including current year realized gains and losses in accordance with GASB Statement No. 25, as of September 30, 2004, is as follows:

Investments:

U.S. Government Securities	\$ (37,332)
Government Agency Bonds	(14,632)
Corporate bonds and debentures	(30,325)
Common stocks	<u>533,460</u>
	<u>\$ 451,171</u>

The types of investments held during the year were substantially the same as those held at year end.

TOWN OF SURFSIDE  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2004

**NOTE 8 - EMPLOYEE RETIREMENT PLANS (Continued)**

ANNUAL PENSION COST AND ACTUARIAL METHODS

Annual Pension Cost (APC) is a measure of the periodic cost of an employer's participation in a defined benefit pension plan. The APC for the last three fiscal years follows:

<u>Fiscal Year Ended</u>	<u>Contributions Fiscal Year Ended</u>	<u>Annual Pension Cost</u>	<u>Annual Pension (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
September 30, 2001	September 30, 2003	\$ -	-0-	N/A	-0-
September 30, 2002	September 30, 2004	-	-0-	N/A	-0-
September 30, 2003	September 30, 2005	-	-0-	N/A	-0-

There was no Net Pension Obligation at the end of the current fiscal year.

The Town made a voluntary contribution of \$102,410 to the Retirement Plan for the fiscal year ended September 30, 2004.

The required supplementary information is presented after the notes to the basic financial statements.

**NOTE 9 - LEASES**

The General Funds rents space in the Town Recreation Center to the Surf-Bal-Bay Library, which is a Special Revenue Fund. The annual rental is \$26,000 per year. There is no formal lease agreement.

The Town leases a Snack Bar in the Recreation Center to an unrelated party. There is no formal lease agreement. The Surfside Tennis Courts are leased to unrelated parties for a percentage of the daily court fees.

The Town has operating lease agreements for three copiers. The lease expense for the year for such copiers was \$6,158. The balance due on these leases as of September 30, 2004, was \$13,131 of which \$5,963, \$5,808, and \$1,360 will be paid during the fiscal years ended September 30, 2005, 2006, and 2007, respectively.

**NOTE 10 - RISK MANAGEMENT**

The Town is exposed to various risks and losses related to torts; theft of or damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates with other municipalities and governmental units in a public entity risk pool administered by the Florida League of Cities Public Risk Services known as the Florida Municipal Insurance Trust (FMIT). The Town pays annual premiums to the FMIT for its general liability insurance, commercial real and personal property, including electronic data processing equipment, automobile, liability, and physical damage insurance coverage.

**TOWN OF SURFSIDE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004**

**NOTE 10 - RISK MANAGEMENT** (Continued)

The Town also participates in the Florida League of Cities public risk pool known as the Florida Municipal Self Insurers Fund (FMSIF) to which it pays annual premiums for its workers' compensation insurance. The agreement with these public risk pools provide that the pools will be self-sustaining through member premiums and will reinsure through commercial companies for workers' compensation and liability insurance for claims in excess of \$1,000,000. All policies are issued by FMIT and FMSIF on a non-assessable basis.

The Town maintains commercial insurance for Police Department accidental death and dismemberment, law enforcement professional liability, flood, and windstorm coverage.

None of the insurance settlements made by the Town during the past three years exceeded the insurance coverage.

**NOTE 11 - CHANGE IN ACCOUNTING PRINCIPLE**

Effective October 1, 2003, the Town adopted the new financial reporting requirements of GASB Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related pronouncements. As a result, beginning net assets for governmental activities has been restated to reflect the following changes:

Total fund balances - governmental funds, September 30, 2003, as previously stated	\$ 8,796,055
Capital assets, net of accumulated depreciation	
Capital assets	\$8,282,013
Accumulated depreciation	<u>(2,190,772)</u>
	6,091,241
Long-term liabilities	
Compensated absences	<u>(320,473)</u>
Total net assets - governmental activities, September 30, 2004, as restated	<u>\$ 14,566,823</u>

**NOTE 12 - COMMITMENTS AND CONTINGENCIES**

The Town is a defendant in various lawsuits including personal injury claims, challenges to Town zoning Ordinances, and general liability claims. It is the opinion of Town Management, after giving consideration to its insurance coverage and Florida Statutory limitations of governmental liability, that the ultimate resolution of these matters will not have a material adverse effect on the financial position and results of operations for the year ended September 30, 2004, as presented in the accompanying financial statements. Thus, no liability for these various claims has been included in these financial statements.

**TOWN OF SURFSIDE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004**

**NOTE 12 - COMMITMENTS AND CONTINGENCIES (Continued)**

Additionally, the Town is a defendant in a lawsuit regarding religious groups who wish to conduct publicly attended services in areas of the Town that are not zoned for such use. The United States District Court, Southern District of Florida entered a final judgement in favor of the Town; however, the Plaintiff's appeal to the United States Eleventh Circuit Court resulted in reversal of the final judgement on one count. The Plaintiffs are seeking attorneys' fees and costs for their litigation and appeal against the Town. The Town has filed objections, and continues to vigorously defend this action. Because of the limited basis of the Court's decision Town Management reports it is difficult to estimate the Town's liability or any damage award to Plaintiff should they ultimately prevail. Therefore, no amounts have been accrued in these financial statements.

The Town is both a plaintiff and a defendant in litigation, which arises from the renovations of the Town Hall municipal building. Management believes the claims against the Town will not be successful, and that a loss is unlikely.

**NOTE 12 - SUBSEQUENT EVENTS**

Subsequent to year end the Town of Surfside was served with witness subpoenas for production of documents in connection with a federal grand jury investigation in the Southern District of Florida. The Town has complied with these witness subpoenas. As is customary in Federal investigations, the Town has not been advised as to the exact nature of the inquiry, and has not been advised as to the identity of the subject or target. In any event, the Town intends to cooperate fully with this investigation until its conclusion. The Town has retained special counsel to assist in this endeavor.

