

# TOWN OF CUTLER BAY, FLORIDA



Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2010

Town of Cutler Bay, Florida  
Comprehensive Annual Financial Report  
Fiscal Year Ended September 30, 2010

Prepared by Robert Daddario, CPA, Finance Director

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## INTRODUCTORY SECTION

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## Office of the Town Manager

Steven J. Alexander  
Town Manager

June 1, 2011

To the Citizens of the Town of Cutler Bay:

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) for the Town of Cutler Bay, Florida, for the fiscal year ended September 30, 2010, pursuant to Section 218.39 of the Florida Statutes, Chapter 10.550 of the Rules of the Auditor General of the State of Florida, and the Town Charter. The financial statements included in this report conform to generally accepted accounting principles in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Town. Management of the Town believes it has established a strong internal control environment which enables it to produce financial statements free of material misstatement. While no system of internal control can provide absolute assurance that errors or irregularities do not occur, we believe the control environment established by the Town provides reasonable assurance that it can produce financial statements that are free of material misstatement.

In accordance with Florida Statutes Section 218.39, the Town has engaged the firm of Alborni, Caballero & Company, L.L.P., to perform the independent audit of the Town's financial statements. The Independent Certified Public Accountant's report is included in the financial section of this Comprehensive Annual Financial Report. The independent auditor has issued an unqualified opinion that this report fairly represents the financial position of the Town in conformity with GAAP. The independent auditor found no deficiencies in internal control over financial reporting that would be considered material weaknesses, nor did it detect any instances of noncompliance or other matters that would be required to be reported under *Government Auditing Standards*.

The contents of the CAFR have been influenced by compliance with GASB pronouncements, including Statement 34 that has required the preparation of new government-wide financial statements on a full accrual basis of accounting for all funds as well as Management's Discussion and Analysis (MD&A). The MD&A can be found immediately following the independent auditors' report.

### **PROFILE OF THE GOVERNMENT**

The Town of Cutler Bay (the "Town") is a political subdivision of the State of Florida located in Miami-Dade County (the "County") and was incorporated in November 2005. The Town operates under a Council-Manager form of government in which the Town elects five council members, one of whom is elected as the Mayor and another of whom is elected as the Vice Mayor. Except for the initial election and terms of office as specified in the Town Charter, council members are elected for four year terms. The Town Council determines the policies that guide the Town's operations and hires a Town Manager to implement and administer these policies on a full-time basis. The Town of Cutler Bay provides a full range of municipal services including police, parks and recreation facilities, building and zoning, planning, code enforcement, and public works.

The annual budget serves as the foundation for the Town's financial planning and control. All departments of the Town are required to submit proposed budgets to the Town Manager, who then makes any necessary revisions. The Town Manager then presents to the Town Council for their review, a budget estimate of the expenditures and revenues of all the Town's departments and divisions. Two public hearings are then conducted to inform taxpayers of the proposed budget, to receive their comments, and respond to their questions of the proposed budget. A majority affirmative vote of the quorum is needed to adopt the budget, which was legally enacted prior to October 1<sup>st</sup> by the passage of a Resolution. The Town's budget is approved by the Council at the departmental level, therefore the Town Manager and Finance Director may amend the adopted budget for adjustments during the year within a department. The Town Council must approve all other budget adjustments as well as any supplemental appropriations. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the fund from which it was appropriated and is subject to future appropriations.



## Office of the Town Manager

Budgets are monitored at varying levels of classification detail; however, budgetary control is legally maintained at the fund level except for the General Fund, which is maintained at the departmental level. Budget-to-actual comparisons are provided in this report for the General Fund and each major special revenue fund for which an appropriated annual budget has been adopted. For all other major and non-major governmental funds and for the Stormwater Fund (a proprietary fund) for which an appropriated annual budget has been adopted, this comparison is presented in the combining and individual fund section of this report.

### **INFORMATION USEFUL IN ASSESSING THE TOWN'S ECONOMIC CONDITION**

#### *Local Economy*

The Town is located in southeast Florida, Miami-Dade County, and is primarily residential in nature. It comprises approximately 10 square miles with approximately 41,000 full-time residents. The western-most area of the Town, located along the South Dixie Highway (U.S.1) corridor, is commercial in nature with hotels, restaurants and office complexes.

