



TOWN OF SURFSIDE, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2005

Town of Surfside, Florida

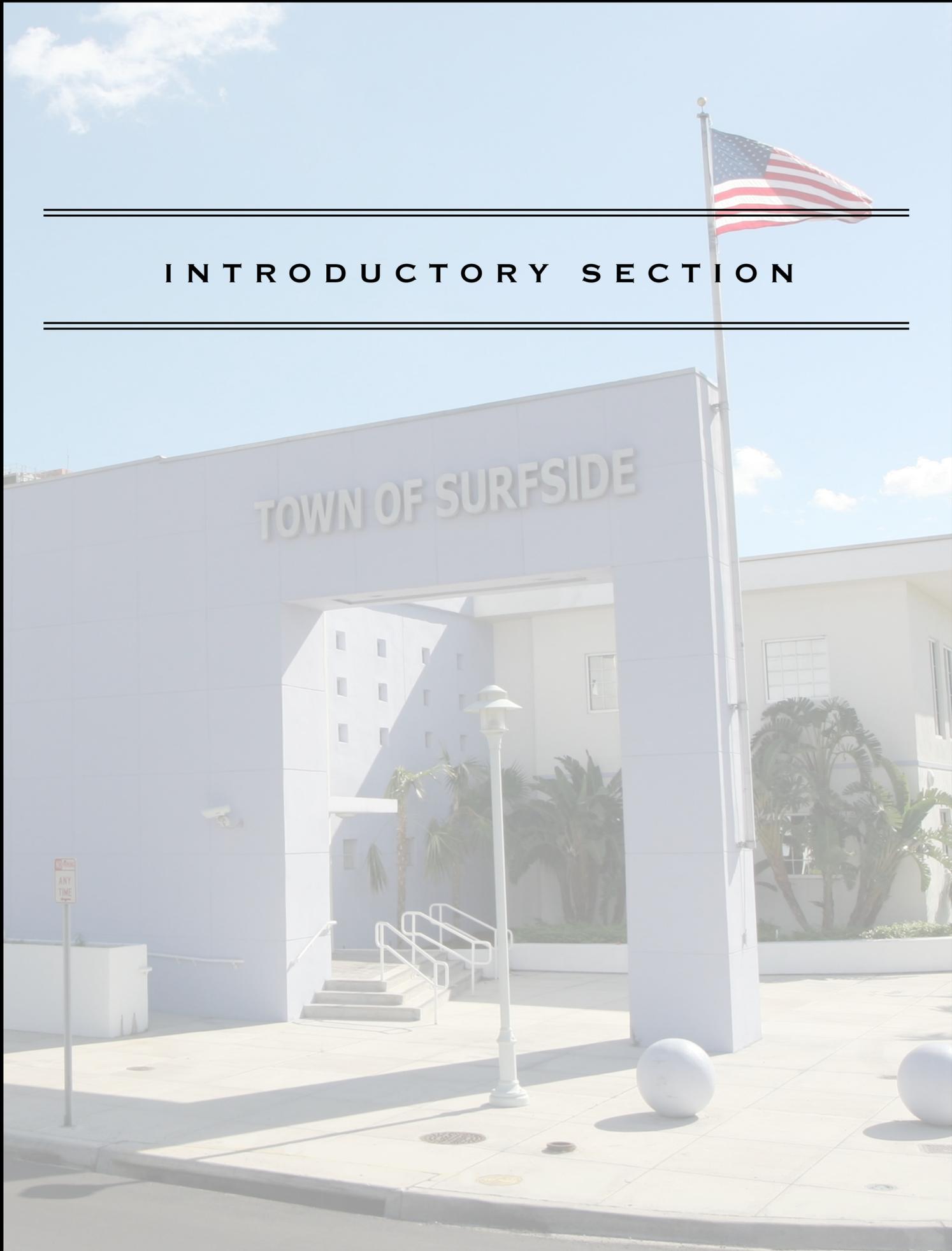
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2005

Prepared by:
Town of Surfside
Finance Department

INTRODUCTORY SECTION

TOWN OF SURFSIDE



TOWN OF SURFSIDE, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

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LETTER OF TRANSMITTAL



TOWN OF SURFSIDE

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

March 30, 2006

CHARLES W. BURKETT
MAYOR

Honorable Mayor Charles W. Burkett
Vice Mayor Howard S. Weinberg, Esq.,
Commissioners Marc Imberman,
Steven Levine, Esq., and Mark Blumstein, Esq.
Residents of Town of Surfside, Florida

HOWARD S. WEINBERG, ESQ.
VICE MAYOR

We are pleased to present the Comprehensive Annual Financial Report (the "CAFR") of the Town of Surfside, Florida as of and for the year ended September 30, 2005. State law requires that all general-purpose local governments publish within twelve months of the close of each fiscal year a complete set of financial statements in conformity with accounting principles generally accepted in the United States (GAAP), and audited in accordance with generally accepted auditing standards and governmental auditing standards by licensed certified public accountants. Additionally, Section 33 of the Town Charter requires that qualified public accountants shall perform 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, is presented for your consideration and review.

MARC IMBERMAN
COMMISSIONER

STEVEN LEVINE, ESQ.
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 framework of internal control 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 control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

MARK BLUMSTEIN, ESQ.
COMMISSIONER

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

W. D. HIGGINBOTHAM, JR.
TOWN MANAGER

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 as of and for the fiscal year ended September 30, 2005, 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 year ended September 30, 2005, 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).

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

The report contains four sections, namely the introductory section, the financial section including the required supplementary information, the statistical section, and other reports. Listed below is summary of each section and the information it contains:

- The introductory section includes the table of contents, a listing of Town Officials, the Town's organization chart, this letter of transmittal, and the Certificate of Achievement for Excellence in Financial Reporting presented to the Town by the Government Finance Officers Association of the United States and Canada for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2004.
- 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 as well as the required supplemental information. This supplementary information contains the retirement plan information, combining financial statements for the nonmajor governmental funds, and budget information.
- The statistical section contains various schedules detailing comparative and trend information on the Town's revenues, expenditures/expenses, taxes, debt, and other pertinent information.
- The other reports section contains the independent auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Governmental Auditing Standards*. Additionally, this section includes the independent auditor's Report to Management regarding current year comments, recommendations, and management responses.

Profile of the Government

The Town of Surfside, Florida, was incorporated on May 19, 1935. The Town of Surfside's Charter was adopted under the provisions of Chapter 27914, Laws of the State of Florida, in 1951. The Town 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 serves a population of 4,909 residents according to the 2000 U.S. Census. The Town is empowered to levy a property tax on both real and personal property located within its boundaries.

The Town of Surfside operates under a commission-manager form of government. Policy-making and legislative authority are vested in the governing body (the Town Commission) consisting of a mayor and four other members, all elected on a non-partisan basis. The Commission appoints the Town's manager who in turn appoints the heads of the various departments. The Town Mayor and Commission members serve two year terms.

The Town of Surfside provides a full range of services, including public safety (police, building and zoning), transportation and maintenance of roads and streets and other infrastructure, recreational and cultural activities, water and sewer utilities, parking facilities, sanitation (refuse collection), storm water utilities, and administrative services.

The Commission is required to adopt a final budget by no later than the close of the fiscal year. This annual budget serves as the foundation of the Town's financial planning and control. 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 prepared by fund, function (e.g., recreation and culture) and department (e.g., police). Department heads may transfer resources within a department as they see fit. Transfers between departments, however, need special approval from the governing commission.

Factors Affecting Financial Condition

The information presented in the financial statements is best understood when it is considered from the broader perspective of the specific environment within which the Town of Surfside operates.

Local Economy

The Town of Surfside currently enjoys a favorable economic environment. The Town's ideal location makes it a desirable place in which to live and to work. The Town is conveniently located within driving distance of the cities of Miami Beach, Miami, and Fort Lauderdale, with all their commercial and employment opportunities and cultural and other amenities. The major airports, Miami and Fort Lauderdale, along with Port Everglades, and the Port of Miami are all easily accessible.

While growth in the geographic area is restricted, enhancement of property values and the quality of life are advancing steadily. Remodeling of private residences continues to take place at a rapid rate. Building permit valuation was high again this year. The Town issued 1,099 permits with a valuation of approximately \$36,929,800 during the fiscal year ended September 30, 2005. The continuing influx of families is further evidence of an even higher quality of life, which is available to all residents of the Town.

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. The Town resort tax collections provide funds for advertising, promotion of tourism, and for the maintenance of the community center. The community center is a focal point of the Town. Meaningful events are presented at the center throughout the year.

The Town of Surfside boasts a beautiful and popular district for dining, shopping, and conducting business of all kinds. Over the past 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.

The economic condition of the area during the past year was good, and the outlook is positive. The Property tax values and revenues both grew during the past year.

Long-term financial planning

Unreserved, undesignated fund balance in the general fund is approximately 84.0 percent of the total general fund revenues. Additionally, there is approximately \$2.3 million in the special projects fund, which is designated for capital projects approved by the Town Commission. The financing of the proposed construction of or renovations to the community center and library will be partially funded by the special projects fund, transfers from the general fund, and external financing as required.

The Town had no external long-term debt as of year end. The only long-term debt of the Town is for the compensated absences liability to the employees. Please refer to the Management Discussion and Analysis for additional information on this liability.

Accomplishments

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

- Removal of vegetation and restoration of the beach dunes is in progress.
- Renovations of Wachovia Bank.
- Improvements to the Town's sanitary sewer system.
- Construction in progress on two prestigious luxury condominiums.
- The completion of the installation of traffic calming devices in the residential area.
- Expansion of the community recreation programs.

Reasonably priced parking is available throughout the Town. 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 the Town of Surfside for the convenience of and at no cost to our residents and guests.

Major initiatives

The capital projects challenges in the future will be to maintain our past capital investments and 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 services 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. Construction of or renovations and improvements to the Community Center and the library, water and sewer system, landscaping projects, expansion of parking and/or construction of parking structures, 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 3.79% as of September 30, 2005, compared with a range of .74% to 2.51% for deposits 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, including limited international exposure.

Awards and Acknowledgments

The Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Surfside for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2004. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This CAFR satisfied both generally accepted accounting principles and applicable legal requirements.

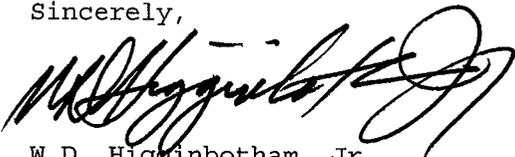
The Certificate of Achievement is the highest form of recognition for excellence in financial reporting by state and local governments, and is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the finance and administration departments. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report.

Credit also must be given to the Town Mayor and Town Commissioners for their unfailing support for maintaining the highest standards of professionalism in the management of the Town of Surfside's finances.

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

Sincerely,



W.D. Higginbotham, Jr.
Town Manager



Bella Carcasses
Town Controller

TOWN OF SURFSIDE, FLORIDA
Listing of Elected and Appointed Officials
Fiscal Year Ended September 30, 2005

TOWN COMMISSION

Charles W. Burkett, Mayor

Howard S. Weinberg, Esq., Vice Mayor

Marc Imberman, Commissioner

Steven Levine, Esq., Commissioner

Mark Blumstein, Esq., Commissioner

Appointed Officials

W.D. Higginbotham, Jr., Town Manager

Beatris Arguelles, Town Clerk

Bella Carcasses, Town Controller

Stephen H. Cypen, Town Attorney

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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Surfside,
Florida