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REQUIRED SUPPLEMENTAL INFORMATION

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TOWN OF SURFSIDE, FLORIDA  
RETIREMENT PLAN FOR EMPLOYEES  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS  
SEPTEMBER 30, 2004

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll ©)	UAAL as % Covered Payroll (b-a)/c
10/1/2003	\$8,424,226	\$ 7,359,513	\$ (1,064,713)	114.5%	\$2,793,232	(38.1)%
10/1/2002	8,490,282	6,119,853	(2,370,429)	138.7%	2,528,069	(93.8)%
10/1/2001	8,993,827	5,730,053	(3,263,774)	157.0%	2,098,878	(155.5)%
10/1/2000	9,085,680	6,137,757	(2,947,923)	148.0%	\$2,235,079	(131.9)%
10/1/1999	8,283,544	5,578,661	(2,704,883)	148.5%	2,243,986	(120.5)%
10/1/1998	7,361,158	5,768,780	(1,592,378)	127.6%	2,299,734	(69.2)%

TOWN OF SURFSIDE, FLORIDA  
 RETIREMENT PLAN FOR EMPLOYEES  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULES OF ANNUAL REQUIRED CONTRIBUTIONS  
 SEPTEMBER 30, 2004

<u>Valuation Date</u>	<u>Contribution Fiscal Year End</u>	<u>Minimum Required Employer Contributions</u>	<u>Actual Employer Contributions Made</u>
10/01/2003	9/30/2005	\$ -0-	N/A
10/01/2002	9/30/2004	\$ -0-	102,410
10/01/2001	9/30/2003	-0-	N/A
10/01/2000	9/30/2002	-0-	N/A
10/01/1999	9/30/2001	-0-	N/A
10/01/1998	9/30/2000	14,417 *	14,417 *

\* Reinstatement payment.

TOWN OF SURFSIDE, FLORIDA  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 SEPTEMBER 30, 2004

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

Actuarial valuation date	October 1, 2003
Actuarial cost method	Entry age
Amortization method	Level dollar amount - closed
Remaining amortization period	30 Years
Asset valuation method	4 - year smoothed market
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increase*	6.0%
Cost-of-living adjustments	1.5%
* Includes inflation at	4.0%
Mortality table	1994 Group Annuity Static Mortality Table with separate rates for males and females. Alternate table used for the mortality of disabled participants.
Required Town Contribution for the year ending September 30, 2004.*	\$ 0
*Contribution determined in Actuarial Valuation dated October 1, 2002.	
Contribution Rates:	
Employer	0.00% of Annual covered payroll
Plan Members	5.90% of Annual covered payroll
Annual pension cost	\$ 0

**COMBINING AND INDIVIDUAL  
FINANCIAL STATEMENTS  
AND SCHEDULES**

**Nonmajor Governmental Funds:**

**Special Revenue Funds:**

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes. The following are the nonmajor governmental funds.

Resort Tax Fund - This fund is used to account for the portion of the resort tax collections, which are to be designated to promote the tourism-related activities of the Town.

Library Fund - This fund is used to account for the operations of the Surf-Bal-Bay Library. The activities of the Library are funded equally by the Town of Surfside, Bal Harbour Village, and the Town of Bay Harbor Islands.

Transportation Surtax Fund - This fund is used to account for the proceeds of the Town's allocable share of the Miami-Dade County Transit System Surtax. The expenditures from this fund are restricted to specific purposes.

**Capital Projects Fund**

Capital Projects Fund - This fund is used to account for capital projects. Operating transfers from the general and other funds are made to this fund to cover the expenditures for such projects.

Town of Surfside, Florida  
Combining Balance Sheet  
Nonmajor Governmental Funds  
September 30, 2004

	Special Revenue Funds			
	Tourism	Library	Transportation Surtax	Capital Projects
<b>ASSETS</b>				
Equity in pooled cash and investments	\$ 258,167	\$ 57,321	\$ 120,190	\$ 82,644
Due from other governments	-	17,576	-	-
Total assets	\$ 258,167	\$ 74,897	\$ 120,190	\$ 82,644
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 1,310	\$ 1,644	\$ -	\$ 550
Accrued liabilities	516	2,433	-	-
	1,826	4,077	-	550
 Fund balances				
Unreserved/undesignated	256,341	70,820	120,190	82,094
Total fund balances	256,341	70,820	120,190	82,094
Total liabilities and fund balances	\$ 258,167	\$ 74,897	\$ 120,190	\$ 82,644

Town of Surfside, Florida

Total

\$ 518,322  
17,576  
\$ 535,898

\$ 3,504  
2,949  
6,453

529,445  
529,445

\$ 535,898

Town of Surfside, Florida  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
September 30, 2004

	Special Revenue Funds			
	Tourism	Library	Transportation Surtax	Capital Projects
<b>REVENUES</b>				
Resort taxes	\$ 158,441	\$ -	\$ -	\$ -
Charges for services	-	210,912	-	-
Intergovernmental	-	-	155,276	-
Fines	-	2,049	-	-
Interest	2,486	623	269	421
Miscellaneous	1,277	3,720	-	-
Total revenues	162,204	217,304	155,545	421
 <b>EXPENDITURES</b>				
General government	145,168	168,687	25,898	790
Capital outlay	1,002	41,840	58,914	76,427
Total expenditures	146,170	210,527	84,812	77,217
 Excess(deficiency) of revenues over(under) expenditures	 16,034	 6,777	 70,733	 (76,796)
 <b>Other financing sources(uses)</b>				
Transfers in	-	-	-	140,000
Total other financing sources (uses)	-	-	-	140,000
 Net change in fund balances	 16,034	 6,777	 70,733	 63,204
 Fund balances - beginning	 240,307	 64,043	 49,457	 18,890
 Fund balances - ending	 \$ 256,341	 \$ 70,820	 \$ 120,190	 \$ 82,094

Town of Surfside, Florida

Total

\$ 158,441  
210,912  
155,276  
2,049  
3,799  
4,997  
535,474

340,543  
178,183  
518,726

16,748

140,000

140,000

156,748

372,697

\$ 529,445

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## SCHEDULES

Financial schedules are presented to provide greater detailed information than reported in the preceding financial statements. This information in many cases has been spread throughout the report and is brought together here for greater clarity. Financial schedules are not necessary for the fair presentation in conformity with Generally Accepted Accounting Principles.