The Town has been successful in providing a high quality of life for its residents, by enhancing the level of services being offered. In addition to the increased efforts to enhance services, the Town has also provided competitive benefits to its employees, as recognition of the fact that, in order to continue to provide these valuable services, it must retain and reward its valuable employees.

Town administrators recognize the importance of increasing its commercial tax base for future economic health and to reduce the tax burden on the residents. To this end, the Town is pursuing a growth management plan that smartly incorporates "mixed-use" residential and commercial development within the Town as is consistent with such growth plan. On January 29, 2008, the Florida electorate approved an amendment to the Florida Constitution relative to property taxation. The amendment, which primarily provides for additional property tax exemptions and adds a "portability" provision, has had a negative impact on the taxable base upon which property tax revenue of the Town is calculated.

Cutler Bay, like most communities across the state and nation, has been negatively impacted by the financial crisis and economic downturn gripping the United States. The south Florida real estate market has been especially hard hit. Property values have experienced significant declines and there has been increased foreclosure activity. As of July 1, 2010, the certified taxable value of property within the Town decreased almost 38% from the level at July 1, 2008. These decreased property values, when factored on top of the property tax changes discussed in the preceding paragraph, have further reduced the Town's property tax revenues (all other factors remaining constant).

The effects of the above noted changes have had a profound impact on the taxable property base within the Town. The 2010 certified tax roll issued by the County Property Appraiser in July 2010, used for ad valorem purposes for fiscal year 2011, reflected an approximate 23% decline in the taxable value of property within the Town versus the certified tax roll for 2009 (used for ad valorem purposes in fiscal year 2010). It may take several years before building activity and growth return to the Town. Preliminary estimates of the 2011 tax roll (for fiscal year 2012 purposes) indicates modest declines in the taxable property value for the upcoming year, hopefully indicating that the large declines of recent years may be abating. In the interim, the Town continues to operate in an extremely lean and efficient manner and has been very successful in obtaining grants and other funding sources to proceed with planned projects within the Town.

#### *Long-term Financial Planning and Major Initiatives*

The Town is pursuing grant and other funding opportunities to provide needed improvements to the Town, including funding for park land acquisition and improvements, road improvements and other public works projects. During fiscal year 2008, the Town took possession of the local roadways and sidewalks within the Town from the County and completed a streets master plan to map out its plan to maintain and upgrade this infrastructure. In 2009, the Town finalized negotiations with the County on a "Joint Project Agreement" in which the County agreed to provide funding (approximately \$18 million) to the Town for specified road improvement projects within the Town's boundaries. The planning and engineering phase related to the Old Cutler Road portion of the project was essentially completed in fiscal



## Office of the Town Manager

year 2010. In fiscal year 2011, road work on both the Old Cutler Road and Caribbean Boulevard projects is expected to commence.

Additionally, in fiscal year 2010 the Town commenced a roadway improvement project, in response to requests from the local residents, which was estimated to cost \$683,000 and which was funded by local option gas tax monies. This project was completed in fiscal year 2011 at a cost of almost \$250,000 less than budgeted.

During fiscal year 2008, the Town created its own stormwater utility operation after assuming that function from the County in the final quarter of the fiscal year. The Town's operation of the stormwater utility within its Town boundaries will generate revenues which will enable the Town to perform the functions and services to maintain the utility within Cutler Bay. While the Town has assumed operating control of the stormwater utility within its boundaries effective July 2008, the assets and related accumulated depreciation of those assets are not yet reflected in the financial statements of the Town since the County was not able to provide to the Town a comprehensive inventory/accounting of the actual assets that were transferred as part of this agreement (after more than two years of indicating they would). Since the County was not able to provide the information needed, the Town took it upon itself to commission the inventory of those assets. This inventory was commenced in fiscal year 2011 and, when completed, it will then be valued in accordance with applicable accounting standards. It is anticipated that such assets will be recorded in the Town's financial statements in fiscal 2011.

In fiscal year 2010, the Town's stormwater utility completed the Coral Sea Road drainage project (approximately \$173,000) and in fiscal year 2011 anticipates completion of both the Saga Bay (approximate cost of \$500,000) and the Bel-Aire (approximate cost of \$450,000) drainage projects. These drainage projects, which were funded by a combination of grants and Town match funds, will benefit the local area homeowners as they will help alleviate some of the known flood drainage issues in the area.