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

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



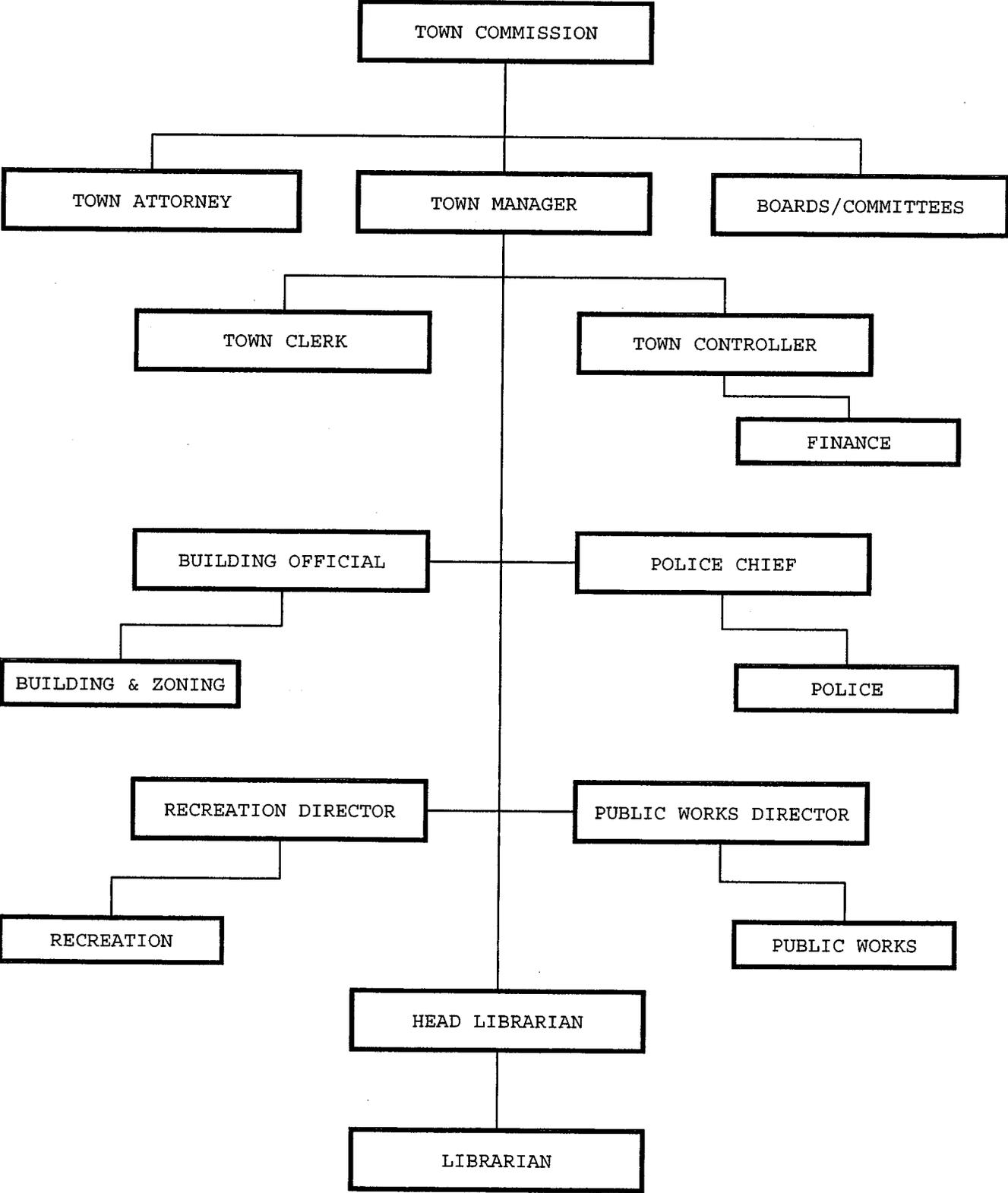
Carla E. Perry

President

Jeffrey R. Egan

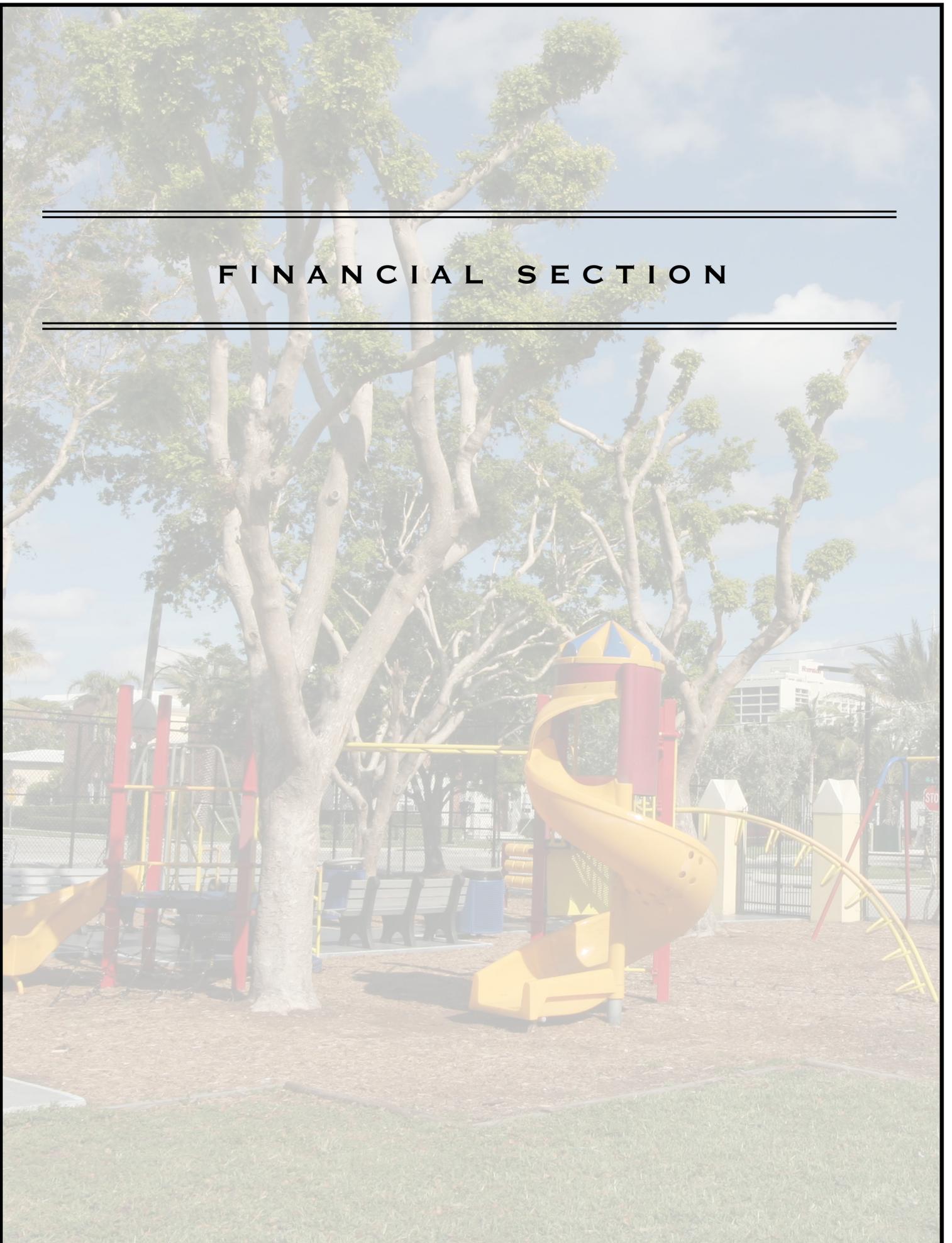
Executive Director

TOWN OF SURFSIDE, FLORIDA
Government Structure - September 30, 2005.



INDEPENDENT AUDITOR'S REPORT

FINANCIAL SECTION



MANAGEMENT'S DISCUSSION AND ANALYSIS
MD&A

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, 2005, which collectively comprise the Town's basic financial statements as listed in the table of contents. We also have audited the financial statements of the Town of Surfside's nonmajor governmental funds presented in the accompanying combining and individual fund financial statements and schedules as of and for the year ended September 30, 2005, 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, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the Town, as of September 30, 2005, and the respective changes in financial position and cash flows, where applicable.

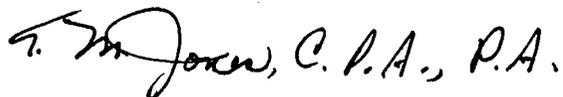
Honorable Mayor
Members of the Town Commission
and Town Manager

In accordance with *Government Auditing Standards*, we also have issued our report dated March 30, 2006, 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 compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be 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 fourteen, and fifty-five through sixty-seven 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, combining financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on them.

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

A.M. Jones, C.P.A., P.A.
Pompano Beach, Florida
March 30, 2006

Town of Surfside

Management's Discussion and Analysis for the Year Ended September 30, 2005

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, 2005. 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 - v of this report, as well as the financial statements and notes to financial statements which follow.

Financial Highlights

The following are the highlights of financial activity for the fiscal year ended September 30, 2005:

- The assets of the Town of Surfside exceeded its liabilities at the close of the most recent fiscal year by \$21,068,771 (net assets). Of this amount \$9,826,862 (*unrestricted net assets*) may be used to meet ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$1,475,414.
- As of the close of the current fiscal year, the Town of Surfside's governmental funds reported combined ending fund balances of \$10,069,053, an increase of \$485,359 in comparison with the prior year. Approximately, seventy-seven percent (77%) of the total fund balance, \$7,748,923, is unreserved, undesignated, and available for spending at the government's discretion.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$6,508,243, or 90.7% of the total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are 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 of Surfside 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 user 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 include the water and sewer, municipal parking, sanitation, and stormwater utility operations.

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 seven 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 projects and the police forfeiture funds, which are considered to be major funds. Data from the other four governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor funds is provided in the form of *combining statements* elsewhere in this report.

The Town of Surfside adopts an annual appropriated budget for its governmental funds (with the exception of the capital projects fund), and for the enterprise funds. Budgetary comparison statements have been provided on pages 57 - 67 for the governmental funds, and proprietary funds (enterprise funds), to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 18 - 22 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 of the Town of Surfside, 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 government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town of Surfside'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 - 54 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town of Surfside's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information for the retirement plan can be found on pages 55 - 56 of this report. Additionally, the *required supplementary information* includes the budget comparison schedules for all funds for which a budget is adopted. These schedules can be found on pages 57 - 67 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions and the budgetary comparison schedules. Combining and individual fund statements and schedules can be found on pages 68 - 72 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Surfside, assets exceeded

liabilities by \$21,068,771 at the close of the most recent fiscal year.

The Town of Surfside's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), which totals thirty-five percent (35%) of the net assets. As of September 30, 2005, there was no related debt associated with any of these capital assets. The Town of Surfside uses these capital assets to provide services to the citizens; consequently, they are not available for future spending.

TOWN OF SURFSIDE'S Net Assets

	Governmental activities		Business-type activities		Total	
	2005	2004	2005	2004	2005	2004
	<hr/>					
Current & other assets	\$11,160,806	\$10,381,733	\$4,223,521	\$3,414,114	\$15,384,327	\$13,795,847
Capital assets	<u>6,583,160</u>	<u>6,469,295</u>	<u>778,258</u>	<u>771,812</u>	<u>7,361,418</u>	<u>7,241,107</u>
Total assets	<u>17,743,966</u>	<u>16,851,028</u>	<u>5,001,779</u>	<u>4,185,926</u>	<u>22,745,745</u>	<u>21,036,954</u>
Long-term liabilities	313,638	268,598	41,178	49,965	354,816	318,563
Other liabilities	<u>914,828</u>	<u>737,475</u>	<u>407,330</u>	<u>387,559</u>	<u>1,322,158</u>	<u>1,125,034</u>
Total liabilities	<u>1,228,466</u>	<u>1,006,073</u>	<u>448,508</u>	<u>437,524</u>	<u>1,676,974</u>	<u>1,443,597</u>
Net assets:						
Invested in						
capital assets	6,583,160	6,469,295	778,258	771,812	7,361,418	7,241,107
Restricted	3,538,145	3,327,718	342,346	340,824	3,880,491	3,668,542
Unrestricted	<u>6,394,195</u>	<u>6,047,942</u>	<u>3,432,667</u>	<u>2,635,766</u>	<u>9,826,862</u>	<u>8,581,298</u>
Total net assets	<u>\$16,515,500</u>	<u>\$15,844,955</u>	<u>\$4,553,271</u>	<u>\$3,748,402</u>	<u>\$21,068,771</u>	<u>\$19,593,357</u>

An additional portion of the Town of Surfside's net assets \$3,880,491 (18.4%) includes resources subject to external restrictions. The remaining balance of unrestricted net assets, \$9,826,862 (46.6%) may be used to meet the Town's ongoing obligations to citizens and creditors.

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

The government's net assets increased by \$1,475,414 during the current fiscal year. Approximately eighty-four percent (84%) of this increase represents the degree to which increases in ongoing revenues has outstripped similar increases in ongoing expenses. The remainder of this growth (16%) largely reflects increases in operating grants and investment earnings.

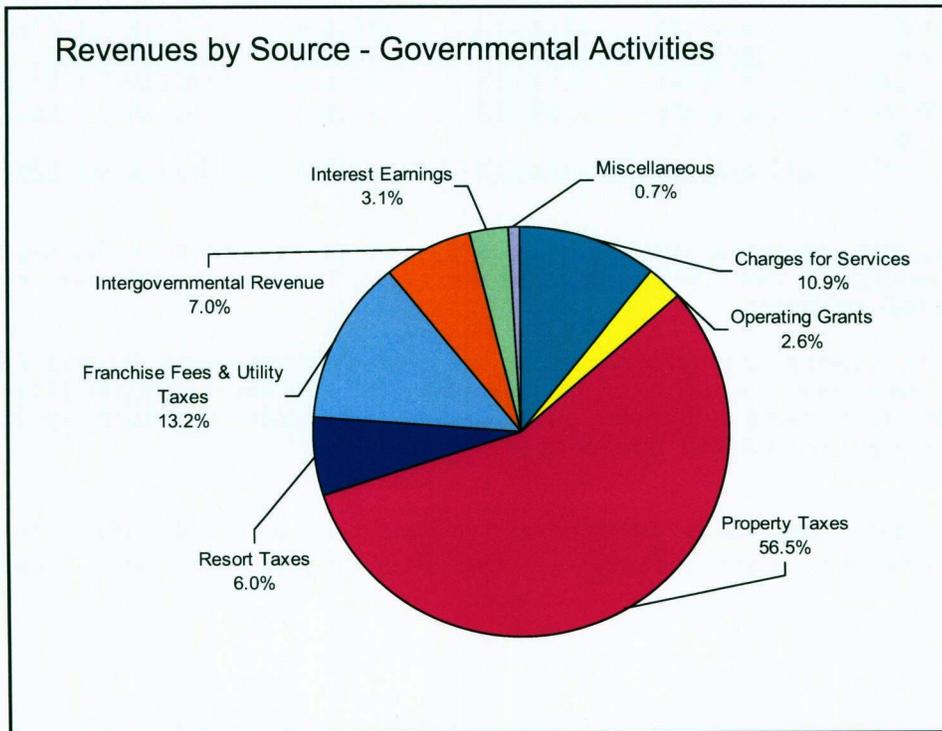
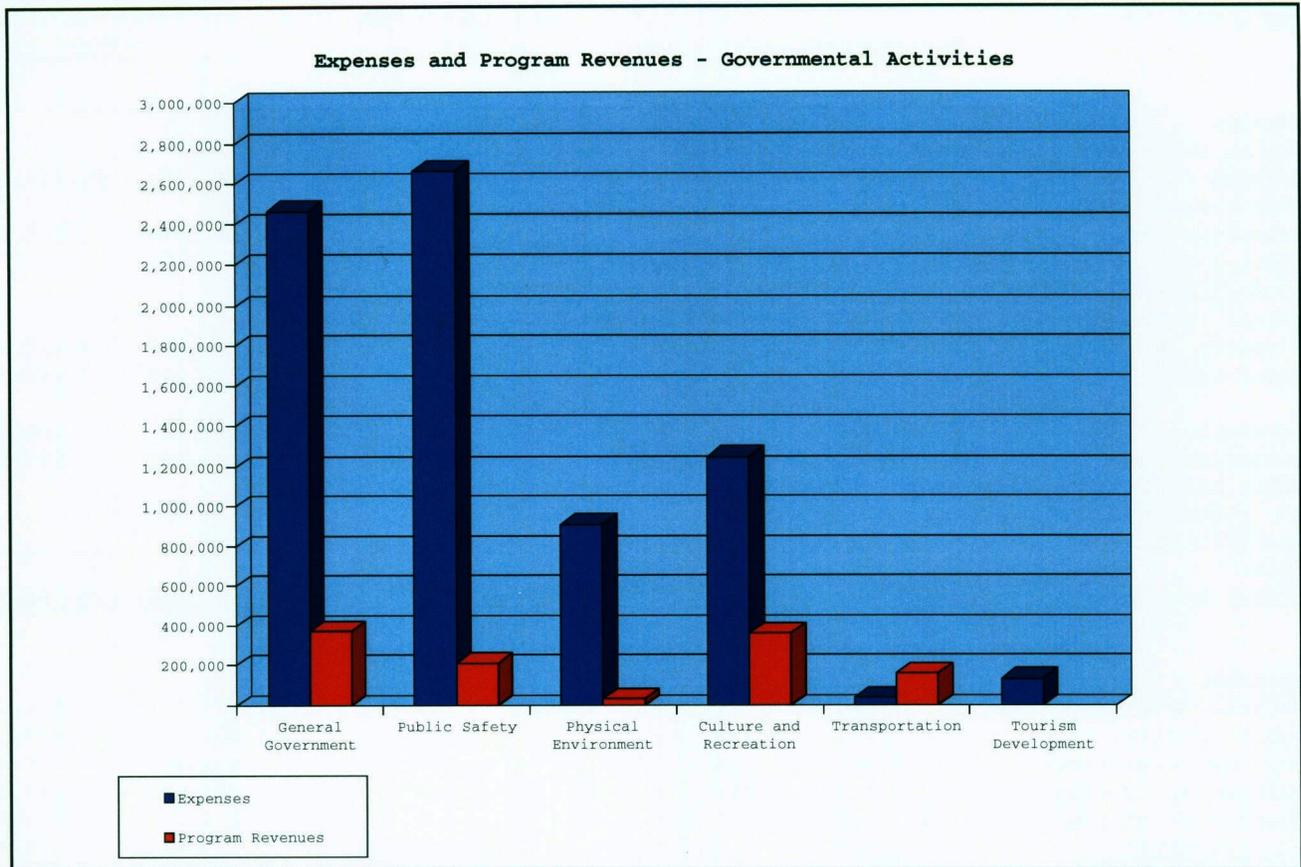
Governmental activities. Governmental activities increased the Town of Surfside's net assets by \$670,545 thereby accounting for forty-five percent (45%) of the total growth in the net assets of the Town of Surfside. Key elements of this increase are as follows:

TOWN OF SURFSIDE'S Changes in Net Assets

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	2005	2004	2005	2004	2005	2004
REVENUES						
Program revenues:						
Charges for services	\$ 910,357	\$1,308,945	\$2,756,697	\$2,807,206	\$3,667,054	\$4,116,151
Operating grants and contributions	216,616	165,901	12,952	12,006	229,568	177,907
Capital grants and contributions						
General revenues:						
Property taxes	4,735,259	3,952,662	-	-	4,735,259	3,952,662
Other taxes	2,199,150	2,165,384	-	-	2,199,150	2,165,384
Interest earnings	263,603	127,922	80,514	30,820	344,117	158,742
Miscellaneous	58,743	227,295	1,522	-	60,265	227,295
Grants and contributions not restricted to specific programs	-	-	-	-	-	-
Other						
Total Revenues	<u>8,383,728</u>	<u>7,948,109</u>	<u>2,851,685</u>	<u>2,850,032</u>	<u>11,235,413</u>	<u>10,798,141</u>
Expenses:						
General Government	2,464,164	2,321,234	-	-	2,464,164	2,321,234
Public Safety	2,664,931	2,388,141	-	-	2,664,931	2,388,141
Physical environment	909,393	736,607	-	-	909,393	736,607
Culture and recreation	1,247,493	992,699	-	-	1,247,493	992,699
Tourism development	131,335	147,451	-	-	131,335	147,451
Transportation	37,034	28,845	-	-	37,034	28,845
Water and Sewer	-	-	1,178,986	1,379,880	1,178,986	1,379,880
Municipal parking	-	-	143,472	134,292	143,472	134,292
Sanitation	-	-	920,923	875,509	920,923	875,509
Stormwater utility	-	-	62,268	57,044	62,268	57,044
Total expenses	<u>7,454,350</u>	<u>6,614,977</u>	<u>2,305,649</u>	<u>2,446,725</u>	<u>9,759,999</u>	<u>9,061,702</u>
Increase in net assets before transfers	929,378	1,333,132	546,036	403,307	1,475,414	1,736,439
Transfers in (out)	(258,833)	(55,000)	258,833	55,000	-	-
Increase in net assets	670,545	1,278,132	804,869	458,307	1,475,414	1,736,439
Net assets-10-01-2004 as restated(Note 12)	<u>15,844,955</u>	<u>14,566,823</u>	<u>3,748,402</u>	<u>3,290,095</u>	<u>19,593,357</u>	<u>17,856,918</u>
Net assets- 9-30-2005	<u>\$16,515,500</u>	<u>\$15,844,955</u>	<u>\$ 4,553,271</u>	<u>\$ 3,748,402</u>	<u>\$21,068,771</u>	<u>\$19,593,357</u>

- Property tax revenues increased by \$782,597 (19.8 percent) during the current year. These property tax revenues represent 56.5 percent of the total governmental activities revenues.
- Operating grants for governmental activities increased by \$51,661 (29.0 percent) during the current year. Of this amount \$32,901 was received from FEMA to reimburse the Town for costs incurred as a result of damages caused by Hurricane Katrina. These costs were mainly for debris removal.

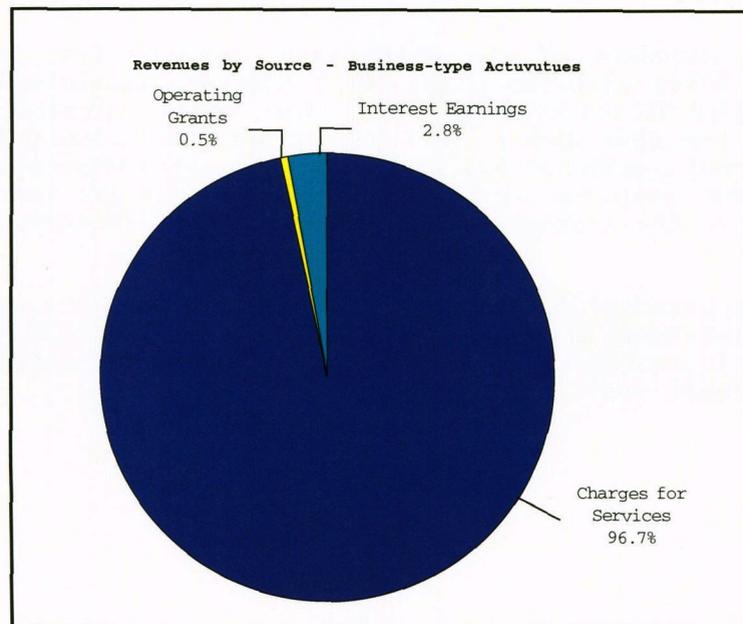
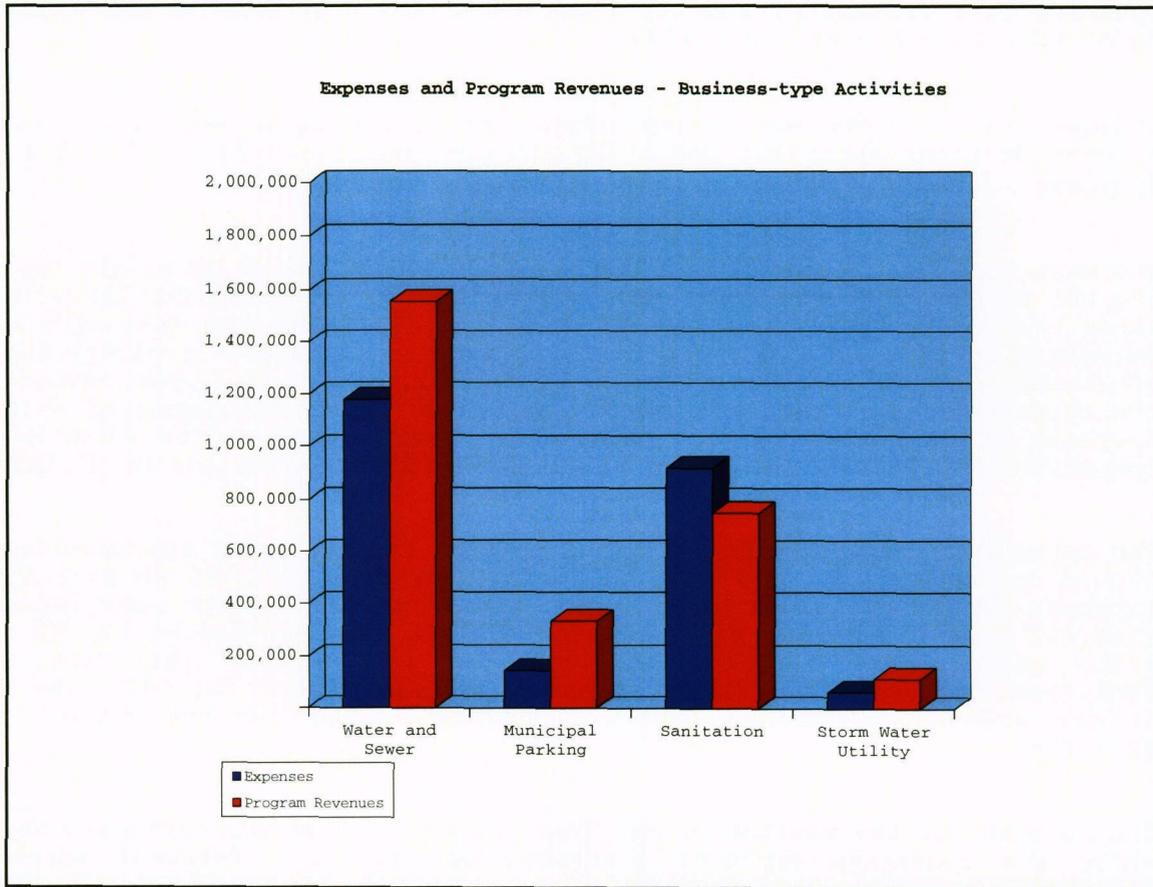
For the most part, increases in expenses closely paralleled inflation and growth in demand for services, particularly in the area of public safety and recreational programs.



Business-type Activities

Business-type activities increased the net assets of the Town of Surfside by \$804,869 accounting for 54.6 percent of the total growth in the government's net assets. Key elements of this increase are as follows.

- Charges for services for business-type activities decreased by \$50,509 a 1.8 percent decrease while the operating expenses decreased \$141,076 a 5.8 percent decrease.
- The Water and Sewer operations accounted for \$406,801 or 50.5% of the increase in the net assets of the business-type activities. The charges for services of the water and sewer operations decreased by \$14,265 while the operating expenses decreased by \$200,894. The decrease in operating expenses is mainly the result of extensive repairs to the system performed during the prior year, and not during the current year. These decreases resulted in operating income of \$376,467 an increase of \$186,629 over the prior year. Additionally, the water and sewer operations had interest earnings of \$28,823, and contributions of \$1,522.
- The operating income of the municipal parking fund remained approximately level with a decrease of \$10,328 from the prior year from \$202,183 to \$191,855. The expenses of the municipal parking operations for the current year increased to \$143,472 from the prior year total of \$134,292, an increase of \$9,180 from the prior year. The interest earnings for the current year are \$35,068. Additionally, there was a transfer to the general fund of \$17,083. The increase in net assets for the municipal parking operations for the current year is \$209,840.
- The charges for the sanitation and trash removal operations decreased by \$34,999 while the operating expenses increased by \$45,414. Personal services and administrative costs accounted for 74.8 percent of this increase. The operating loss for these operations increased to \$170,413 from the loss of \$90,000 from the prior year. Increases in the costs of fuel and personal services contributed to this loss for the current year. There were interest earnings of \$6,642 and transfer in from the general fund of \$275,916 which resulted in a \$112,145 increase in net assets for the sanitation and trash removal operations.
- The operating revenues of the storm water utility fund of \$115,407 remained approximately level with the prior year; however, expenses increased to \$62,268 or an increase of \$5,224 over the prior year, which decreased operating income by approximately the same amount for the current year compared to the prior year. The fund received a grant of \$12,952 from the Florida Department of Transportation and had interest earnings of \$9,992 during the current year. These operations added \$76,083 to the increase in net assets of the business-type activities.
- Total interest earnings for the business-type activities totaled \$80,514 for the current year representing an increase of \$49,694 or 161.2% over the prior year. This increase is mainly the result of a more favorable market for interest rates during the current year.



Financial Analysis of the Government's Funds

As mentioned 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 on 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's governmental funds reported combined ending fund balances of \$10,069,053, an increase of \$485,359 in comparison with the prior year. Approximately 77.0 percent constitutes *unreserved, undesignated fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is *designated* for subsequent years' special projects mainly capital in nature, which require approval by the Town Commission.

The general fund is the chief 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 \$6,508,243. 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 90.7 percent of the total general fund expenditures.

The fund balance of the Town of Surfside's general fund increased by \$273,435 during the current fiscal year. Key factors in this growth are as follows:

- The property taxes increased by \$782,597, 19.8 percent increase over the prior year mainly because of the increased assessed valuations of the property within the Town.
- Interest earnings increased by \$91,706, 103.1 percent increase over the prior year. The increased interest rates during the current fiscal year were instrumental in this resulting increase.

The total expenditures of the general fund increased by \$956,864. Key factors in this increase are as follows:

- Expenditures of the general government increased by \$194,378 over the prior year. The accrual of a liability of \$300,000 for the settlement of a lawsuit during the current year contributed to this increase while the other expenditures of the general government decreased by \$137,835.
- Expenditures of public safety increased by \$297,611 of which personal services accounted for \$119,138 or 40.0% of this increase. Capital outlay accounted for \$56,314 or 18.9% of this increase. The increase in expenditures for operating expenses (including gas) and office supplies, liability and property insurance, maintenance and communications accounted for the balance of the \$122,158 increase in the expenditures for public safety compared with the prior year.
- The expenditures of the culture and recreation increased by \$295,725. Of this amount the personal services expenditures increased by \$131,184. The programs expenditures increased by \$71,718, and the capital outlay increased by \$92,048. The capital outlay of the prior year included the expenditures for the water park facility while the capital outlay of the current year is mainly the result of professional fees and studies for the renovation or replacement of the community center facility.
- The expenditures of the public works operations increased by \$169,150. Of this amount \$91,213, 53.9 percent was the result of increases in personal services. Maintenance, maintenance agreements, professional fees, operating supplies (including gas) and other operating expenses accounted for \$75,375, 44.6 percent of this increase. The damages and additional debris removal required caused by Hurricane Katrina added to the increase in expenditures. The majority of these expenditures, \$32,901, was reimbursed by grant from the Federal Emergency Management Agency (FEMA). Capital outlay expenditures accounted for \$2,562, 1.5 percent of the increase in expenditures.

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 Water and Sewer Fund at the end of the year totaled \$1,172,474. The unrestricted net assets of the Municipal Parking Fund at the end of the year amounted to \$1,584,827. The unrestricted net assets of the Sanitation Fund and Storm Water Utility Fund totaled \$203,646 and \$471,720, respectively. The total growth in net assets in the propriety funds is as follows: Water and Sewer Fund \$406,801; Municipal Parking Fund \$209,840; Sanitation Fund \$112,145, and Storm Water Utility Fund \$76,083. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town of Surfside's business-type activities.

General Fund Budgetary Highlights

During the year there was a \$704,619 increase in appropriations between the original and final amended budget. Following are the main components of this increase:

- A supplemental appropriation of \$482,672 to the general government for the anticipated increase of \$491,300 in legal fees including labor legal fees; increases of \$47,556 for the building inspectors' fees and related costs, increases of \$7,000 in the legislative department, and decreases in appropriations of the executive department of \$63,185.
- An additional appropriation of \$221,947 in the recreation to account for the increased costs of the initial planning and studies relating to capital improvements in the community center; and the anticipated increases in salaries.

This increase was possible because of additional anticipated revenues of approximately \$105,000 in utility and franchise taxes, anticipated increases in intergovernmental revenues and in fines and forfeitures, of approximately \$100,000 and \$170,000, respectively. Also, there was an anticipated increase in interest earnings of approximately \$90,000. The estimated revenues for the fines and forfeitures for the current year were increased by \$106,000 for additional revenues anticipated to be received. Also, the original budget which was adopted had an excess of estimated revenues over the appropriations prior to the transfers.

The originally budgeted net interfund transfers from the general fund were decreased by approximately \$300,666.

Special Revenue Funds

The main components of this budget amendment in the special revenue funds follows:

- Police Forfeiture Fund estimated revenues were increased by \$18,551, to account for forfeitures received by this fund, which are not permitted by the governmental agencies involved in these operations to be included in the original budget. The appropriations of this fund were increased by \$11,050.
- There was a supplemental appropriation of \$2,150 in the Library Fund for anticipated increases in supplies, which was funded by the prior year fund balance.

Capital Assets

The Town of Surfside's investment in capital assets for its governmental and business-type activities as of September 30, 2005, amounts to \$7,361,418 (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 net capital assets for the current fiscal year was 1.66 percent (a 1.57 percent for government activities and a .09 percent increase for business-type activities).

Major capital asset events during the current fiscal year in the governmental activities included:

- Acquisition of police vehicles and equipment at a cost of \$71,087 and \$18,199, respectively.
- Construction in progress relating to the initial costs of the community center and library renovations/improvements or construction for a total of \$ 208,531.
- Construction costs to complete the roundabouts of \$27,724. The total construction in progress as of September 30, 2004, for these roundabouts of \$160,970 was transferred to the infrastructure during the year ended September 30, 2005. Thus, the costs for these roundabouts totaled \$188,694 as of September 30, 2005.
- Equipment additions in the recreation department totaled \$18,977.
- Vehicle acquisition in the public works department totaled \$18,277.
- The costs of computer hardware and software additions totaled \$75,977.
- Costs of book purchases in the library fund of \$35,369. These costs are capitalized to maintain control over the total book purchases account. This accountability is required because the funding for the library is shared by the Town of Surfside, Town of Bay Harbor Islands, and Bal Harbour Village.