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Town of Surfside, Florida  
Schedule of Revenues and Expenditures Compared to Budget  
General Fund  
For the Year Ended September 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 4,200,694	\$ 4,113,152	\$ 3,952,662	\$ (160,490)
Resort taxes	350,000	350,000	376,290	26,290
Utility taxes	606,000	696,000	698,599	2,599
Franchise taxes	292,000	401,000	401,532	532
Licenses and permits	195,200	359,600	365,350	5,750
Fines and forfeitures	99,500	595,850	634,624	38,774
Intergovernmental	496,000	496,000	530,522	34,522
Charges for services	74,350	90,900	91,011	111
Insurance reimbursement	-	197,784	197,784	-
Interest earnings	40,000	89,000	88,957	(43)
Miami-Dade County grant	-	-	10,625	10,625
Miscellaneous	<u>3,740</u>	<u>3,740</u>	<u>29,511</u>	<u>25,771</u>
Total revenues	<u>6,357,484</u>	<u>7,393,026</u>	<u>7,377,467</u>	<u>(15,559)</u>
<b>EXPENDITURES</b>				
Current:				
General government:				
Legislative	268,309	283,719	234,248	49,471
Legal services	228,700	877,130	876,440	690
Executive, finance and administration	989,893	1,029,663	817,139	212,524
Building department	<u>185,511</u>	<u>311,370</u>	<u>312,081</u>	<u>(711)</u>
Total general government	1,672,413	2,501,882	2,239,908	261,974
Public safety	2,315,120	2,385,293	2,362,016	23,277
Public works	940,185	954,285	759,279	195,006
Culture and recreation	<u>866,010</u>	<u>859,446</u>	<u>854,771</u>	<u>4,675</u>
Total expenditures	<u>5,793,728</u>	<u>6,700,906</u>	<u>6,215,974</u>	<u>484,932</u>
Excess of revenues over(under) expenditures	<u>563,756</u>	<u>692,120</u>	<u>1,161,493</u>	<u>469,373</u>
Other financing sources(uses):				
Transfers in	-	150,000	150,000	-
Transfers out	<u>(784,469)</u>	<u>(630,483)</u>	<u>(630,483)</u>	<u>-</u>
Total other financial financial sources(uses)	<u>(784,469)</u>	<u>(480,483)</u>	<u>(480,483)</u>	<u>-</u>
Net change in fund balance			681,010	
Fund balance - beginning of year			<u>5,553,798</u>	
Fund balance - end of year			<u>\$ 6,234,808</u>	

See notes to budgetary comparison schedules.

Town of Surfside, Florida  
Schedule of Revenues and Expenditures Compared to Budget  
Special Projects Fund  
For the Year Ended September 30, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	Positive (Negative)
<b>Revenues</b>				
Interest earnings	\$ 50,000	\$ 50,000	\$ 29,401	\$ (20,599)
Total revenues	<u>50,000</u>	<u>50,000</u>	<u>29,401</u>	<u>(20,599)</u>
<b>Expenditures</b>				
General government	-	-	-	-
CAPITAL OUTLAY	<u>1,123,000</u>	<u>1,123,000</u>	<u>340,825</u>	<u>782,175</u>
Total expenditures	<u>1,123,000</u>	<u>1,123,000</u>	<u>340,825</u>	<u>782,175</u>
Deficiency of revenues over expenditures	<u>(1,073,000)</u>	<u>(1,073,000)</u>	<u>(311,424)</u>	<u>761,576</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	<u>367,044</u>	<u>285,483</u>	<u>285,483</u>	<u>-</u>
Total other financing sources	<u>367,044</u>	<u>285,483</u>	<u>285,483</u>	<u>-</u>
Net change in fund balance	<u>367,044</u>	<u>(787,517)</u>	<u>(25,941)</u>	<u>787,517</u>
Fund balance - beginning of year			<u>2,307,297</u>	
Fund balance - end of year			<u>\$ 2,281,356</u>	

See notes to budgetary comparison schedules.

Town of Surfside, Florida  
Schedule of Revenues and Expenditures Compared to Budget  
Police Forfeiture Fund  
For the Year Ended September 30, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<b>Revenues</b>				
Interest earnings	\$ 10,000	\$ 10,000	\$ 5,765	\$ (4,235)
Total revenues	<u>10,000</u>	<u>10,000</u>	<u>5,765</u>	<u>(4,235)</u>
<b>Expenditures</b>				
CURRENT:				
General government	106,500	106,500	29,942	76,558
CAPITAL OUTLAY	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total expenditures	<u>108,500</u>	<u>108,500</u>	<u>29,942</u>	<u>78,558</u>
Net change in fund balance	<u>(98,500)</u>	<u>(98,500)</u>	(24,177)	<u>74,323</u>
Fund balance - beginning of year			<u>562,262</u>	
Fund balance - end of year			<u>\$ 538,085</u>	

See notes to budgetary comparison schedules.

TOWN OF SURFSIDE, FLORIDA

NOTES TO BUDGETARY COMPARISON SCHEDULE

FISCAL YEAR ENDED SEPTEMBER 30, 2004

**NOTE 1. BUDGET AND BUDGETARY ACCOUNTING**

Budgetary comparison information has been presented for the General Fund and the two major governmental funds, the Police Forfeiture and the Special Projects Funds.