During fiscal year 2007, the County transferred to the Town park lands and related assets within the Town's boundaries. Pursuant to the transfer agreement, the Town agreed to continue to operate such facilities as public parks in perpetuity. The Town's recreation infrastructure and facilities are aging and need renovation and/or replacement. During fiscal year 2010 and 2009, the Town completed approximately \$1.2 million in park improvements which were identified in its parks master plan, in addition to the Lakes By The Bay park project discussed separately in the paragraph below. These improvements were funded by various means, including grants and general fund sources. More improvements are budgeted for fiscal year 2011 which will be funded by a combination of sources, including grants, impact fees and other general fund sources.

In fiscal year 2010, the County transferred an additional parcel of land to the Town to be used as park land. This parcel, known as Lakes By The Bay Park, encompasses approximately 49.3 acres, has been recorded by the Town at the County's historical cost (approximately \$347,000) and will be developed to provide both active and passive activities for Town residents. It is nestled near wetlands areas and it is anticipated that nature trails will be included as part of the park build out. The County has also agreed to provide funds to help the Town build the park infrastructure. In March 2010, the County remitted approximately \$3.4 million to the Town, from unspent impact fees, to start the development process. The County has also agreed to provide an additional \$5.2 million in development funding to the Town. As of September 30, 2010, approximately \$848,000 in development work has been completed. The development of this park is proceeding at a quicker pace than anticipated and is expected to be completed in late 2011.

In June 2010, the Town acquired the office building in which it was operating. This building will continue to serve as the Town's "Town Hall" building, housing all of its operations except for the Parks department, as well as continue to be used for commercial office space with tenant rentals. The rentals generated from the commercial leasing will help defray the costs of owning and operating the building.

The acquisition of the Town Hall Building property noted above was financed with a combination of taxable and tax free financing (totaling \$8.8 million). Additionally, the lender provided additional funds (totaling \$2 million) for improvements to the building. The building improvements are ongoing and are anticipated to be completed in fiscal year 2011.



## Office of the Town Manager

In December 2010, the Town acquired the land parcel adjacent to the new Town Hall building property for approximately \$1.9 million. This acquisition was financed by the same lender which provided the financing for the Town Hall building acquisition and improvements. The initial plans for this parcel call for the development of a passive park. In the future, it may serve another purpose, including the possibility of a site to host a Town recreation center.

The Town is required to pay the County its pro rata share for the Public Service Tax Revenue Bonds issued or authorized prior to the Town's incorporation. The payments for the fiscal year ended September 30, 2010 and 2009 were approximately \$380,900 and \$380,400, respectively. The payment for fiscal year 2011 is anticipated to approximate \$381,500. The Town's pro rate share of the debt was calculated and recorded in fiscal year 2010.

As a condition of incorporation, the Town agreed that, until the bonds have been paid or provision made for their payment pursuant to the ordinance enacted by the County, the County shall have the right to receive and apply to debt service on the bonds all of the public service taxes, as defined, collected on behalf of the Town with respect to bonds outstanding at the time of the municipal incorporation. The Town's debt service obligations as to the bonds in each fiscal year shall be its pro rata share of such debt service obligation. The Town's pro rata share will be equal to that percentage of the total debt service accruing on the bonds in such fiscal year calculated by multiplying such total debt service by a fraction the numerator of which will be the total amount of public service taxes collected within the boundaries of the unincorporated area comprising the boundaries of the Town during the fiscal year in which the Town incorporated and the denominator of which will be the total amount of public service taxes collected in the entire unincorporated area of the County. The balance of the public service taxes collected within the boundaries of the Town are remitted to the Town after the County satisfies the debt service requirements for the bonds.

The Town Council and Town Manager of the Town are fully charged with the security of the Town's funds and assets with the goal of maximizing return on surplus or idle cash. Cash management policies are clearly identified in the adopted budget documents along with regulations defined by the laws of the State of Florida. The Town's excess funds are invested primarily in interest bearing deposits in a qualified public depository. The principal focus of cash management is to ensure the safety of the Town's cash while maximizing its return on investment. During fiscal year 2010, the Town earned \$111,000 in investment income, as compared to \$202,000 earned in fiscal year 2009. The decrease in investment income is directly related to the sharp decline in interest rates during fiscal year 2010. The low interest rate environment is expected to continue into fiscal year 2011.