Major capital asset events of the business-type activities included:

- Costs in the water and sewer fund of \$41,991 and \$8,352 for improvements to the pump stations and purchase of water meters, respectively.

TOWN OF SURFSIDE'S CAPITAL ASSETS
(net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
	Capital Assets:					
Land	\$1,461,229	\$1,461,229	\$ -	\$ -	\$ 1,461,229	\$ 1,461,229
Construction in progress	208,531	160,970	-	-	208,531	160,970
Buildings	3,245,959	3,336,660	-	-	3,245,959	3,336,660
Improvements other than buildings	217,044	228,758	500,127	534,009	717,171	762,767
Furniture and equipment	1,267,993	1,281,678	278,131	237,803	1,546,124	1,519,481
Infrastructure	182,404	-	-	-	182,404	-
Total	<u>\$6,583,160</u>	<u>\$6,469,295</u>	<u>\$778,258</u>	<u>\$771,812</u>	<u>\$7,361,418</u>	<u>\$7,241,107</u>

Additional information on the Town of Surfside's capital assets can be found in Note 5 on page 45 of this report.

Long-term Liabilities

The Town of Surfside's only long-term liabilities consist of compensated absences payable to the Town's employees for earned but unused vacation and sick benefits, which are limited to certain maximums. The balances as of September 30, 2005, are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Payable Within One Year
Governmental Activities	<u>\$310,444</u>	<u>\$195,870</u>	<u>\$165,772</u>	<u>\$340,542</u>	<u>\$ 26,904</u>
Business-type Activities	<u>\$ 89,129</u>	<u>\$ 43,933</u>	<u>\$ 78,159</u>	<u>\$ 54,903</u>	<u>\$ 13,725</u>

Additional information of the Town of Surfside's long-term debt (compensated absences) can be found in Note 1(I) on page 40 and Note 8 on page 47 of this report.

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 other permitted taxes (sales, gasoline, and utilities and fees - franchise, occupational licenses) for their governmental activities. There are a limited

number of shared revenues available from the State government.

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. Renovations of family dwellings are expected to continue, and condominium construction and improvement 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 fourteen years.

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

- New construction or renovations of the Community Center.
- Studies in progress for the construction of a new library facility.
- Expanding the parking facilities in the downtown area.
- Construction of a beach walking path.
- 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, 2006.

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.

BASIC FINANCIAL STATEMENTS

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

Town of Surfside, Florida
Statement of Net Assets
September 30, 2005

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 10,536,398	\$ 3,324,539	\$ 13,860,937
Accounts receivable - net	163,409	61,620	225,029
Due from other governments	255,215	-	255,215
Unbilled revenue	-	292,753	292,753
Deposits	1,955	-	1,955
Restricted assets:			
Cash and investments	-	544,609	544,609
Net pension asset	203,829	-	203,829
Land and construction in progress	1,669,760	-	1,669,760
Capital assets (net of accumulated depreciation)	<u>4,913,400</u>	<u>778,258</u>	<u>5,691,658</u>
Total assets	<u>17,743,966</u>	<u>5,001,779</u>	<u>22,745,745</u>
LIABILITIES			
Accounts payable	\$ 187,062	\$ 148,127	\$ 335,189
Accrued liabilities	617,037	99,951	716,988
Customer deposits	83,825	-	83,825
Payable from restricted assets:			
Customer deposits	-	118,160	118,160
Deferred revenue	-	27,367	27,367
Noncurrent liabilities:			
Due within one year			
Compensated absences	26,904	13,725	40,629
Due in more than one year			
Compensated absences	313,638	41,178	354,816
Total liabilities	<u>1,228,466</u>	<u>448,508</u>	<u>1,676,974</u>
NET ASSETS			
Net assets invested in capital assets	6,583,160	778,258	7,361,418
Restricted for:			
Tourism development	289,975	-	289,975
Library operations	47,000	-	47,000
Specific projects	2,320,130	-	2,320,130
Law enforcement	549,326	-	549,326
Transportation	247,625	-	247,625
Capital projects	84,089	-	84,089
Renewal and replacement	-	342,346	342,346
Unrestricted	<u>6,394,195</u>	<u>3,432,667</u>	<u>9,826,862</u>
Total net assets	<u>\$ 16,515,500</u>	<u>\$ 4,553,271</u>	<u>\$21,068,771</u>

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

Town of Surfside, Florida
Statement of Activities
For the Year Ended September 30, 2005

	<u>Program Revenues</u>		
Functions/Programs:	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Primary government:			
Governmental activities:			
General government	\$ 2,464,164	370,259	-
Public Safety	2,664,931	180,367	28,694
Physical environment	909,393	-	32,901
Culture and recreation	1,247,493	359,731	-
Transportation	37,034	-	155,021
Tourism development	<u>131,335</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 7,454,350</u>	<u>910,357</u>	<u>216,616</u>
Business-type activities:			
Water and Sewer	1,178,986	1,555,453	-
Municipal Parking	143,472	335,327	-
Sanitation	920,923	750,510	-
Storm Water Utility	<u>62,268</u>	<u>115,407</u>	<u>12,952</u>
Total business-type activities	<u>2,305,649</u>	<u>2,756,697</u>	<u>12,952</u>
Total primary government	<u>\$ 9,759,999</u>	<u>\$ 3,667,054</u>	<u>\$ 229,568</u>

General revenues:

 Taxes:

 Property taxes

 Resort taxes

 Franchise fees

 Utility services taxes and communication taxes

 Intergovernmental revenue (unrestricted)

 Interest earnings

 Miscellaneous

 Transfers

 Total general revenues and transfers

Change in net assets

Net assets, beginning (restated Note 12)

Net assets, ending

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

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>
\$ -	\$ (2,093,905)	\$ -	\$ (2,093,905)
-	(2,455,870)	-	(2,455,870)
-	(876,492)	-	(876,492)
-	(887,762)	-	(887,762)
-	117,987	-	117,987
-	(131,335)	-	(131,335)
<u>-</u>	<u>(6,327,377)</u>	<u>-</u>	<u>(6,327,377)</u>
-	-	376,467	376,467
-	-	191,855	191,855
-	-	(170,413)	(170,413)
-	-	<u>66,091</u>	<u>66,091</u>
-	-	<u>464,000</u>	<u>464,000</u>
<u>\$ -</u>	<u>\$ (6,327,377)</u>	<u>\$ 464,000</u>	<u>\$ (5,863,377)</u>
	4,735,259	-	4,735,259
	505,346	-	505,346
	385,984	-	385,984
	717,418	-	717,418
	590,402	-	590,402
	263,603	80,514	344,117
	58,743	1,522	60,265
	(258,833)	<u>258,833</u>	<u>-</u>
	<u>6,997,922</u>	<u>340,869</u>	<u>7,338,791</u>
	670,545	804,869	1,475,414
	<u>15,844,955</u>	<u>3,748,402</u>	<u>19,593,357</u>
	<u>\$ 16,515,500</u>	<u>\$ 4,553,271</u>	<u>\$ 21,068,771</u>

Town of Surfside, Florida
 Balance Sheet
 Governmental Funds
 September 30, 2005

	General	Special Projects	Police Forfeiture
ASSETS:			
Cash and cash equivalents	\$ 6,959,950	\$ 2,320,130	\$ 549,326
Receivables (net of allowance uncollectibles)	163,409	-	-
Intergovernmental receivables-unrestricted	255,215	-	-
Deposits	<u>1,955</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 7,380,529</u>	<u>\$ 2,320,130</u>	<u>\$ 549,326</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	181,569	-	-
Accrued liabilities	606,892	-	-
Customer deposits	<u>83,825</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>872,286</u>	<u>-</u>	<u>-</u>
 Fund Balances:			
Unreserved, designated reported in:			
Special revenue funds	-	2,320,130	-
Unreserved, undesignated reported in:			
General fund	6,508,243		
Special revenue funds			549,326
Capital projects fund	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>6,508,243</u>	<u>2,320,130</u>	<u>549,326</u>
Total liabilities and fund balances	<u>\$ 7,380,529</u>	<u>\$ 2,320,130</u>	<u>\$ 549,326</u>

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

Town of Surfside, Florida

Nonmajor
Governmental
Funds

Total
Governmental
Funds

\$ 706,992
-
-
706,992
\$ 706,992

\$ 10,536,398
163,409
255,215
1,955
\$ 10,956,977

\$ 5,493
10,145
-
15,638

\$ 187,062
617,037
83,825
887,924

-
-
607,265
84,089
691,354
\$ 706,992

2,320,130
6,508,243
1,156,591
84,089
10,069,053
\$ 10,956,977

Town of Surfside, Florida
Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Assets
September 30, 2005

Fund Balances - total governmental funds		\$10,069,053
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	\$ 9,221,523	
Accumulated depreciation is	<u>(2,638,363)</u>	
		6,583,160
Net pension asset is not a financial resource and therefore is not reported in the governmental funds		203,829
Long-term liabilities are not due and payable in the current period, and, therefore, are not reported in governmental funds:		
Compensated Absences		<u>(340,542)</u>
Net assets of governmental activities		<u>\$16,515,500</u>

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

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Town of Surfside, Florida
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2005

	<u>General</u>	<u>Special Projects</u>	<u>Police Forfeiture</u>
REVENUES			
Property taxes	\$ 4,735,259	\$ -	\$ -
Resort taxes	347,469	-	-
Utility taxes	717,418	-	-
Franchise taxes	385,984	-	-
Licenses and permits	259,024	-	-
Fines and forfeitures	291,602	-	18,551
Intergovernmental	633,446	-	-
Charges for services	135,341	-	-
Interest earnings	180,663	59,597	9,204
Miscellaneous	58,743	-	-
Total revenues	<u>7,744,949</u>	<u>59,597</u>	<u>27,755</u>
EXPENDITURES			
Current:			
General government	2,396,005	-	12,992
Public safety	2,533,925	-	3,522
Public works	882,428	-	-
Culture and Recreation	982,374	-	-
Capital outlay	378,106	60,666	-
Total expenditures	<u>7,172,838</u>	<u>60,666</u>	<u>16,514</u>
Excess of revenues over (under) expenditures	<u>572,111</u>	<u>(1,069)</u>	<u>11,241</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	17,083	39,843	-
Transfers out	(315,759)	-	-
Total other financial sources (uses)	<u>(298,676)</u>	<u>39,843</u>	<u>-</u>
Net change in fund balances	273,435	38,774	11,241
Fund balances - beginning	6,234,808	2,281,356	538,085
Fund balances - ending	<u>\$ 6,508,243</u>	<u>\$ 2,320,130</u>	<u>\$ 549,326</u>

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

Town of Surfside, Florida

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 4,735,259
157,877	505,346
-	717,418
-	385,984
-	259,024
1,808	311,961
155,021	788,467
221,384	356,725
14,139	263,603
<u>1,198</u>	<u>59,941</u>
<u>551,427</u>	<u>8,383,728</u>
354,149	2,763,146
-	2,537,447
-	882,428
-	982,374
<u>35,369</u>	<u>474,141</u>
<u>389,518</u>	<u>7,639,536</u>
<u>161,909</u>	<u>744,192</u>
-	56,926
<u>-</u>	<u>(315,759)</u>
<u>-</u>	<u>(258,833)</u>
161,909	485,359
<u>529,445</u>	<u>9,583,694</u>
<u>\$ 691,354</u>	<u>\$10,069,053</u>



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Town of Surfside, Florida
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds to the
 Statement of Activities
 For the year ended September 30, 2005

Net change in fund balances - total governmental funds		\$ 485,359
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	\$ 474,216	
Current year depreciation expense	<u>(360,351)</u>	
Increase in net pension asset		113,865
		101,419
Change in compensated absences liability		<u>(30,098)</u>
Change in net assets of governmental activities		<u>\$ 670,545</u>

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

Town of Surfside, Florida
Statement of Net Assets
Proprietary Funds
September 30, 2005

	<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>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 978,357	\$ 1,593,581	\$ 300,216	\$ 452,385
Accounts receivable, net	46,813	-	12,754	2,053
Unbilled revenue	<u>273,435</u>	<u>-</u>	<u>-</u>	<u>19,318</u>
Total current assets	<u>1,298,605</u>	<u>1,593,581</u>	<u>312,970</u>	<u>473,756</u>
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	<u>544,609</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total restricted asset	<u>544,609</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital assets:				
System and other improvements	1,275,416	729,583	-	-
Equipment	<u>175,474</u>	<u>162,543</u>	<u>343,512</u>	<u>-</u>
	1,450,890	892,126	343,512	-
Less accumulated depreciation	<u>(1,107,551)</u>	<u>(664,555)</u>	<u>(136,164)</u>	<u>-</u>
Total capital assets (net of accumulated depreciation)	<u>343,339</u>	<u>227,571</u>	<u>207,348</u>	<u>-</u>
Total noncurrent assets	<u>887,948</u>	<u>227,571</u>	<u>207,348</u>	<u>-</u>
Total assets	<u>\$ 2,186,553</u>	<u>\$ 1,821,152</u>	<u>\$ 520,318</u>	<u>\$ 473,756</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 119,077	\$ 1,072	\$ 27,053	\$ 925
Accrued liabilities	57,209	6,309	35,665	768
Compensated absences	4,860	343	8,436	86
Deferred revenue	<u>14,506</u>	<u>-</u>	<u>12,861</u>	<u>-</u>
Total current liabilities	<u>195,652</u>	<u>7,724</u>	<u>84,015</u>	<u>1,779</u>
Noncurrent liabilities				
Payable from restricted assets:				
Customer deposits	118,160	-	-	-
Compensated absences	<u>14,582</u>	<u>1,030</u>	<u>25,309</u>	<u>257</u>
Total noncurrent liabilities	<u>132,742</u>	<u>1,030</u>	<u>25,309</u>	<u>257</u>
Total liabilities	<u>328,394</u>	<u>8,754</u>	<u>109,324</u>	<u>2,036</u>
NET ASSETS				
Net assets invested in capital assets	343,339	227,571	207,348	-
Restricted for renewal and replacement	342,346	-	-	-
Unrestricted	<u>1,172,474</u>	<u>1,584,827</u>	<u>203,646</u>	<u>471,720</u>
Total net assets	<u>\$ 1,858,159</u>	<u>\$ 1,812,398</u>	<u>\$ 410,994</u>	<u>\$ 471,720</u>

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

Town of Surfside, Florida

Totals

\$ 3,324,539
61,620
292,753
3,678,912

544,609
544,609

2,004,999
681,529
2,686,528
(1,908,270)

778,258
1,322,867
\$ 5,001,779

148,127
99,951
13,725
27,367
289,170

118,160
41,178
159,338
448,508

778,258
342,346
3,432,667
\$ 4,553,271

Town of Surfside, Florida
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Year Ended September 30, 2005