The Town follows these procedures to establish the budgetary data reflected in the financial statements:

Annual appropriated budgets for the governmental (except for the capital projects fund), and proprietary funds are adopted on a basis consistent with accounting principles generally accepted in the United States.

1. Prior to August 1, the Town Manager submits to the Town Commission a proposed operating budget for the fiscal year commencing the following October 1, The budget includes proposed expenditures and the means of financing them.
2. The Town Commission holds a public workshop on the proposed budget. Formal public hearings are conducted in September to obtain taxpayers' comments.
3. Prior to October 1, the budget is legally adopted by resolution.

Budgets are monitored at varying levels of classification detail. Budgetary control over expenditures, including capital outlay and operating transfers, is legally maintained at the fund level. Expenditures should not exceed appropriations at the individual fund level. Beginning fund balances, available for financing current appropriations, are considered in the budgetary process but are not included in the financial statements of the governmental fund types as budgeted revenues.

If during the course of the fiscal year, it becomes evident that a particular fund is unable to provide the required level of services to the Town because of higher costs of providing services, or unforeseen circumstances, the budget may be amended. The Town Manager submits to the Town Commission a request to amend the budget. The request contains explanations, and includes a proposal for financing if additional appropriations are requested. The amendment requires the Town Commission approval and adoption.

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## STATISTICAL SECTION

This section includes unaudited financial and statistical information presented for purposes of additional analysis.

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TOWN OF SURFSIDE, FLORIDA

Statistical Section

List of Tables

Table

**Government-Wide Information:**

1. Government-Wide Expenses by Function - Current Fiscal Year
2. Government-Wide Revenues - Current Fiscal Year

**Fund Information:**

3. General Governmental Expenditures by Function - Last Ten Fiscal Years
4. General Governmental Expenditures by Department - Last Ten Fiscal Years
5. General Governmental Revenues by Source - Last Ten Fiscal Years
6. Property Tax Revenues and Collections - Last Ten Fiscal Years
7. Assessed Value of Taxable Property - Last Ten Fiscal Years
8. Property Tax Rates - Direct and Overlapping Governments - Last Ten Fiscal Years
9. Property Value and Construction - Last Ten Fiscal Years
10. Special Assessments - Fiscal Years ended September 30, 1996 and 1997
11. Principal Taxpayers - Real Property Ad Valorem Taxes - Last Ten Fiscal Years
12. Principal Taxpayers - Personal Property Ad Valorem Taxes - Last Ten Fiscal Years
13. Miscellaneous Statistical Data

TOWN OF SURFSIDE, FLORIDA

TABLE 1

GOVERNMENT-WIDE EXPENSES BY FUNCTION -  
CURRENT FISCAL YEAR

<u>Fiscal</u> <u>Year</u>	<u>General</u> <u>Government</u>	<u>Public</u> <u>Safety</u>	<u>Physical</u> <u>Environment</u>	<u>Culture and</u> <u>Recreation</u>	<u>Transportation</u>	<u>Tourism</u> <u>Development</u>
2004	\$ 2,423,644	\$ 2,388,141	\$ 736,607	\$ 992,699	\$ 28,845	\$ 147,451

2004 is the initial year for which Government-wide Expenses are reported.

<u>Water/Sewer</u>	<u>Municipal Parking</u>	<u>Sanitation</u>	<u>Storm Water Utility</u>	<u>Total</u>
\$ 1,379,880	\$ 134,292	\$ 875,509	\$ 57,044	\$ 9,164,112

TOWN OF SURFSIDE, FLOIRDA

TABLE 2

GOVERNMENT-WIDE REVENUES - CURRENT FISCAL YEAR

	<u>Program Revenues</u>			
	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Program Revenues Total</u>
2004	\$ 4,116,151	\$ 22,631	\$ -	\$ 4,138,782

2004 is the initial year for which Government-wide Revenues are reported.

General Revenues

<u>Taxes</u>	Investment <u>Income</u>	<u>Miscellaneous</u>	General Revenues <u>Total</u>	<u>Total</u>
\$ 6,273,322	\$ 158,742	\$ 227,295	\$ 6,659,359	\$ 10,798,141

## TOWN OF SURFSIDE, FLORIDA

TABLE 3

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)  
LAST TEN FISCAL YEARS

Fiscal Year Ended	<u>General Government</u>	<u>Public Safety</u>	<u>Physical Environment</u>	<u>Parks and Recreation</u>	<u>Debt Service</u>
1995	\$ 937,065	\$1,471,651	\$ 549,434	\$ 503,079	\$ -
1996	887,640	1,523,894	573,952	590,117	-
1997	904,237	1,548,942	556,537	583,688	-
1998	967,092	1,627,956	589,154	530,477	-
1999	1,342,027	1,911,275	546,182	519,297	-
2000	1,207,342	1,773,863	567,304	543,304	-
2001	1,513,289	1,694,729	599,326	558,020	-
2002	845,488	1,828,766	616,647	549,742	-
2003	1,390,401	1,970,007	692,032	623,214	-
2004	2,233,840	2,292,629	716,840	778,698	-

(1) Includes The General and Special Revenue Funds.

(2) The Capital Projects Fund was created in the fiscal year ended 1994.