The Town Council and Town management closely monitor the resources available to the Town and its use. At September 30, 2010, the Town has accumulated \$14.7 million of unreserved fund balance (representing 64% of general fund expenditures) which is available for future appropriation by the Town Council for specific purposes it deems appropriate. Of that \$14.7 million unreserved fund balance at September 30, 2010, the Town Council has designated \$3.8 million as reserved for contingencies and emergencies.

### Financial Policies

It is the Town's policy to annually adopt balanced budgets. The Town's accounting system is organized on a fund basis. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. The types of funds used are generally determined by the Town Council upon the recommendations of the Town Manager and the Finance Director which are based upon established and accepted accounting policies and procedures as well as the number of funds required.

Town management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Town are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal, state and local financial assistance, the Town is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to



## Office of the Town Manager

these programs. This internal control structure is subject to periodic evaluation by management. In addition, the Town maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Town Council. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is legally maintained at the fund level except for the General Fund, which is maintained at the departmental level.

Other financial policies implemented by the Town include the development of policies and procedures manual, the establishment of guidelines for the recording of capital assets, and the use of the Town's web site to disseminate budget documents and financial reports, including quarterly budget versus actual reports, to its citizens.

### **AWARDS AND ACKNOWLEDGEMENTS**

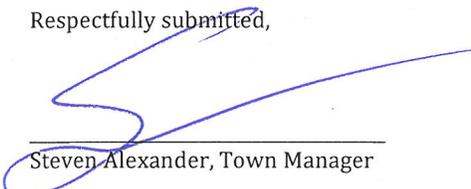
This year the Town has applied for the Certificate of Achievement for Excellence in Financial Reporting awarded by the Governmental Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

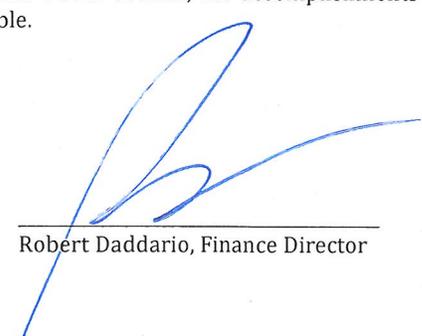
The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Cutler Bay for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2009. A Certificate of Achievement is valid for a period of one year only. We believe that our current report for the fiscal year ended September 30, 2010 conforms to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for the certificate.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department and the Town's audit firm, Alberni, Caballero & Company, L.L.P. We wish to express our appreciation to the Town staff for their interest and support in planning and conducting the financial operations of the Town in a responsible and progressive manner. Finally, we would also like to thank the various operating departments for their timely contributions in the writing of this report.

In closing, without the leadership and support of the Mayor and Town Council, the accomplishments and anticipated future successes noted in this report would not have been possible.

Respectfully submitted,

  
\_\_\_\_\_  
Steven Alexander, Town Manager

  
\_\_\_\_\_  
Robert Daddario, Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Cutler Bay,  
Florida

For its Comprehensive Annual  
Financial Report

for the Fiscal Year Ended  
September 30, 2009

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.



A stylized, handwritten signature in black ink, appearing to read "H.R.", positioned above the title "President".

President

A handwritten signature in black ink, reading "Jeffrey R. Emer", positioned above the title "Executive Director".