Business-type Activities - Enterprise Funds

	<u>Water and Sewer</u>	<u>Municipal Parking</u>	<u>Sanitation</u>	<u>Nonmajor Storm Water Utility</u>
Operating revenues:				
Charges for services:				
Water sales	\$ 669,305	\$ -	\$ -	\$ -
Sewer charges	878,160	-	-	-
Parking fees	-	335,327	-	-
Garbage charges	-	-	656,157	-
Recycling fees	-	-	75,387	-
Drainage fees	-	-	-	115,407
Miscellaneous	7,988	-	18,966	-
Total operating revenues	<u>1,555,453</u>	<u>335,327</u>	<u>750,510</u>	<u>115,407</u>
Operating expenses:				
Personal services	193,821	54,450	382,004	30,409
Administrative	31,537	43,736	125,336	31,859
Water system	400,882	-	-	-
Sewer system	491,671	-	-	-
Solid waste system	-	-	364,673	-
Depreciation	61,075	45,286	48,910	-
	<u>1,178,986</u>	<u>143,472</u>	<u>920,923</u>	<u>62,268</u>
Operating income (loss)	<u>376,467</u>	<u>191,855</u>	<u>(170,413)</u>	<u>53,139</u>
Nonoperating revenues:				
Intergovernmental	-	-	-	12,952
Interest earnings	28,812	35,068	6,642	9,992
Total nonoperating revenues	<u>28,812</u>	<u>35,068</u>	<u>6,642</u>	<u>22,944</u>
Income before contributions and transfers	<u>405,279</u>	<u>226,923</u>	<u>(163,771)</u>	<u>76,083</u>
Capital contributions:				
System development fees	1,522	-	-	-
Transfers in	-	-	275,916	-
Transfers out	-	(17,083)	-	-
	<u>1,522</u>	<u>(17,083)</u>	<u>275,916</u>	<u>-</u>
Change in assets	406,801	209,840	112,145	76,083
Total net assets - beginning	<u>1,451,358</u>	<u>1,602,558</u>	<u>298,849</u>	<u>395,637</u>
Total net assets - ending	<u>\$ 1,858,159</u>	<u>\$ 1,812,398</u>	<u>\$ 410,994</u>	<u>\$ 471,720</u>

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

Town of Surfside, Florida

Totals

\$ 669,305
878,160
335,327
656,157
75,387
115,407
26,954
2,756,697

660,684
232,468
400,882
491,671
364,673
155,271
2,305,649
451,048

12,952
80,514
93,466

544,514

1,522
275,916
(17,083)
260,355
804,869
3,748,402
\$ 4,553,271

Town of Surfside, Florida
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2005

	<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>
Cash flows from operating activities				
Receipts from customers	\$ 1,525,079	\$ 335,327	\$ 749,491	\$ 115,178
Payments to suppliers	(927,032)	(54,450)	(496,673)	(30,409)
Payments to employees	(193,821)	(42,409)	(382,004)	(37,724)
Receipts for interfund services	<u>33,682</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by operating activities	<u>437,908</u>	<u>238,468</u>	<u>(129,186)</u>	<u>47,045</u>
Cash flow from noncapital financial activities				
Transfers in - from other funds	-	-	275,916	-
Transfers out - to other funds	-	(17,083)	-	-
Subsidy from the State DOT	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,952</u>
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>(17,083)</u>	<u>275,916</u>	<u>12,952</u>
Cash flow from capital and related financing activities				
Capital contributions	1,522	-	-	-
Acquisition of capital assets	<u>(50,344)</u>	<u>-</u>	<u>(111,373)</u>	<u>-</u>
Net cash provided by (used for) capital and related financing activities	<u>(48,822)</u>	<u>-</u>	<u>(111,373)</u>	<u>-</u>
Cash flow from investing activities				
Interest on investments	<u>28,812</u>	<u>35,068</u>	<u>6,642</u>	<u>9,992</u>
Net cash provided by investing activities	<u>28,812</u>	<u>35,068</u>	<u>6,642</u>	<u>9,992</u>
Net increase (decrease) in cash and cash equivalents	417,898	256,453	41,999	69,989
Beginning cash and cash equivalents	<u>1,105,068</u>	<u>1,337,128</u>	<u>258,217</u>	<u>382,396</u>
Ending cash and cash equivalents	<u>\$ 1,522,966</u>	<u>\$ 1,593,581</u>	<u>\$ 300,216</u>	<u>\$ 452,385</u>

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

Town of Surfside

Totals

\$ 2,725,075
(1,508,564)
(655,958)
33,682

594,235

275,916

(17,083)

12,952

271,785

1,522

(161,717)

(160,195)

80,514

80,514

786,339

3,082,809

\$ 3,869,148

(Continued next page)

Town of Surfside, Florida
Statement of Cash Flows (continued)
Proprietary Funds
For the Year Ended September 30, 2005

	<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>
Reconciliation of operating income provided by (used in) operating activities				
Operating income	\$ 376,467	\$ 191,855	\$ (170,413)	\$ 53,139
Adjustment to reconcile operating income to net cash provided by (used by) operating activities				
Depreciation and amortization	61,075	45,286	48,910	-
(Increase) decrease in:				
Accounts receivable	(6,330)	-	(7,883)	(223)
Unbilled revenue	(8,626)	-	-	(6)
Increase (decrease in):				
Accounts payable	52,121	666	(12,408)	(6,140)
Accrued expenses	(21,803)	928	6,447	271
Deferred revenue	4,304	-	6,864	-
Compensated absences	(33,260)	(267)	(703)	4
Customer deposits	13,960	-	-	-
Total adjustments	<u>61,441</u>	<u>46,613</u>	<u>41,227</u>	<u>(6,094)</u>
Net cash provided by activities	<u>\$ 437,908</u>	<u>\$ 238,468</u>	<u>\$ (129,186)</u>	<u>\$ 47,045</u>
 Reconciliation of cash and cash equivalents to Balance Sheet				
Equity in pooled cash and in current assets				
	\$ 978,357	\$ 1,593,581	\$ 300,216	\$ 452,385
Restricted cash and investments				
	<u>544,609</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash and cash equivalents	<u>\$ 1,522,966</u>	<u>\$ 1,593,581</u>	<u>\$ 300,216</u>	<u>\$ 452,385</u>

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

Town of Surfside, Florida

Totals

\$ 451,048

155,271

(14,436)

(8,632)

34,239

(14,157)

11,168

(34,226)

13,960

143,187

\$ 594,235

\$ 3,324,539

544,609

\$ 3,869,148

(Continued from prior page)

Town of Surfside, Florida
Statement of Fiduciary Assets
Fiduciary Fund
September 30, 2005

	<u>Pension Trust Fund</u>
ASSETS	
Cash and cash equivalents	\$ <u>612,050</u>
Receivables -	
Interest	<u>24,366</u>
Investments, at fair value	
U.S. Government obligations	1,567,370
U.S. Government agency bonds	351,129
Mortgage backed securities	1,289,605
Corporate bonds	950,639
Common stocks	<u>4,913,777</u>
	<u>9,072,520</u>
Total Assets	<u>9,708,936</u>
LIABILITIES	
Accounts payable	6,075
Refunds payable	<u>328</u>
Total liabilities	<u>6,403</u>
NET ASSETS	
Held in Trust for Pension Benefits	<u>\$ 9,702,533</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

Town of Surfside, Florida
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Year Ended September 30, 2005

	Pension Trust Fund
ADDITIONS	
Contributions:	
Employees' contributions	\$ 171,061
Employer's contributions	<u>102,410</u>
Total contributions	<u>273,471</u>
Investment earnings:	
Net increase in fair value of investments	512,247
Interest	203,049
Dividends	<u>103,089</u>
	818,385
Less investment expenses	<u>(72,143)</u>
Net investment earnings	<u>746,242</u>
Total additions	<u>1,019,713</u>
 DEDUCTIONS	
Benefits	393,306
Refunds	59,377
Administrative expenses	<u>39,960</u>
Total deductions	<u>492,643</u>
Net increase	527,070
Net assets in trust for pension benefits	
Beginning of year	<u>9,175,463</u>
End of year	<u>\$ 9,702,533</u>

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

TOWN OF SURFSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Surfside was incorporated on May 19, 1935. 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), culture 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.

During the year ended September 30, 2005, the Town adopted the provisions of GASB 40, Deposit and Investment Risk Disclosures. The Town reports the information required for the Pension Trust separately from the note disclosures for the Town investments in these footnotes.

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,

TOWN OF SURFSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

should be included in its reporting entity. The Town is not associated with entities that meet the criteria of a component unit.

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

TOWN OF SURFSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough 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, 2005

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 nonoperating revenues and expenses.

TOWN OF SURFSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

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 from the date of acquisition. 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.

The Town's investment policy follows the requirements of Florida Statutes Chapter 218.415, and attempts to promote, in order of priority, safety of principal, adequate liquidity, and maximization of total return. Investments in the Town of Surfside's local government surplus funds are governed by the provisions of Florida Statutes Section 218.415. Investments in the Town's retirement plan are governed by the Plan's investment policy. 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, 2005

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, except for the Library Fund, which records the purchases of all books as assets. Capital 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	15-50
Improvements other than buildings	10-30
Machinery and equipment	5-10
Infrastructure	15-30

As required by GASB Statement No. 34, the Town reports new infrastructure assets and the depreciation on such assets effective in the year of acquisition.

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, 2005

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. 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 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

A reconciliation of the balance sheet of the governmental funds to the statement of net assets is presented following the balance sheet of the governmental funds. One element of that reconciliation explains that long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Another element is that long-term assets are not available in the current period, and, therefore, are not reported in the funds.

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

Following the statement of revenues, expenditures and changes in fund balances in the governmental funds is the reconciliation between net changes in fund balances-total *governmental funds* and changes in *net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Another element of that reconciliation states that "some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

TOWN OF SURFSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 3 - 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, 2005, the Town's deposits in a qualified public depository were \$2,892,491 with bank balances of \$2,957,566 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.

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 value of the Town's investment in the Florida State Local Government 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 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, 2005, 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.

**TOWN OF SURFSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005**

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

The local government surplus pool does not require many of the disclosures required by GASB 40 since it is an 2a-7 pool, which is similar to money market funds where shares are owned in the fund rather than in the actual underlying investments. The local government investment pool does not carry a credit rating; however, for informational purposes the weighted average days to maturity for this external pool as of year end was 49 days. There is no exposure to foreign currency risk, because this external pool is buying and selling shares in United States dollars. Additionally, this pool did not hold any investments in currency other than United States dollars during the entire fiscal year.

Government-wide Statement of Net Assets:

Equity in pooled cash and cash equivalents	\$13,860,937
Cash and cash equivalents - restricted	544,609

Statement of Fiduciary Net Assets:

Cash and investments with Trustee	<u>9,684,570</u>
	<u>\$24,090,116</u>

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

Carrying amount of deposits and petty cash	\$ 2,894,951
Carrying amount of investment Local Government Investment Pool	11,510,595
Cash and investments with Trustee	<u>9,684,570</u>
	<u>\$24,090,116</u>

As of September 30, 2005, the Pension Trust Fund had the following debt investments. The types of investments owned during the year were the same types owned as of year end:

<u>Investment type</u>	<u>Fair value</u>	<u>Weighted Average Maturity (Years)</u>
U.S. Government Securities	\$1,567,370	.94
Government Agency Bonds	351,129	.96
Mortgage back securities	1,289,605	1.25
Corporate Bonds	<u>950,639</u>	2.99
Total fair value	<u>\$4,158,743</u>	
U.S. Treasury Portfolio - money market account)	612,050	
Common stocks	<u>4,913,777</u>	
	<u>5,525,827</u>	
Total fair value investments	<u>\$9,684,570</u>	

Interest Rate Risk. In accordance with its investment policy, the Plan manages its exposure to declines in the fair market value of its securities through a conservative approach of managing portfolio exposure to duration, maturity and sector relative to market indices.

Credit risk. State law limits investments in commercial paper to the two top ratings issued by nationally recognized statistical rating organizations (NRSROS). It is the government's policy to limit its investments in this investment types to

**TOWN OF SURFSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005**

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

the top rating issued by the NRSROs. As of September 30, 2005, the Plan's investments in the U.S. Treasury Portfolio was AAA by Standard & Poor's, and Aaa by Moody's Investors Service. The Investment Policy of the Plan states it is permitted to invest in corporate bonds with an investment quality rating with the three top rating classifications by at least two major rating services (Standards & Pool, Moody's or Fitch). The corporate bonds held by the Plan were in the top three rating classifications. The mortgage securities were ranked AAA and Aaa by Standard & Poor's, and Moody's, respectively.

Concentration of credit risk. The government's investment policy does not allow for an investment in any one issuer, other than U.S. Government securities, that is in excess of five percent of the Plan's total net assets. No investment in any one organization, other than U.S. Treasury obligations and U.S. Government Agency Bonds can represent more than five percent of the net assets available for benefits.

Custodial credit risk. - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the securities, whether fixed or equities are held in the name of the Plan.

Net appreciation (depreciation) in fair value of the investments include the current year realized gains and losses, which are calculated independently of calculation of the appreciation (depreciation) in net assets. The net appreciation (depreciation) in fair value of the investments as of September 30, in accordance with GASB 25, is as follows:

Investments:	
U.S. Government Securities	\$ (10,103)
Government agency bonds	(12,813)
Mortgage backed securities	(14,834)
Corporate bonds	(25,871)
Common stocks	<u>575,868</u>
	<u>\$ 512,247</u>

NOTE 4 - 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:

Receivables:	<u>General</u>	<u>Water/ Sewer</u>	<u>Sanitation</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Taxes	\$ 163,409	\$ -	\$ -	\$ -	\$ 163,409
Intergovernmental	260,215	-	-	-	260,215
Other	-	-	-	-	-
Accounts - billed	-	50,813	21,754	2,053	74,620
Accounts - unbilled	<u>-</u>	<u>273,435</u>	<u>-</u>	<u>19,318</u>	<u>292,753</u>
Gross receivables	423,624	324,248	21,754	21,371	790,997
Less allowance for uncollectibles	<u>5,000</u>	<u>4,000</u>	<u>9,000</u>	<u>-</u>	<u>18,000</u>
Net total receivables	<u>\$ 418,624</u>	<u>\$ 320,248</u>	<u>\$ 12,754</u>	<u>\$ 21,371</u>	<u>\$ 772,997</u>

TOWN OF SURFSIDE
 NOTES TO BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2005

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2005, 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	208,531	160,970	208,531
Capital assets being depreciated:				
Buildings	4,359,186	-	-	4,359,186
Improvements other than buildings	234,623	-	-	234,623
Furniture, fixtures, & equipment	2,663,502	237,886	132,128	2,769,260
Infrastructure	-	<u>188,694</u>	<u>-</u>	<u>188,694</u>
	<u>8,879,510</u>	<u>635,111</u>	<u>293,098</u>	<u>9,221,523</u>
Less accumulated depreciation for:				
Buildings	1,022,526	90,701	-	1,113,227
Improvements other than buildings	5,865	11,714	-	17,579
Furniture, fixtures & equipment	1,381,824	251,646	132,203	1,501,267
Infrastructure	-	<u>6,290</u>	<u>-</u>	<u>6,290</u>
	<u>2,410,215</u>	<u>360,351</u>	<u>132,203</u>	<u>2,638,363</u>
Governmental activities capital assets, net	<u>\$6,469,295</u>	<u>\$ 274,760</u>	<u>\$ 160,895</u>	<u>\$6,583,160</u>
<u>Business-type activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Improvements other than buildings	\$ 2,265,542	\$ 41,992	\$ -	\$ 2,307,534
Equipment	<u>659,474</u>	<u>134,443</u>	<u>112,389</u>	<u>681,528</u>
	<u>2,925,016</u>	<u>176,435</u>	<u>112,389</u>	<u>2,989,062</u>
Less accumulated depreciation for:				
Improvements other than buildings	1,731,533	75,874	-	1,807,407
Equipment	<u>421,671</u>	<u>79,397</u>	<u>97,671</u>	<u>403,397</u>
	<u>2,153,204</u>	<u>155,271</u>	<u>97,671</u>	<u>2,210,804</u>
Business-type activities capital assets, net	<u>\$ 771,812</u>	<u>\$ 21,164</u>	<u>\$ 14,718</u>	<u>\$ 778,258</u>
Governmental activities:				
General government		\$ 152,869		
Public safety		96,086		
Physical environment		6,123		
Recreation		20,107		
Tourism		1,151		
Library		78,124		
Transportation		<u>5,891</u>		
Total depreciation expense - governmental activities		<u>\$ 360,351</u>		
Business-type activities:				
Water and Sewer		\$ 61,075		
Municipal parking		45,286		
Sanitation		<u>48,910</u>		
Total depreciation expense - business-type activities		<u>\$ 155,271</u>		

**TOWN OF SURFSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005**

NOTE 6 - 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, 2005, 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, 2005, there were no material delinquent taxes. Tax collections for the year ended September 30, 2005, were approximately 97% of the total gross tax levy.