Source: Town Finance Department

<u>Capital Outlay</u>	<u>General Fund Total</u>	<u>Special Revenue Funds</u>	<u>Capital (2) Projects</u>	<u>Expenditures Total</u>
\$ 108,979	\$ 3,570,208	\$ 664,499	\$ 523,957	\$ 4,758,664
157,432	3,733,035	600,464	-	4,333,499
253,048	3,846,452	674,561	-	4,521,013
92,848	3,807,527	777,081	-	4,584,608
409,032	4,727,813	1,391,065	-	6,118,878
508,331	4,600,144	1,046,599	981,965	6,628,708
71,786	4,437,150	507,649	810,131	5,754,930
91,547	3,932,190	387,314	427,900	4,747,404
212,273	4,887,927	424,503	128,673	5,441,103
193,967	6,215,974	812,277	77,217	7,105,468

## TOWN OF SURFSIDE, FLORIDA

TABLE 4

GENERAL GOVERNMENTAL EXPENDITURES BY DEPARTMENT (1)  
LAST TEN FISCAL YEARS

Fiscal Year Ended	<u>Legislative</u>	<u>Law</u>	<u>Executive</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Physical Environment</u>	<u>Parks and Recreation</u>	<u>Capital Outlay</u>
1995	\$ 210,724	\$ 107,987	\$ 490,967	\$ 127,387	\$1,471,651	\$ 549,434	\$ 503,079	\$ 108,979
1996	222,384	56,445	476,002	132,809	1,523,894	573,952	590,117	157,432
1997	195,549	158,467	545,458	4,763	1,548,942	556,537	583,688	253,048
1998	209,139	272,029	482,629	3,295	1,627,956	589,154	530,477	92,848
1999	247,369	443,151	642,192	9,315	1,911,275	546,182	519,297	409,032
2000	213,075	331,536	655,291	7,440	1,773,863	567,304	543,304	508,331
2001	211,563	613,243	687,133	1,350	1,694,729	599,326	558,020	71,786
2002	219,094	(131,523)	757,917	-	1,828,766	616,647	549,742	91,547
2003	260,369	176,504	936,525	17,003	1,970,007	692,032	623,214	212,273
2004	234,248	876,440	1,008,114	115,038	2,292,629	716,840	778,698	193,967

(1) Includes the General and Special Revenue Funds.

Source: Town Finance Department

<u>Total</u>	<u>Tourist Board</u>	<u>Library</u>	<u>Special Projects</u>	<u>Police Forfeiture</u>	<u>Transportation Surtax</u>	<u>Total</u>	<u>Grand Totals</u>
\$3,570,208	\$ 102,999	\$ 206,302	\$ 60,968	\$ 294,230	\$ -	\$ 664,499	\$4,234,707
3,733,035	118,545	174,299	36,738	270,882	-	600,464	4,333,499
3,846,452	98,183	200,037	12,321	364,020	-	674,561	4,521,013
3,807,527	101,195	182,269	257,113	236,504	-	777,081	4,584,608
4,727,813	95,700	178,491	578,555	538,319	-	1,391,065	6,118,878
4,600,144	119,270	194,162	2,429	730,738	-	1,046,599	5,646,743
4,437,150	112,172	195,119	21,766	178,592	-	507,649	4,944,799
3,932,190	134,841	198,619	26,596	27,258	-	387,314	4,319,504
4,887,927	135,338	200,649	53,696	34,820	-	424,503	5,312,430
6,215,974	146,170	210,527	340,825	29,942	84,812	812,276	7,028,250

TOWN OF SURFSIDE, FLORIDA  
 GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)  
 LAST TEN FISCAL YEARS

TABLE 5

Fiscal Year Ended	Property <u>Taxes</u>	Franchise <u>Taxes</u>	Utility <u>Taxes</u>	Licenses & <u>Permits</u>	Inter- Governmental <u>Revenues</u>	Charges for <u>Services</u>
1995	\$1,864,658	\$ 303,834	\$ 254,470	\$ 124,095	\$ 548,272	\$ 152,806
1996	1,988,864	285,512	271,663	120,791	432,899	157,598
1997	2,218,621	321,020	277,498	104,243	421,345	165,594
1998	2,271,233	331,421	325,013	354,106	447,847	155,314
1999	2,358,714	301,051	286,316	558,660	473,740	151,509
2000	2,465,084	307,985	294,154	264,095	514,055	138,236
2001	2,571,169	347,263	478,676	232,338	477,578	109,566
2002	2,823,068	348,983	629,413	682,959	511,096	109,297
2003	3,555,405	312,324	687,660	427,226	531,723	93,071
2004	3,952,662	401,532	698,599	365,350	541,147	91,011

(1) Includes the General and Special Revenue Funds.

Source: Town Finance Department

<u>Resort Taxes</u>	<u>Fines, Forfeitures &amp; Confiscations</u>	<u>Interest &amp; Other</u>	<u>General Fund Total</u>	<u>Special Revenue Funds</u>	<u>Capital Project</u>	<u>Totals</u>
\$ 262,806	\$ 43,241	\$ 33,659	\$3,587,841	\$ 786,087	\$ 367,890	\$4,741,818
298,015	54,223	58,342	3,667,907	552,430	121,131	4,341,468
308,400	73,246	78,753	3,968,720	820,742	136	4,789,598
290,854	170,189	96,993	4,442,970	731,225	-	5,174,195
271,130	135,297	124,820	4,661,237	1,535,629	-	6,196,866
398,791	180,634	159,585	4,722,619	1,289,083	-	6,011,702
546,064	173,656	205,090	5,141,400	702,379	-	5,843,779
366,362	135,598	99,214	5,705,990	546,255	-	6,252,245
369,299	152,233	141,059	6,270,000	459,088	-	6,729,088
376,290	634,624	316,252	7,377,467	570,219	421	7,948,107

TOWN OF SURFSIDE, FLORIDA  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
TABLE 6

Fiscal Year <u>Ended</u>	<u>Tax Roll</u>	Total Amended <u>Tax Levy</u>	Current Gross Tax <u>Collections</u>	Percent of total Collections <u>To Current Levy</u>
1995	1994	\$ 1,905,353	\$ 1,864,658	97.86%
1996	1995	2,054,308	1,988,864	96.81%
1997	1996	2,265,638	2,218,621	97.92%
1998	1997	2,329,766	2,271,233	97.49%
1999	1998	2,419,346	2,358,714	97.49%
2000	1999	2,522,511	2,465,084	97.72%
2001	2000	2,626,635	2,571,169	97.89%
2002	2001	2,873,635	2,819,354	98.11%
2003	2002	3,572,531	3,555,405	99.52%
2004	2003	4,113,152	3,952,662	96.10%

- (1) Assessments as of January 1 of the previous year determine the levy.  
(2) Collections reflect timely payment discounts of up to 4%.