Executive Director

**TOWN OF CUTLER BAY, FLORIDA**

**List of Elected Town Officials**

**September 30, 2010**

**Council-Manager Form of Government**

**TOWN COUNCIL**

**Paul Vrooman, Mayor**

**Edward MacDougall, Vice Mayor**

**Timothy Meerbott, Councilmember, Seat 1**

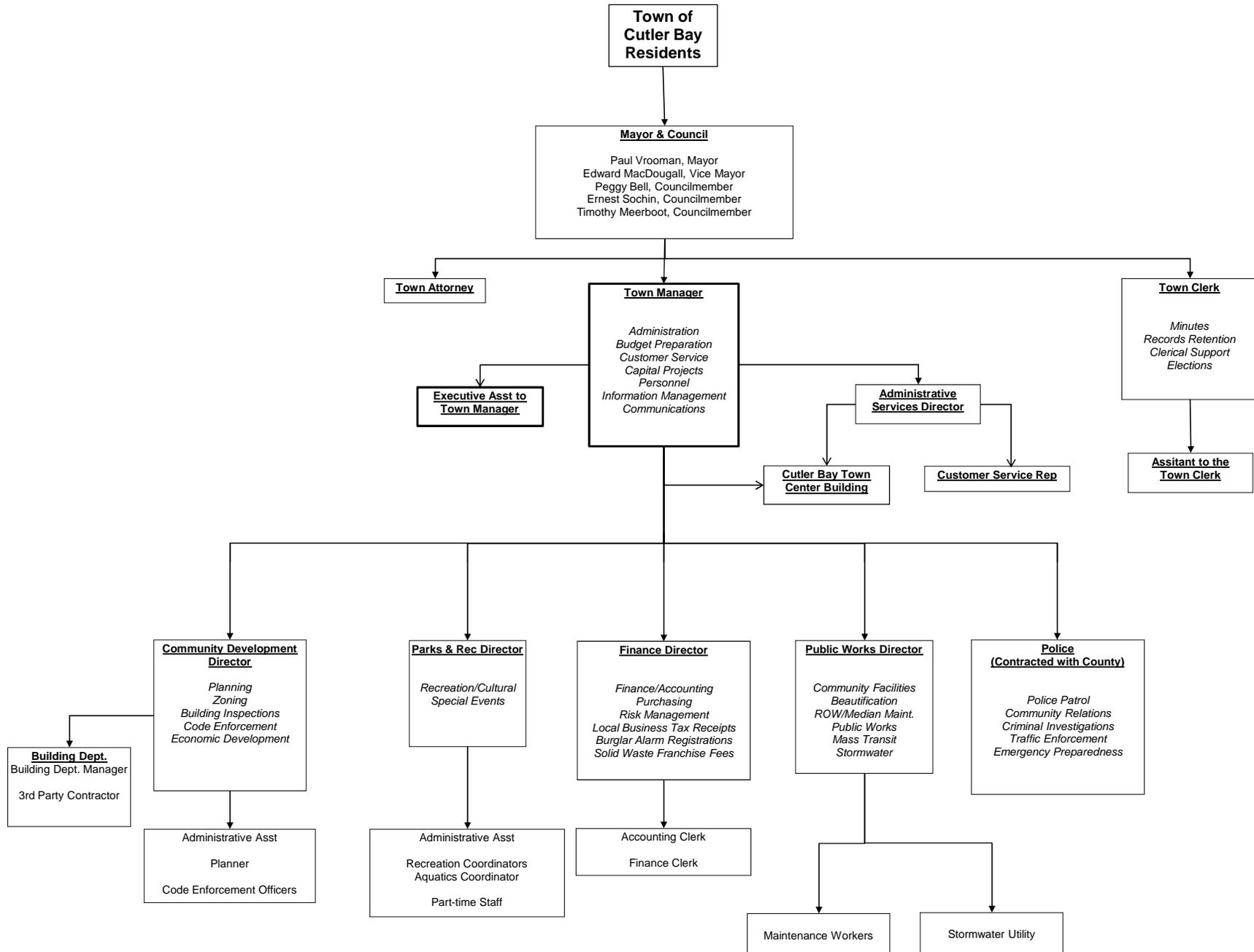
**Ernest Sochin, Councilmember, Seat 2**

**Peggy Bell, Councilmember, Seat 3**

Prepared by:

Finance Department and Administration

**TOWN OF CUTLER BAY, FLORIDA**  
ORGANIZATIONAL CHART



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**FINANCIAL SECTION**

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**INDEPENDENT AUDITORS' REPORT**

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ACC-CPA.COM

## **INDEPENDENT AUDITORS' REPORT**

Honorable Mayor, Town Council and Town Manager  
Town of Cutler Bay, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Cutler Bay, Florida (the "Town") as of and for the fiscal year ended September 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these basic financial statements based on our audits.

We conducted our audits 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Cutler Bay, Florida as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 20, 2011 on our consideration of the Town's internal control over financial reporting and our tests of 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 considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Schedule, listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Honorable Mayor, Town Council and Town Manager  
Town of Cutler Bay, Florida

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 non-major fund financial statements and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining non-major fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Alberni Caballero & Company, LLP*

June 20, 2011  
Coral Gables, Florida

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Required Supplementary Information)**

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## **Management's Discussion and Analysis**

As management of the Town of Cutler Bay (the "Town"), we offer in conjunction with the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2010 with a comparative analysis with the prior fiscal period.