NOTE 7 - 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, 2005.

Interfund Transfers

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

<u>FUND</u>	<u>Transfers In</u>	<u>Transfers (out)</u>
General Fund	\$ 17,083	\$(315,759)
Special Projects Fund	39,843	
Municipal Parking Fund	-	(17,083)
Sanitation Fund	<u>275,916</u>	-
	<u>\$ 332,842</u>	<u>\$ (332,842)</u>

The Town transfers funds from the General Fund to the Special Projects Fund to provide funding for various capital projects reported in those Funds. The Town transfers funds from the General Fund to 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, 2005

NOTE 8 - LONG-TERM LIABILITIES

Compensated absences

The following indicates the changes in long-term liabilities for the year ended September 30, 2005:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Payable Within One Year</u>
Governmental activities:					
Compensated absences	<u>\$310,444</u>	<u>\$195,870</u>	<u>\$165,772</u>	<u>\$340,542</u>	<u>\$26,904</u>
Business-type activities:					
Compensated absences	<u>\$ 89,129</u>	<u>\$ 43,933</u>	<u>\$ 78,159</u>	<u>\$ 54,903</u>	<u>\$13,725</u>

NOTE 9 - 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, 2005

NOTE 9 - EMPLOYEE RETIREMENT PLANS (Continued)

Plan Membership

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

	<u>2004</u>	<u>2003</u>
Retirees and beneficiaries currently receiving benefits	<u>26</u>	<u>23</u>
Terminated employees entitled to benefits but not yet receiving them	<u>1</u>	<u>1</u>
Current employees:		
Vested	27	29
Partially vested	8	11
Non-vested	<u>43</u>	<u>39</u>
	<u>78</u>	<u>79</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 \$17,481.

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 Town contributions to the Plan totaled \$102,410 for the year ended September 30, 2005.

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, 2005

NOTE 9 - 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, 2005

NOTE 9 - EMPLOYEE RETIREMENT PLANS (Continued)

Vested Benefits

The Plan provides 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 in the line of duty) 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.

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.

**TOWN OF SURFSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005**

NOTE 9 - EMPLOYEE RETIREMENT PLANS (Continued)

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. The Retirement Plan pays all of the 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.

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

ANNUAL PENSION COST AND ACTUARIAL METHODS

The Town's annual pension cost and net pension obligation (asset) for the current year are as follows:

Annual Required contribution	\$ -
Interest on Net Pension Asset (NPA)	(7,681)
Adjustment to ARC	<u>8,672</u>
Annual pension cost	991
Town contributions	<u>(102,410)</u>
Increase (decrease) in NPA	(101,419)
Net pension obligation (asset)	
(beginning of year, as restated)	<u>(102,410)</u>
(end of year)	<u><u>\$ (203,829)</u></u>

TOWN OF SURFSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 9 - EMPLOYEE RETIREMENT PLANS (Continued)

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:

Three year trend information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
September 30, 2003	-0-	100%	\$ -0-
September 30, 2004	-0-	100%	(120,410)
September 30, 2005	991	10334%	(203,829)

The required supplementary information is presented after the notes to the basic financial statements. The information presented in the required supplemental schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuations follows:

Actuarial valuation date	October 1, 2005
Annual Pension Cost	\$205,246
Contribution rates:	
Employer	6.5%
Plan members	6.7%
Actuarial cost method	Entry age
Amortization method	Level dollar amount, closed
Remaining amortization period	30 years
Asset valuation method	Five year smoothed market
Actuarial assumptions	
Investment rate of return*	7.5%
Projected salary increases*	6.0%
Cost of living adjustments	1.5%
*Includes inflation at	4.0%

Subsequent to year end the Town negotiated a Contract with the Police Officers, which included several changes in the Retirement Plan provisions only for certified law enforcement members of the Plan, some of which are summarized as follows:

Employees will contribute eight percent (8%) of earnable compensation to the Plan. The multiplier for creditable service rendered on or after October 1, 2005, will be three percent (3%) with an increase to three and one-half percent (3-1/2%) for creditable service rendered on or after October 1, 2006.

The average final compensation will be computed using the employee's highest three years of base salary.

The Town will implement a five-year Deferred Retirement Option Plan.

Normal retirement will be upon completion of twenty years of creditable service, and the attainment of age fifty-two or upon completion of twenty-five years of creditable service.

The Plan adopted a new Investment Policy to be effective January 1, 2006. The most significant change in the new policy is that the allowable investments in equities has been increased from fifty percent (50%) at cost to sixty-five percent (65%) at market value.

**TOWN OF SURFSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005**

NOTE 10 - 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 \$8,126. The balance due on these leases as of September 30, 2005, was \$15,843, of which \$5,595 and \$3,714 will be paid for the fiscal years ended September 30, 2006 and 2007, \$2,376, will be paid each year for the years ended September 30, 2008 and 2009, and \$1,782 will be paid during the fiscal year ended September 30, 2010.

Additionally, the Town leases four motorcycles for the Police department. The total lease expenses for the fiscal year ended September 30, 2005, was \$13,329. The balance due as of the fiscal year ended September 30, 2005, was \$27,326, of which \$12,612 will be paid in each of the years ended September 30, 2006 and 2007, and \$2,102 for the year ended September 30, 2008.

NOTE 11 - 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.

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 12 - RESTATEMENT - PRIOR PERIOD ADJUSTMENT

The net assets of the governmental activities for the year ended September 30, 2004, of \$15,742,545 were increased by \$102,410 to include the net pension asset as of that date. The restated net assets of the governmental activities as of the beginning of the year are \$15,844,955.

NOTE 13 - EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the year ended September 30, 2005, the expenditures exceeded appropriations

TOWN OF SURFSIDE
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 13 - EXPENDITURES IN EXCESS OF APPROPRIATIONS (continued)

by \$235,714 and by \$10,434 in the legislative and public safety departments, respectively, (the legal levels of budgetary control) of the general fund. These overexpenditures were funded by greater than anticipated revenues.

NOTE 14 - 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, 2005, as presented in the accompanying financial statements. Thus, no liability for these various claims has been included in these financial statements.

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. Town Management believes the amount of the attorney's fees is the Town's only liability. Town Management has accrued \$300,000 in these financial statements relating to this liability.

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.

Hurricane Katrina made landfall in the Town on August 26, 2005. The Town incurred approximately \$50,000 in costs primarily associated with debris removal, repairs to road systems, etc., prior to year end. The Town received reimbursements for \$32,901, through grants administered by the Federal Emergency Management Agency, which are included in these financial statements. The Town anticipates additional reimbursements of approximately \$12,900 relating to these costs.

During the year the Town was served with witness subpoenas for the production of documents in connection with a federal grand jury investigation in the Southern District of Florida. The Town fully cooperated with this investigation. The Town has been advised that the investigation has been completed, and no action of any kind will be taken in this matter.

NOTE 15 - SUBSEQUENT EVENTS

Hurricane Wilma made landfall in the Town as a category 2 storm on October 24, 2005. The Town incurred approximately \$451,000 in costs, primarily associated with debris removal. The Town has applied for reimbursements of approximately \$406,700 for these storm-related costs, which it expects to receive from the Federal Emergency Management Agency, and grants from the State of Florida pursuant to the Florida

TOWN OF SURFSIDE, FLORIDA
 RETIREMENT PLAN FOR EMPLOYEES
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 SEPTEMBER 30, 2005

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as % Covered Payroll (b-a)/c
10/1/2000	\$9,085,680	\$6,137,757	\$ (2,947,923)	148.0%	\$2,235,079	(131.9)%
10/1/2001	8,993,827	5,730,053	(3,263,774)	157.0%	2,098,878	(155.5)%
10/1/2002	8,490,282	6,119,853	(2,370,429)	138.7%	2,528,069	(93.8)%
10/1/2003	8,424,226	7,359,513	(1,064,713)	114.5%	2,793,332	(38.1)%
10/1/2004	9,649,666	7,823,748	(1,825,918)	123.3%	2,857,045	(63.9)%
10/1/2005	9,924,144	8,992,940	(931,204)	110.4%	\$3,170,278	(29.4)%

TOWN OF SURFSIDE
 RETIREMENT PLAN FOR EMPLOYEES
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 SEPTEMBER 30, 2005

Year Ended <u>September 30</u>	Annual Required Contribution (ARC)	Percentage Contributed	Actual Employer Contributions Made
2000	\$ 14,417*	100%	\$ 14,417
2001	-0-	100%	-0-
2002	-0-	100%	-0-
2003	-0-	100%	-0-
2004	-0-	100%	102,410
2005	-0-	100%	102,410

* Reinstatement payment

Town of Surfside, Florida
 Required Supplementary Information
 Budgetary Comparison Schedule (Unaudited)
 General Fund
 For the Year Ended September 30, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
REVENUES				
Property taxes	\$ 4,763,905	\$ 4,763,905	\$ 4,735,259	\$ (28,646)
Resort taxes	295,000	295,000	347,469	52,469
Utility taxes	686,000	686,000	717,418	31,418
Franchise taxes	312,000	312,000	385,984	73,984
Licenses and permits	235,966	235,966	259,024	23,058
Fines and forfeitures	95,000	201,000	291,602	90,602
Intergovernmental	526,100	526,100	633,446	107,346
Charges for services	77,928	77,928	135,341	57,413
Interest earnings	85,000	85,000	180,663	95,663
Miscellaneous	<u>32,950</u>	<u>32,950</u>	<u>58,743</u>	<u>25,793</u>
Total revenues	<u>7,109,849</u>	<u>7,215,849</u>	<u>7,744,949</u>	<u>529,100</u>
EXPENDITURES				
Current:				
General government:				
Legislative	265,809	272,809	508,523	(235,714)
Legal services	233,700	725,000	723,590	1,410
Executive, finance and administration	1,119,459	1,056,274	931,058	125,216
Building department	<u>223,799</u>	<u>271,356</u>	<u>271,115</u>	<u>241</u>
Total general government	1,842,767	2,325,439	2,434,286	(108,847)
Public safety	2,649,193	2,649,193	2,659,627	(10,434)
Public works	936,485	936,485	928,429	8,056
Culture and recreation	<u>936,488</u>	<u>1,158,435</u>	<u>1,150,496</u>	<u>7,939</u>
Total expenditures	<u>6,364,933</u>	<u>7,069,552</u>	<u>7,172,838</u>	<u>(103,286)</u>
Excess of revenues over expenditures	<u>744,916</u>	<u>146,297</u>	<u>572,111</u>	<u>425,814</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	17,083	17,083	17,083	-
Transfers out	<u>(616,425)</u>	<u>(315,759)</u>	<u>(315,759)</u>	<u>-</u>
Total other financial financial sources(uses)	<u>(599,342)</u>	<u>(298,676)</u>	<u>(298,676)</u>	<u>-</u>
Net change in fund balances			273,435	
Fund balance - beginning of year			<u>6,234,808</u>	
Fund balance - ending			<u>\$ 6,508,243</u>	

Town of Surfside, Florida
 Required Supplementary Information
 Budget Comparison Schedule - (Unaudited)
 Special Projects Fund
 For the Year Ended September 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest earnings	\$ 27,120	\$ 27,120	\$ 59,597	\$ 32,477
Total revenues	<u>27,120</u>	<u>27,120</u>	<u>59,597</u>	<u>32,477</u>
Expenditures				
General government	50,000	50,000	-	50,000
CAPITAL OUTLAY	665,000	665,000	60,666	604,334
Total expenditures	<u>715,000</u>	<u>715,000</u>	<u>60,666</u>	<u>654,334</u>
Excess of revenues over (under) expenditures	<u>(687,880)</u>	<u>(687,880)</u>	<u>(1,069)</u>	<u>686,811</u>
OTHER FINANCING SOURCES				
Transfers in	-	39,843	39,843	-
Total other financing sources	<u>-</u>	<u>39,843</u>	<u>39,843</u>	<u>-</u>
Net change in fund balance	<u>(687,880)</u>	<u>648,037</u>	<u>38,774</u>	<u>686,811</u>
Fund balance - beginning			<u>2,281,356</u>	
Fund balance - ending			<u>\$2,320,130</u>	

Town of Surfside, Florida
 Required Supplementary Information
 Budget Comparison Schedule - (Unaudited)
 Police Forfeiture Fund
 For the Year Ended September 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Forfeitures	\$ -	\$ 18,551	\$ 18,551	\$ -
Interest earnings	<u>5,500</u>	<u>5,500</u>	<u>9,204</u>	<u>3,704</u>
Total revenues	<u>5,500</u>	<u>24,051</u>	<u>27,755</u>	<u>3,704</u>
Expenditures				
CURRENT:				
General government	5,500	13,000	12,992	8
CAPITAL OUTLAY	<u>-</u>	<u>3,550</u>	<u>3,522</u>	<u>28</u>
Total expenditures	<u>5,500</u>	<u>16,550</u>	<u>16,514</u>	<u>36</u>
Change in fund balance	<u>5,500</u>	<u>7,501</u>	11,241	<u>3,740</u>
Fund balance - beginning			<u>538,085</u>	
Fund balance - ending			<u>\$ 549,326</u>	

Town of Surfside, Florida
 Required Supplementary Information
 Budget Comparison Schedule - (Unaudited)
 Resort Tax Fund - (Nonmajor Governmental Fund)
 For the Year Ended September 30, 2005

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Resort taxes	\$ 154,666	\$ 154,666	\$ 157,877	\$ 3,211
Interest earnings	458	458	6,604	6,146
Directory sales and miscellaneous	<u>1,200</u>	<u>1,200</u>	-	<u>(1,200)</u>
Total revenues	<u>156,324</u>	<u>156,324</u>	<u>164,481</u>	<u>8,157</u>
Expenditures				
Current:				
General government	<u>156,324</u>	<u>156,324</u>	<u>130,462</u>	<u>25,862</u>
Total expenditures	<u>156,324</u>	<u>156,324</u>	<u>130,462</u>	<u>25,862</u>
Net change in fund balance	-	-	34,019	<u>34,019</u>
Fund balance - beginning			<u>256,341</u>	
Fund balance - ending			<u>\$ 290,360</u>	