Source: Miami-Dade County Property Appraiser's office and the  
Town of Surfside Finance Department

TOWN OF SURFSIDE, FLORIDA  
 ASSESSED VALUE OF TAXABLE PROPERTY (1)  
 LAST TEN FISCAL YEARS  
 TABLE 7

<u>FISCAL YEAR ENDED</u>	<u>REAL PROPERTY</u>	<u>PERSONAL PROPERTY</u>	<u>TOTALS</u>
1994/95	\$356,075,044	\$10,569,315	\$366,644,359
1995/96	396,565,883	11,495,681	408,061,564
1996/97	405,904,058	11,553,331	417,457,389
1997/98	404,435,667	11,371,200	415,806,867
1998/99	420,949,577	10,845,158	431,794,735
1999/00	438,722,616	11,484,515	450,207,131
2000/01	455,650,845	13,140,027	468,790,872
2001/02	499,459,448	13,414,834	512,874,282
2002/03	629,502,823	13,889,674	643,392,497
2003/04	720,299,567	13,798,601	734,098,168

(1) Florida Law requires all property be assessed at current fair market value.

Source: Miami-Dade County, Florida, Property Appraiser .

TOWN OF SURFSIDE, FLORIDA  
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS  
(PER \$1,000 OF TAXABLE VALUE)  
LAST TEN FISCAL YEARS  
TABLE 8

Fiscal <u>YEAR</u>	Town of <u>Surfside</u>	Miami-Dade		County <u>Districts</u>	Florida	South Florida	<u>Total</u>
		County <u>Schools</u>	Miami-Dade <u>County</u>		Inland	Water <u>Management</u>	
1995	5.6030	10.3890	7.6570	2.5180	.0400	.6470	26.8540
1996	5.6030	10.3660	7.3010	2.6870	.0380	.6720	26.6670
1997	5.6030	10.4620	7.0270	2.6500	.0500	.6970	26.4890
1998	5.6030	10.1600	6.9280	2.7960	.0470	.6970	26.2310
1999	5.6030	9.6440	6.6250	2.7520	.0440	.6970	25.3650
2000	5.6030	9.6170	6.4030	2.7520	.1410	.5970	25.1130
2001	5.6030	9.4760	6.2650	2.7520	.0385	.5970	24.7315
2002	5.6030	9.3520	6.2790	2.6610	.0385	.5970	24.5305
2003	5.6030	9.2000	6.7540	2.6610	.0385	.5970	24.8535
2004	5.6030	8.7870	6.6642	2.6610	.0385	.5970	24.3507

SOURCES: Miami-Dade County, Florida, Property Tax Appraiser's Office  
Town Finance Department

TOWN OF SURFSIDE, FLORIDA  
PROPERTY VALUE AND CONSTRUCTION  
LAST TEN FISCAL YEARS

TABLE 9

<u>Fiscal Year Ended</u>	(1) Real Property <u>Value</u>	(2) <u>Construction</u>	
		<u>Building Permits</u>	<u>Construction Valuation</u>
1995	356,075,044	1,044	12,227,240
1996	396,565,883	1,112	11,417,414
1997	405,904,058	1,320	11,544,329
1998	404,435,667	1,140	21,514,046
1999	420,949,577	1,314	55,054,574
2000	438,722,616	1,415	54,590,127
2001	455,650,845	1,314	59,952,369
2002	499,459,448	1,378	82,270,221
2003	629,502,823	1,320	81,104,664
2004	720,299,567	1,120	45,654,421

(1) Assessed Value from Table 5.

(2) Town of Surfside Building Department

Source: Town of Surfside Building Department

TOWN OF SURFSIDE, FLORIDA  
SPECIAL ASSESSMENTS BILLINGS AND COLLECTIONS  
LAST TEN FISCAL YEARS  
TABLE 10

Fiscal Year <u>Ended</u>	Assessments <u>Billed</u>	Collections and <u>Adjustments</u>	Unpaid Principal <u>Balances</u>
1996	\$2,154	\$119,065	\$32,981
1997	136	33,117	-
1998	-	-	-
1999	-	-	-
2000	-	-	-
2001	-	-	-
2002	-	-	-
2003	-	-	-
2004	-	-	-

Assessments commencing in the fiscal year ended September 30, 1995, for improvements to the downtown business district.

There were no assessments for the fiscal years ended September 30, 1997, through September 30, 2004.

Source: Town Finance Department

TOWN OF SURFSIDE, FLORIDA  
 PRINCIPAL TAXPAYERS  
 REAL PROPERTY AD VALOREM TAXES

TABLE 11

<u>Names</u>	<u>Taxable Valuation</u>	<u>Percentage of Total Taxable Valuation *</u>
The Surf Club	\$22,181,080	2.59%
ZOM Surfside, Ltd.	18,307,407	2.14%
Bethel Beach Club Partners, Ltd.	16,929,100	1.98%
Beach House	11,032,183	1.29%
South Bal Harbour, Ltd.	10,604,800	1.24%
Publix	7,013,006	.82%
Azure Beach Development	4,775,409	.55%
Animar, Inc.	2,724,609	.32%
9379 Realty Corp.	2,622,850	.31%
City National Bank	<u>2,542,000</u>	<u>.30%</u>
	<u>\$98,732,444</u>	<u>11.54%</u>

\* Excludes Personal Property

Sources: Miami-Dade County Property  
 Appraiser's Office  
 January 1 Assessment Roll

TOWN OF SURFSIDE, FLORIDA  
 PRINCIPAL TAXPAYERS  
 PERSONAL PROPERTY AD VALOREM TAXES  
 TABLE 12

<u>Names</u>	<u>Taxable Valuation</u>	<u>Percentage of Total Taxable Valuation *</u>
Florida Power & Light Co.	\$ 3,591,671	20.98%
Publix Supermarkets, Inc.	2,446,401	14.29%
Beach House	2,089,186	12.20%
BellSouth Telecommunications, Inc.	1,739,160	10.16%
Gold Coast Cablevision	718,277	4.19%
Peoples Gas System	613,776	3.58%
The Surf Club	570,365	3.33%
ZOM Surfside, Ltd.	486,149	2.84%
Beekman Towers, Inc.	384,751	2.25%
Eckerd Corporation	<u>342,011</u>	<u>2.00%</u>
	<u>\$12,981,747</u>	<u>75.82%</u>

\* Excludes Real Property

Sources: Miami-Dade County Property  
 Appraiser's Office  
 January 1 Assessment Roll

TOWN OF SURFSIDE  
 MISCELLANEOUS STATISTICAL DATA  
 SEPTEMBER 30, 2004  
 TABLE 13

Town of Surfside			Recreation:
Incorporated - May 19, 1935			1 mile of public beach
Town Charter Adopted 1951 (Amended)			3 Municipal Parks
			1 Municipal swimming pool
Commission-Manager Form of Government			Recreational Areas - 53-90 acres
Area (Including annexed area):			Park facilities include:
Land	.50 square miles		Tennis courts, shuffleboard
Water	.14 square miles		softball, basketball,
			recreation center, and walking
Total	.64 square miles		path.
			Municipal Water System:
Infrastructure:			Active accounts 1,535
Paved streets	10.0 miles		Meter Sales 343,060,500 million
Unpaved streets	0.0 miles		(Million gallons)
Sidewalks	1.0 mile		15.7 Miles of water
Canals & Waterways	0.0 miles		84 Fire Hydrants
Storm sewers	5.6 miles		0.3 Miles of sewer force mains
Town-owned street lights	37 lights		2 Sewer pumping stations
FP&L owned street lights	293 lights		
Building Permits*	1,120*		Elections:
Estimated Value	\$45,654,421*		2,700 Registered Voters
			1,208 votes cast last general election (2004)
			General election March 16, 2004
Police Protection			Tax Rates:
Police station			Utility Service Taxes
Uniformed officers	21		5% Electric
Nonuniformed employees	13		5.22% Telephone
			5% Gas
Town Employees	90		Franchise Taxes:
			6% Electric
Median household income	\$56,327**		6% Gas
			3% Cable Television
Per capital income	\$38,375**		

\* Source - Town Building Permits Department  
 \*\* Source U.S. Census (2000)

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**OTHER REPORTS**

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

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

Honorable Mayor  
Members of the Town Commission  
and Town Manager  
Town of Surfside  
Surfside, Florida

We have audited the financial statements of the Town of Surfside, Florida, (the Town) as of and for the year ended September 30, 2004, and have issued our report thereon dated April 28, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Compliance**

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

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Town in a separate letter dated April 28, 2005.

Honorable Mayor  
Members of the Town Commission  
and Town Manager  
Page 2

This report is intended for the information of the Town Mayor, Town Commissioners, Town Management, and federal and state awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

*A.M. Jones, C.P.A., P.A.*

A.M. Jones C.P.A., P.A.  
Pompano Beach, Florida  
April 28, 2005

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INDEPENDENT AUDITOR'S REPORT TO MANAGEMENT

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**INDEPENDENT AUDITOR'S REPORT TO MANAGEMENT**

Honorable Mayor  
Members of the Town Commission  
and Town Manager  
Town of Surfside  
Surfside, Florida

We have audited the financial statements of the Town of Surfside, Florida, as of and for the year ended September 30, 2004, and have issued our report thereon dated April 28, 2005.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. We also have issued our Independent Auditor's Report, dated April 28, 2005, on Compliance and on Internal Control over Financial Reporting based on an Audit of Financial Statements performed in accordance with *Government Auditing Standards*. Disclosures in that report, if any, should be considered in conjunction with this management letter.

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

1. The Rules of the Auditor General (Section 10.554(1)(g) 1.a.) require that we comment as to whether or not inaccuracies, shortages, defalcations, fraud, and violations of laws, rules, regulations and contractual provisions reported in the preceding annual financial audit report have been corrected. There were no such items reported in the preceding annual financial audit report.
2. The Rules of the Auditor General (Section 10.554(1)(g) 1.b.) require that we comment as to whether or not recommendations made in the preceding annual financial audit report have been followed. One of the recommendations made in the preceding annual financial audit report has not been followed, as noted under the heading Status of Prior Year Recommendations.
3. As required by the Rules of the Auditor General (Section 10.554(1)(h) 2.), we determined whether the Town was in compliance with Section 218.415, Florida Statutes, regarding the investment of public funds. We determined that as of September 30, 2004, the Town's investment policy was in compliance with Florida Statutes Section 218.145.
4. The Rules of the Auditor General (Section 10.554(1)(g) 3.and 4.), require disclosure in the management letter of the following matters if not already addressed in the auditor's reports on compliance and internal control: recommendations to improve financial management, accounting procedures, and internal controls; violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred and were discovered within the scope of the audit; improper or illegal expenditures discovered within the scope of the audit which may or may not materially affect the financial statements; improper or inadequate accounting procedures;

failures to properly record financial transactions; and other inaccuracies, irregularities, shortages, and defalcations and instances of fraud discovered by, or that come to the attention of the auditor. Our audit disclosed no matters that are required to be disclosed by the Rules of the Auditor General.