Town of Surfside, Florida
 Required Supplementary Information
 Budget Comparison Schedule - (Unaudited)
 Library Fund - (Nonmajor Governmental Fund)
 For the Year Ended September 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 221,384	\$ 221,384	\$ 221,384	\$ -
Library fines	1,435	1,435	1,808	373
Interest earnings	-	-	1,634	1,634
Miscellaneous revenues	<u>3,000</u>	<u>3,000</u>	<u>1,198</u>	<u>(1,802)</u>
Total revenues	<u>225,819</u>	<u>225,819</u>	<u>226,024</u>	<u>205</u>
Expenditures				
CURRENT				
General government	189,819	191,969	190,608	1,361
CAPITAL OUTLAY	<u>36,000</u>	<u>36,000</u>	<u>37,305</u>	<u>(1,305)</u>
Total expenditures	<u>225,819</u>	<u>227,969</u>	<u>227,913</u>	<u>56</u>
Net change in fund balance	<u>-</u>	<u>(2,150)</u>	<u>(1,889)</u>	<u>261</u>
Fund balance - beginning			<u>70,819</u>	
Fund balance - ending			<u>\$ 68,930</u>	

Town of Surfside, Florida
Required Supplementary Information
Budget Comparison Schedule - (Unaudited)
Transportation Surtax Fund - (Nonmajor Governmental Fund)
For the Year Ended September 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 142,917	\$ 142,917	\$ 155,021	\$ 12,104
Interest earnings	-	-	3,906	3,906
Total revenues	<u>142,917</u>	<u>142,917</u>	<u>158,927</u>	<u>16,010</u>
Expenditures				
CURRENT				
General government	32,494	32,494	31,143	1,351
CAPITAL OUTLAY	<u>114,688</u>	<u>114,688</u>	-	<u>114,688</u>
Total expenditures	<u>147,182</u>	<u>147,182</u>	<u>31,143</u>	<u>116,039</u>
Excess of revenues over (under expenditures)	<u>(4,265)</u>	<u>(4,265)</u>	<u>127,784</u>	<u>132,049</u>
Other financing sources:				
Transfers in	<u>63,126</u>	-	-	-
Total other financing sources	<u>63,126</u>	-	-	-
Net change in fund balance	<u>58,861</u>	<u>(4,265)</u>	<u>127,784</u>	<u>132,049</u>
Fund balance - beginning			<u>120,191</u>	
Fund balance - ending			<u>\$ 247,975</u>	

Town of Surfside, Florida
 Required Supplementary Information
 Budget Comparison Schedule - (Unaudited)
 Water and Sewer Fund
 For the Year Ended September 30, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Water Revenues	\$ 566,175	\$ 566,175	\$ 669,305	\$ 103,130
Sewer charges	810,749	810,749	878,160	67,411
Miscellaneous	<u>4,700</u>	<u>4,700</u>	<u>7,988</u>	<u>3,288</u>
Total operating revenues	<u>1,381,624</u>	<u>1,381,624</u>	<u>1,555,453</u>	<u>173,829</u>
Operating expenses:				
Personal expenses	202,731	202,731	193,821	8,910
Administrative	289,665	289,665	31,537	258,128
Water system	397,700	397,700	400,882	(3,182)
Sewer system	698,000	698,000	491,671	206,329
Depreciation	<u>56,888</u>	<u>56,888</u>	<u>61,075</u>	<u>(4,187)</u>
Total operating expenses	<u>1,644,984</u>	<u>1,644,984</u>	<u>1,178,986</u>	<u>465,998</u>
Operating income	<u>(263,360)</u>	<u>(263,360)</u>	<u>376,467</u>	<u>639,827</u>
Nonoperating revenues:				
Interest earnings	<u>7,216</u>	<u>7,216</u>	<u>28,812</u>	<u>21,596</u>
Income before capital contributions & transfers	<u>(256,144)</u>	<u>(256,144)</u>	<u>405,279</u>	<u>661,423</u>
Capital contributions: System development fees	<u>761</u>	<u>761</u>	<u>1,522</u>	<u>761</u>
Transfers in	<u>277,383</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	<u>22,000</u>	<u>(255,383)</u>	<u>406,801</u>	<u>662,184</u>
Total net assets - beginning			<u>1,451,358</u>	
Total net assets - ending			<u>\$1,858,159</u>	

Town of Surfside, Florida
 Required Supplementary Information
 Budget Comparison Schedule - (Unaudited)
 Municipal Parking Fund
 For the Year Ended September 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Parking fees	\$ 333,500	\$ 333,500	\$ 335,327	\$ 1,827
Total operating revenues	333,500	333,500	335,327	1,827
Operating expenses:				
Personal expenses	43,617	43,617	54,450	(10,833)
Administrative	58,600	58,600	43,736	14,864
Depreciation	65,200	65,200	45,286	19,914
Total operating expenses	167,417	167,417	143,472	23,945
Operating income	166,083	166,083	191,855	25,772
Nonoperating revenues:				
Interest earnings	11,000	11,000	35,068	24,068
Income before transfers	177,083	177,083	226,923	49,840
Transfers out	(17,083)	(17,083)	(17,083)	-
Change in net assets	160,000	160,000	209,840	49,840
Total net assets - beginning			1,602,558	
Total net assets - ending			\$1,812,398	

Town of Surfside, Florida
 Required Supplementary Information
 Budget Comparison Schedule - (Unaudited)
 Sanitation Fund
 For the Year Ended September 30, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
Revenues				
Garbage collection charges	\$ 723,000	\$ 723,000	\$ 656,157	\$ (66,843)
Recycling fees	77,000	77,000	75,387	(1,613)
Miscellaneous	<u>23,197</u>	<u>23,197</u>	<u>18,966</u>	<u>(4,231)</u>
Total operating revenues	<u>823,197</u>	<u>823,197</u>	<u>750,510</u>	<u>(72,687)</u>
Operating expenses:				
Personal expenses	462,673	462,673	382,004	80,669
Administrative	107,950	107,950	125,336	(17,386)
Solid waste system	369,000	369,000	364,673	4,327
Depreciation	<u>49,290</u>	<u>49,290</u>	<u>48,910</u>	<u>380</u>
Total operating expenses	<u>988,913</u>	<u>988,913</u>	<u>920,923</u>	<u>67,990</u>
Operating income	<u>(165,716)</u>	<u>(165,716)</u>	<u>(170,413)</u>	<u>(4,697)</u>
Nonoperating revenues:				
Interest earnings	<u>4,800</u>	<u>4,800</u>	<u>6,642</u>	<u>1,842</u>
Transfers in	<u>275,916</u>	<u>275,916</u>	<u>275,916</u>	<u>-</u>
Change in net assets	<u>115,000</u>	<u>115,000</u>	<u>112,145</u>	<u>2,855</u>
Total net assets - beginning			<u>298,849</u>	
Total net assets - ending			<u>\$ 410,994</u>	

Town of Surfside, Florida
 Required Supplementary Information
 Budget Comparison Schedule - (Unaudited)
 Storm Water Utility - (Nonmajor Proprietary Fund)
 For the Year Ended September 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Drainage fees	\$ 132,000	\$ 132,000	\$ 115,407	\$(16,593)
Total operating revenues	<u>132,000</u>	<u>132,000</u>	<u>115,407</u>	<u>(16,593)</u>
Operating expenses:				
Personal expenses	23,199	23,199	30,409	(7,210)
Administrative	<u>58,240</u>	<u>58,240</u>	<u>31,859</u>	<u>26,381</u>
Total operating expenses	<u>81,439</u>	<u>81,439</u>	<u>62,268</u>	<u>19,171</u>
Operating income	<u>50,561</u>	<u>50,561</u>	<u>53,139</u>	<u>2,578</u>
Nonoperating revenues:				
Intergovernmental	-	-	12,952	12,952
Interest earnings	<u>2,761</u>	<u>2,761</u>	<u>9,992</u>	<u>7,231</u>
Total nonoperating income	<u>2,761</u>	<u>2,761</u>	<u>22,944</u>	<u>20,183</u>
Change in net assets	<u>53,322</u>	<u>53,322</u>	76,083	<u>22,761</u>
Total net assets - beginning			<u>395,637</u>	
Total net assets - ending			<u>\$ 471,720</u>	

TOWN OF SURFSIDE, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO BUDGETARY COMPARISON SCHEDULE
FISCAL YEAR ENDED SEPTEMBER 30, 2005

NOTE 1. BUDGET AND BUDGETARY ACCOUNTING

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.
4. The budgets for all funds (governmental and proprietary) are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Budgets are monitored at varying levels of classification detail. Budgetary control over expenditures, including capital outlay and 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.

The Town Manager is authorized to transfer part or all of an encumbered appropriation balance within departments and within a fund; however, any revisions that alter the total appropriations of any department or fund must be approved by the Town Commission.

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.

During the fiscal year ended September 30, 2005, there were supplemental appropriations of approximately \$704,600 in the general fund and \$11,050 and \$2,150 in the Police Forfeiture and Confiscation; and Library Funds, respectively (special revenue funds).



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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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Town of Surfside, Florida
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2005

	Special Revenue Funds			
	Tourism	Library	Transportation Surtax	Capital Projects
ASSETS				
Equity in pooled cash and investments	\$ 293,920	\$ 80,402	\$ 248,581	\$ 84,089
Total assets	<u>\$ 293,920</u>	<u>\$ 80,402</u>	<u>\$ 248,581</u>	<u>\$ 84,089</u>
 LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 2,479	\$ 3,014	\$ -	\$ -
Accrued liabilities	<u>1,081</u>	<u>8,458</u>	<u>606</u>	<u>-</u>
	<u>3,560</u>	<u>11,472</u>	<u>606</u>	<u>-</u>
 Fund balances				
Unreserved/undesignated	<u>290,360</u>	<u>68,930</u>	<u>247,975</u>	<u>84,089</u>
Total fund balances	<u>290,360</u>	<u>68,930</u>	<u>247,975</u>	<u>84,089</u>
Total liabilities and fund balances	<u>\$ 293,920</u>	<u>\$ 80,402</u>	<u>\$ 248,581</u>	<u>\$ 84,089</u>

Town of Surfside, Florida

Total

\$ 706,992
\$ 706,992

\$ 5,493
10,145
15,638

691,354
691,354

\$ 706,992

Town of Surfside, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
September 30, 2005

	Special Revenue Funds			
	Tourism	Library	Transportation Surtax	Capital Projects
REVENUES				
Resort taxes	\$ 157,877	\$ -	\$ -	\$ -
Charges for services	-	221,384	-	-
Intergovernmental	-	-	155,021	-
Fines	-	1,808	-	-
Interest	6,604	1,634	3,906	1,995
Miscellaneous	-	1,198	-	-
Total revenues	<u>164,481</u>	<u>226,024</u>	<u>158,927</u>	<u>1,995</u>
EXPENDITURES				
General government	130,462	192,544	31,143	-
Capital outlay	-	35,369	-	-
Total expenditures	<u>130,462</u>	<u>227,913</u>	<u>31,143</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>34,019</u>	<u>(1,889)</u>	<u>127,784</u>	<u>1,995</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	34,019	(1,889)	127,784	1,995
Fund balances - beginning	<u>256,341</u>	<u>70,819</u>	<u>120,191</u>	<u>82,094</u>
Fund balances - ending	<u>\$ 290,360</u>	<u>\$ 68,930</u>	<u>\$ 247,975</u>	<u>\$ 84,089</u>

Town of Surfside, Florida

Total

\$ 157,877
221,384
155,021
1,808
14,139
1,198
551,427

354,149
35,369
389,518

161,909

-
-

161,909

529,445

\$ 691,354

**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.

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.

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. Transfers from the general and other funds are made to this fund to cover such expenditures.

STATISTICAL SECTION



TOWN OF SURFSIDE, FLORIDA

Statistical Section List of Tables

Table

Government-Wide Information:

1. Government-Wide Expenses by Function - Last Two Fiscal Years
2. Government-Wide Revenues - Last Two Fiscal Years

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

TABLE 1

GOVERNMENT-WIDE EXPENSES BY FUNCTION
LAST TWO FISCAL YEARS

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Physical Environment</u>	<u>Culture and Recreation</u>	<u>Transportation</u>	<u>Tourism Development</u>
2004	\$ 2,423,644	\$ 2,388,141	\$ 736,607	\$ 992,699	\$ 28,845	\$ 147,451
2005	2,464,164	2,664,931	909,393	1,247,493	37,034	131,335

2004 was the initial year for which Government-wide Expenses were reported.

SOURCE: Town Finance Department

<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
1,178,986	143,472	920,923	62,268	9,759,999

TOWN OF SURFSIDE, FLORIDA

TABLE 2

GOVERNMENT-WIDE REVENUES

LAST TWO FISCAL YEARS

Program Revenues

<u>Fiscal Year</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
2005	3,667,054	229,568	-	3,896,622

2004 was the initial year for which Government-wide Revenues were reported.

SOURCE: Town of Surfside Finance Department

General Revenues

<u>Taxes</u>	<u>Investment Income</u>	<u>Miscellaneous</u>	<u>General Revenues Total</u>	<u>Grand Total</u>
\$ 6,273,322	\$ 158,742	\$ 227,295	\$ 6,659,359	\$ 10,798,141
6,934,409	344,117	60,265	7,388,791	11,235,413

TOWN OF SURFSIDE, FLORIDA
 TABLE 3
 GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
 LAST TEN FISCAL YEARS

<u>FISCAL YEAR ENDED</u>	<u>GENERAL GOVERNMENT</u>	<u>PUBLIC SAFETY</u>	<u>PHYSICAL ENVIRONMENT</u>	<u>PARKS AND RECREATION</u>	<u>DEBT SERVICE</u>
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	-
2005	2,396,005	2,533,925	882,428	982,374	-

(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>
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
378,106	7,172,838	466,698	-	7,639,536

TOWN OF SURFSIDE, FLORIDA
 TABLE 4
 GENERAL GOVERNMENTAL EXPENDITURES BY DEPARTMENT
 LAST TEN FISCAL YEARS

<u>FISCAL YEAR ENDED</u>	<u>LEGISLATIVE</u>	<u>LAW</u>	<u>EXECUTIVE</u>	<u>GENERAL GOVERNMENT</u>	<u>PUBLIC SAFETY</u>	<u>PHYSICAL ENVIRONMENTAL</u>	<u>PARKS & Recreation</u>	<u>Capital Outlay</u>
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	224,264	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
2005	508,523	723,590	1,050,834	113,058	2,533,925	882,428	982,374	378,106

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>
\$3,733,035	\$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
4,287,977	134,841	198,619	26,596	27,258	-	387,314	4,675,291
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
7,172,838	130,462	227,913	60,666	16,514	31,143	466,698	7,639,536

TOWN OF SURFSIDE, FLORIDA
 TABLE 5
 GENERAL GOVERNMENTAL REVENUES BY SOURCE
 LAST TEN FISCAL YEARS

<u>FISCAL YEAR ENDED</u>	<u>PROPERTY TAXES</u>	<u>FRANCHISE TAXES</u>	<u>UTILITY TAXES</u>	<u>LICENSES & PERMITS</u>	<u>INTER- GOVERNMENTAL REVENUES</u>	<u>CHARGES FOR SERVICES</u>
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
2005	4,735,259	385,984	717,418	259,024	633,446	135,341

(1) Includes the General and Special Revenue Funds.

Source: Town Finance Department

<u>RESORT TAXES</u>	<u>FINES, FORFEITURES & CONFISCATIONS</u>	<u>INTEREST & OTHER</u>	<u>GENERAL FUND TOTAL</u>	<u>SPECIAL REVENUE FUNDS</u>	<u>CAPITAL PROJECT</u>	<u>REVENUES TOTALS</u>
\$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	245,598	345,001	6,061,777	546,255	-	6,608,032
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
347,469	291,602	239,406	7,744,949	636,784	1,995	8,383,728

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

<u>FISCAL YEAR ENDED</u>	<u>TAX ROLL</u>	<u>TOTAL AMENDED TAX LEVY</u>	<u>CURRENT TAX COLLECTION</u>	<u>PERCENT FOR LEVY COLLECTION</u>
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	3,604,928	3,555,405	98.63%
2004	2003	4,113,152	3,952,662	96.10%
2005	2004	4,878,383	4,735,259	97.07%

Source: Town Finance Department

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

<u>FISCAL YEAR ENDED</u>	<u>REAL PROPERTY</u>	<u>PERSONAL PROPERTY</u>	<u>TOTALS</u>
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
2004/05	853,714,198	16,959,267	870,673,465

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

Source: Miami-Dade County, Florida, Property Appraiser

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

<u>YEAR</u>	<u>TOWN OF SURFSIDE</u>	<u>MIAMI-DADE COUNTY SCHOOLS</u>	<u>MIAMI-DADE COUNTY</u>	<u>COUNTY DISTRICTS</u>	<u>FLORIDA INLAND NAVIGATION</u>	<u>SOUTH FLORIDA WATER MANAGEMENT</u>	<u>TOTAL</u>
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
2005	5.6030	8.538	6.5488	2.6610	.0385	.597	23.9863

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

TOWN OF SURFSIDE, FLORIDA
TABLE 9
PROPERTY VALUE AND CONSTRUCTION
LAST TEN FISCAL YEARS

<u>FISCAL YEAR ENDED</u>	<u>(1) REAL PROPERTY VALUE</u>	<u>(2) CONSTRUCTION</u>	
		<u>BUILDING PERMITS</u>	<u>CONSTRUCTION VALUATION</u>
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
2005	853,714,198	1,099	36,929,784

(1) Assessed Value from Table 7.

(2) Town of Surfside Building Department

Source: Town of Surfside Building Department

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

<u>FISCAL YEAR ENDED</u>	<u>ASSESSMENTS BILLED</u>	<u>COLLECTIONS AND ADJUSTMENTS</u>	<u>UNPAID PRINCIPAL BALANCES</u>
1996	\$2,154	\$119,065	\$32,981
1997	136	33,117	-
1998	-	-	-
1999	-	-	-
2000	-	-	-
2001	-	-	-
2002	-	-	-
2003	-	-	-
2004	-	-	-
2005	-	-	-

Assessments in the fiscal years ended September 30, 1996 and 1997, were for improvements to the downtown business district.

There were no assessments for the fiscal years ended September 30, 1998, through September 30, 2005.

Source: Town Finance Department

TOWN OF SURFSIDE, FLORIDA
TABLE 11
PRINCIPAL TAXPAYERS
REAL PROPERTY AD VALOREM TAXES

<u>Names</u>	<u>Taxable Valuation</u>	<u>Percentage of Total Taxable Valuation *</u>
The Surf Club	\$34,408,160	3.26%
Beach House Properties, LLC	17,700,443	1.68%
Bluegreen Vacations Unlimited, Inc.	16,219,300	1.54%
South Bal Harbour, Ltd.	12,747,346	1.21%
Azure Beach Development, Ltd.	8,565,124	.81%
Publix Supermarkets, Inc.	8,153,086	.77%
9379 Realty Corporation	4,768,000	.45%
City National Bank	4,621,000	.44%
Transacta Lanai, Ltd.	4,587,575	.44%
Jeansusan	<u>4,581,000</u>	<u>.43%</u>
	<u>\$116,351,034</u>	<u>11.03%</u>

* Excludes Personal Property

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

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

<u>Names</u>	<u>Taxable Valuation</u>	<u>Percentage of Total Taxable Valuation *</u>
Florida Power & Light Co.	\$ 3,577,320	22.77%
Publix Supermarkets, Inc.	2,248,098	14.31%
Beach House	1,812,394	11.54%
BellSouth Telecommunications, Inc.	1,614,173	10.27%
Peoples Gas System	630,121	4.01%
Gold Coast Cablevision/Charter Communications	609,084	3.88%
The Surf Club	516,589	3.29%
Primegro Surfside, LLC	452,990	2.88%
CVS EGL Harding Miami Florida, LLC	247,687	1.58%
9195 Surfside Corporation	<u>196,217</u>	<u>1.25%</u>
	<u>\$11,904,673</u>	<u>75.78%</u>

* Excludes Real Property

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

TOWN OF SURFSIDE
TABLE 13
MISCELLANEOUS STATISTICAL DATA
SEPTEMBER 30, 2005

Town of Surfside
 Incorporated - May 19, 1935
 Town Charter Adopted 1951 (Amended)
 Commission-Manager Form of Government

Recreation:
 1 mile of public beach
 3 Municipal Parks
 1 Municipal swimming pool
 Recreational Areas - 53-90 acres

Area (Including annexed area):

Land .50 square miles
 Water .14 square miles
 Total .64 square miles

Park facilities include:
 Tennis courts, shuffleboard
 softball, basketball,
 recreation center, and walking
 path.

Infrastructure:

Paved streets 10.0 miles
 Unpaved streets 0.0 miles
 Sidewalks 1.0 mile
 Canals & Waterways 0.0 miles
 Storm sewers 5.6 miles
 Town-owned street
 lights 37 lights
 FP&L owned street
 lights 293 lights
 Building Permits* 1,099*
 Estimated Value \$36,929,784*

Municipal Water System:

Active accounts 1,539
 Meter Sales 351,765,800 million
 (Million gallons)
 15.7 Miles of water
 84 Fire Hydrants
 0.3 Miles of sewer force mains
 2 Sewer pumping stations

Elections:

March 16, 2004
 2,700 Registered Voters
 1,208 votes case
 March 21, 2006
 3,017 Registered Voters
 1,243 votes cast

Tax Rates:

Utility Service Taxes
 5% Electric
 5.22% Telephone
 5% Gas

Franchise taxes:

6% Electric
 6% Gas
 3% Cable Television

Town Employees 95
 Median household income \$56,327**
 Per capital income \$38,375**
 Population 4,909**

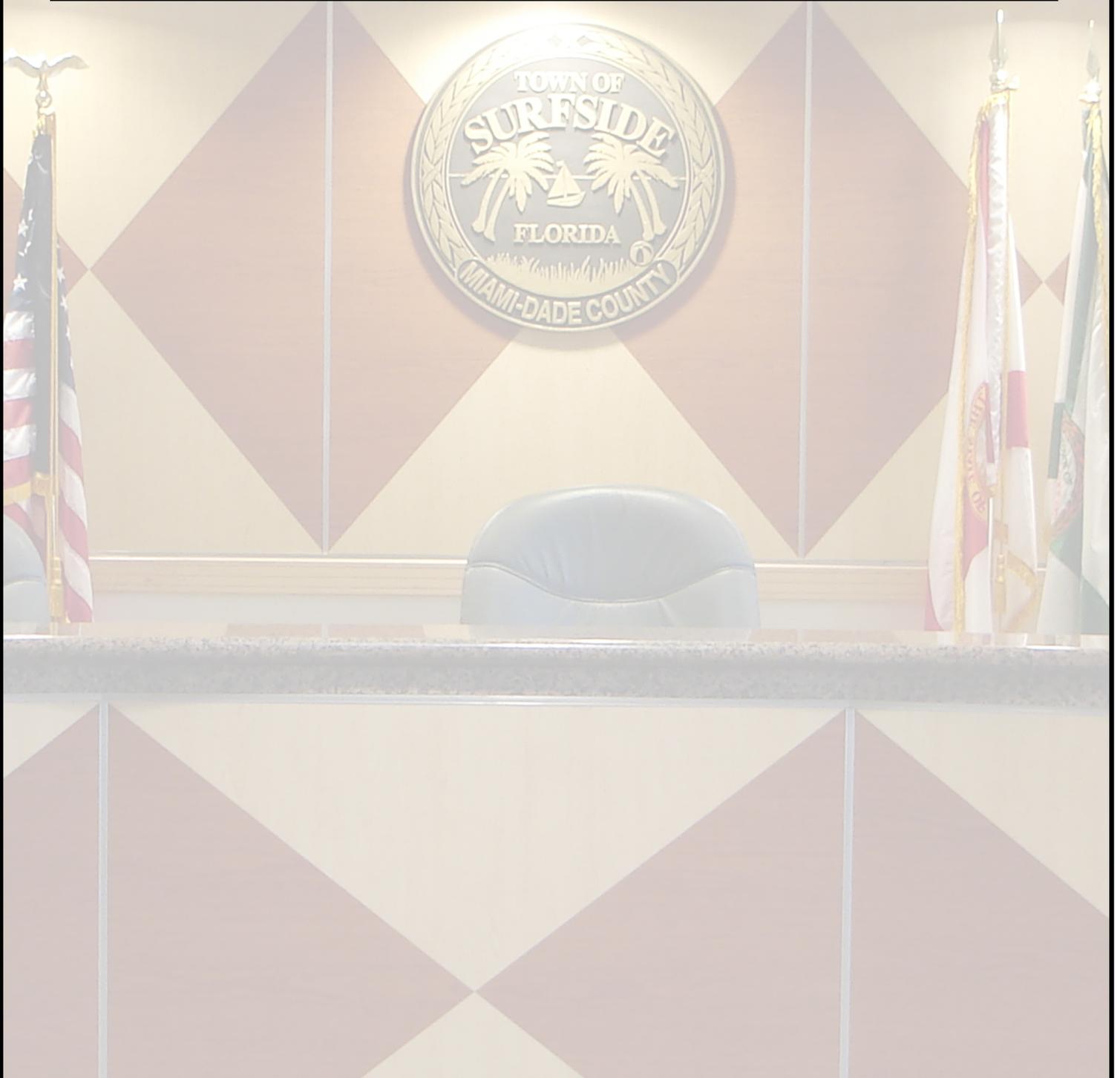
* Source - Town Building Permits Department

** Source U.S. Census (2000)



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OTHER REPORTS



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

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

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

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

Internal Control over Financial Reporting

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

Compliance and Other Matters

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

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

However, we noted certain matters that we reported to management of the Town in a separate letter dated March 30, 2006.

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 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
March 30, 2006

MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES OF THE AUDITOR
GENERAL OF THE STATE OF FLORIDA

A.M. JONES, C.P.A., P.A.

certified public accountants

Alyce M. Jones, C.P.A., P.F.S.

3421 North Powerline Road, Pompano Beach, FL 33069 Broward: 954-973-3421 • Dade: 305-948-5608 • FAX: 954-968-8215

Management Letter in Accordance with the Rules of the Auditor General of the
State of Florida

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

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report, dated March 30, 2006, on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures, 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 governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

In connection with our audit of basic financial statements of the Town for the year ended September 30, 2005, we report the following in accordance with Chapter 10.550 Rules of the Auditor General, *Local Government Entity Audits*, which requires that this report specifically address but not be limited to the matters outlined in Rule 10.554(1)(h):

1. The recommendation made in the preceding annual financial audit report has not been completely followed, as noted under the heading Status of Prior Year Recommendations.
2. The Town was in compliance with Section 218.415, Florida Statutes, regarding the investment of public funds.
3. Recommendations to improve the Town's present financial management and accounting procedures, and internal controls are included in the schedule of findings accompanying this report.
4. During the course of our audit, other than matters that are clearly inconsequential considering both quantitative and qualitative factors, nothing came to our attention that caused us to believe that the Town:
 - a. Was in violation of any laws, rules or regulations and contractual provisions or abuse that have occurred, or were discovered within the scope of the audit.
 - b. Made any illegal or improper expenditures that were discovered within the scope of the audit that may materially affect the financial statements.

MEMBER OF:

Florida Institute of Certified Public Accountants (FICPA), American Institute of Certified Public Accountants (AICPA), Private Companies Practice Section of AICPA (PCPS)

- c. Had deficiencies in internal control that are reportable conditions including but not limited to:
 - (1) Improper or inadequate accounting procedures, except as reported in the accompanying schedule of findings.
 - (2) Failures to properly record financial transactions.
 - (3) Other inaccuracies, shortages, defalcations and instances of fraud discovered by, or that came to the attention of the auditor.

5. The Town was incorporated on May 19, 1935. The Town of Surfside's Charter was adopted under the provisions of Chapter 27914, Laws of the State of Florida in 1951. There are no component units related to the Town.

6.
 - a. The Town was not in a state of financial emergency during the year ended September 30, 2005, as defined by Florida Statutes 218.503(1).
 - b. The annual financial report for the year ended September 30, 2005, has been filed with the Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes and is in agreement with the audited financial statements for the fiscal year ended September 30, 2005.
 - c. During the course of our audit, we applied financial condition assessment procedures pursuant to Rule 10.556(8). It is management's responsibility to monitor the Town's financial condition, and our financial condition assessment, which was performed as of the Town's fiscal year end and was based on representations made by management and the review of financial information provided by the Town. There were no findings that identified deteriorating financial conditions.

This report is intended solely for the information of the Town Mayor, Town Commissioners, Town Management, the Auditor General of the State of Florida 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
March 30, 2006

TOWN OF SURSIDE, FLORIDA

SCHEDULE OF FINDINGS

FISCAL YEAR ENDED SEPTEMBER 30, 2005

STATUS OF PRIOR YEAR RECOMMENDATIONS

Comment:

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

Our Findings:

See current year finding number 1.

CURRENT YEAR COMMENTS, RECOMMENDATIONS, AND MANAGEMENT RESPONSES

Recommendation

1. The control system for the recording of fixed assets on the detail ledgers should be properly maintained to record all assets as they are acquired. The costs of such items should be agreed with the vendors' invoices and the accounting records. The Town needs to implement the recently acquired Fixed Assets and Depreciation software application for the proper recording and control of the Fixed Assets of the Town.

Additionally, the implementation of GASB 34 places added requirements of properly computing and recording the depreciation expense and accumulated depreciation. Therefore, it is very important that the Town has a system in place to properly record fixed assets and depreciation expense.

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 properly recorded to maintain accountability. The totals as reflected on the fixed assets schedules should be agreed and/or reconciled on a monthly basis with the computer-generated schedules for both the Governmental activities and the Business-type activities.

Management Response

The fixed assets and depreciation software will be implemented during the fiscal year ended September 30, 2006. Additionally, the Town Controller will record all additions and deletions on a monthly basis. The repairs and maintenance, capital outlay, and similar accounts will be reviewed on a monthly basis to determine that all capital acquisitions have been properly recorded. The depreciation expense will be recorded on a timely basis.

Recommendation

2. The bank accounts of the Town are properly reconciled on a monthly basis; however, all other balance sheet accounts are not being reconciled on a monthly and consistent basis. All of the balance sheet accounts for all funds should be reconciled and the proper supporting documentation for such balances should be maintained in a monthly file. Additionally, all of the revenues and expenditures/expenses should be analyzed on a monthly basis. After these procedures have been followed, the monthly report of revenues and expenditures/expenses should be prepared for the Town Manager, Town Mayor, Vice Mayor, and Commissioners.

TOWN OF SURSIDE, FLORIDA

SCHEDULE OF FINDINGS
(continued)

CURRENT YEAR FINDINGS, RECOMMENDATIONS, AND MANAGEMENT RESPONSES

MANAGEMENT RESPONSES

The Town will prepare a monthly work program, which includes the proper reconciling of all balance sheets accounts as well as preparing and retaining the supporting documentation in a monthly accounting file. Additionally, the revenues and expenditures/expenses will be reviewed prior to the preparation and distribution of the monthly statements of revenues and expenditures/expenses. These procedures will be implemented immediately.



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