5. The Rules of the Auditor General (Section 10.554 (1)(g) 5.) also require that the name and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter unless disclosed in the notes to the financial statements. The Town's legal authority is disclosed in the notes to the financial statements. The Town does not have any component units.
6. As required by the Rules of the Auditor General (Section 10.554(1)(g) 6.a.), the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, "Determination of Financial Emergency." In connection with our audit, we determined that the Town of Surfside, Florida, is not in a state of financial emergency as a consequence of the conditions described by Section 218.503(1), Florida Statutes.
7. As required by the Rules of the Auditor General (Section 10.554(1)(h)6. b.), we determined that the annual financial report for the Town of Surfside, Florida, for the fiscal year ended September 30, 2004, was filed with the Department of Banking and Finance pursuant to Section 218.32, Florida Statutes, and is in agreement with the annual financial audit report for the fiscal year ended September 30, 2004.
8. As required by the Rules of the Auditor General (Section 10.554(1)(h)6. c.1.), we applied financial condition assessment procedures pursuant to Rule 10.556 (8). It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

*A. M. Jones, C. P. A., P. A.*

A.M. Jones, C.P.A., P.A.  
Pompano Beach, Florida  
April 28, 2005

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TOWN OF SURFSIDE, FLORIDA

REPLY TO INDEPENDENT AUDITOR'S REPORT TO MANAGEMENT

MEMORANDUM

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## TOWN OF SURFSIDE

MUNICIPAL BUILDING  
9293 HARDING AVENUE  
SURFSIDE, FLORIDA 33154  
TELEPHONE: (305) 861-4863  
FACSIMILE: (305) 861-1302

**TIMOTHY WILL**  
MAYOR

**FRANK MACBRIDE**  
VICE MAYOR

**ORESTES JIMENEZ**  
COMMISSIONER

**RUBEN COTO**  
COMMISSIONER

**STEVEN LEVINE**  
COMMISSIONER

**TOWN OFFICIALS:**  
**JEFF SMOLANSKY**  
TOWN MANAGER

**BEATRIS ARGUELLES**  
TOWN CLERK

**STEPHEN H. CYPEN**  
TOWN ATTORNEY

To: Town Mayor  
The Town Commissioners  
From: Jeff Smolansky, Town Manager  
Subject: Independent Auditor's Report to Management for the  
Fiscal  
Year October 1, 2003, through September 30, 2004  
Date: April 28, 2005

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### RECOMMENDATION:

It is recommended that the Town Commission acknowledge, by motion, receipt of the annual Independent Audit Report of A.M. Jones, C.P.A., P.A., Certified Public Accountants, on the accounts and financial records of the Town for the fiscal year October 1, 2003 through September 30, 2004.

### REASONS:

State Statutes require that all municipalities have their records audited annually by an independent certified public accountant. The Statutes require that the report of the Auditor be filed with the governing body. The Town Mayor and Town Commission have been furnished with copies of the 2003-2004 Audit Report, and additional copies are available for public inspection in the Town Clerk's office.

The Auditor's comments are restated below with corresponding responses by the Town Manager:

The system for maintaining proper control of property, plant, and equipment; and for recording the fixed asset additions and deletions needs to be strengthened.

The control system for the recording of fixed assets on the detail ledgers should be properly maintained to record all such assets as they are acquired. The costs of such items should be agreed with the vendors' invoices and the accounting records. An inventory control sheet should be prepared on a timely basis for all fixed asset additions and deletions to document the transactions and maintain control over the fixed assets.

The implementation of GASB 34 places added requirements of properly recording infrastructure assets, and the depreciation expense, and accumulated depreciation for governmental fixed assets. Therefore, it is more important than ever for the Town to have a proper system in place for the recording of all of its fixed assets. We suggest that the Town acquire the fixed assets program as an adjunct to its computer software system. The recording on this fixed assets software should commence as soon as possible to give the Town greater control and accountability over all of the Town's fixed assets.

Memorandum to the Town Mayor  
The Town Commissioners  
April 28, 2005  
Page 2

Recommendation:

The control system for the recording of fixed assets on the detail ledgers should be properly maintained to record all such assets as they are acquired. The costs of such items should be agreed with the vendors' invoices and the accounting records. An inventory control sheet should be prepared on a timely basis for all fixed asset additions and deletions to document the transactions and maintain control over the fixed assets.

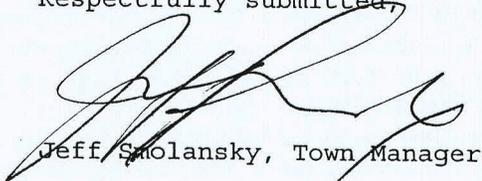
Additionally, we recommend that the repairs and maintenance, capital outlay, and similar accounts should be analyzed on a monthly basis throughout the year, to ensure that all capital acquisitions are recorded to maintain accountability. The totals as reflected on the fixed asset schedules should be agreed and/or reconciled with the general ledger Fixed Assets accounting software balances, and the fixed assets in the Enterprise Fund during the year. All documentation for such fixed asset additions should be maintained in appropriate files for future reference.

RESPONSE:

The Town has upgraded its computer system to provide the capacity for the addition of the Fixed Assets accounting software. The computer software application has been acquired, and the training by the vendor is being scheduled. As soon as the training is completed, all recordings will be made on this application for all prior, current, and future fixed assets additions.

The Accounting Manager has been instructed to complete the implementation of procedures to ensure that a system for the proper recording and accountability of the fixed assets of the governmental and enterprise funds in accordance with the auditor's recommendations including the timely recording of all fixed asset additions and deletions. These procedures are to be implemented immediately. Progress reports are to be prepared and will be reviewed by me on a periodic basis.

Respectfully submitted,



Jeff Smolansky, Town Manager

cc: Auditor General  
State of Florida