### **Financial Highlights**

- The assets of the Town exceeded its liabilities at September 30, 2010 by \$58 million (net assets). Of this amount, approximately \$15.7 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net assets increased by \$2.6 million from the total net assets balance at September 30, 2009 (as adjusted). The net increase results primarily from the Town's fiscal year 2010 operations (\$6.8 million) offset by the adjustment (\$4.2 million) of the prior year's ending net asset balance to restate the balance to reflect the Town's pro-rate share of the QNIP bonds that the Town agreed to pay as a condition of incorporation (see additional details in footnote XII in the accompanying notes to financial statements).
- As of September 30, 2010, the Town's governmental funds reported combined ending fund balances of \$19.4 million, an increase of \$5.1 million from the September 30, 2009 balances, due primarily to the Town's current operations during the fiscal year, increased by proceeds from debt issuance and transfers in, and offset by capital expenditures, debt service and transfers out. This combined fund balance represents 128% of combined governmental fund operating expenditures (excluding capital outlay).
- At September 30, 2010, unreserved fund balance for the General Fund was \$14.7 million, or 64% of total General Fund expenditures, versus \$12.1 million and 85%, respectively, at September 30, 2009. The \$2.6 million increase in unreserved fund balance is a positive indicator of improved financial health of the Town.
- In the last quarter of fiscal 2008, Miami-Dade County (the "County") transferred the stormwater utility operation within the Town's boundaries to the Town. The Town is recording the activity of this operation (a business type activity) in an enterprise fund. In fiscal 2010, the stormwater utility generated approximately \$982,000 in revenues against \$660,000 in expenses that contributed \$322,000 towards the utility's \$1.1 million increase in net assets. The other components of the fiscal 2010 increase in net assets include a capital contribution of approximately \$365,000 relating to stormwater infrastructure under construction, as well as \$3,000 in interest income and transfers in totaling \$409,000.
- Of the unreserved fund balance of the General Fund at September 30, 2010, \$3.8 million has been designated by management, and approved by Council, for contingencies and other operating emergencies.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Town of Cutler Bay's basic financial statements. The basic financial statements are comprised of (a) government-wide financial statements, (b) fund financial statements, and (c) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

The statement of activities presents information showing how the government'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 related cash flows. Thus, revenues and expenses are reported in this statement for some transactions that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements of the Town are principally supported by taxes and intergovernmental revenues (governmental activities), and also reflect the transfer of infrastructure assets, in 2008 and earlier, to the Town from the County (park lands and related assets, and roadways and sidewalks), as well as by user fees and charges which are intended to recover all or a significant part of the cost of providing services to residents (business-type activities). The governmental activities of the Town include general government, public safety, public works, parks and recreation, and community development. The Town has one business-type activity, the Stormwater Fund. The government-wide financial statements report on only the Town of Cutler Bay.

**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 Cutler Bay, like other state and local governments, uses fund accounting to ensure and demonstrate accountability for the collection and use of public resources. The use of funds is an important tool for governments to demonstrate their compliance with the lawfully permitted use of resources. All of the funds of the Town can be divided into two categories, governmental funds and proprietary 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 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 reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town of Cutler Bay maintains various governmental funds, some of which meet the criteria of major 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 and the Capital Projects Fund – LBTB Park. These funds are considered major funds. The Town also maintains several other special revenue and capital project funds, none of which meet the criteria of major funds. The totals of these funds are presented in the aforementioned governmental fund statements in a separate column entitled "Other Governmental Funds", with the detail provided in supplemental combining financial statements.

The Town of Cutler Bay adopted an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with its respective budget. There was no adopted budget for the Capital Projects Fund – LBTB Park as this project was not contemplated at the time the fiscal year 2010 budget was adopted.

**Proprietary funds.** The Town maintains one proprietary fund for which the Town adopts an annual appropriated budget. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for its stormwater operations.

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

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Also, the combining statements referred to earlier in

connection with non-major governmental funds is presented immediately following the required supplementary information.

## 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 Cutler Bay, assets exceeded liabilities by \$58 million and \$51.2 million, as adjusted, respectively, at September 30, 2010 and 2009, an increase of \$6.8 million during fiscal 2010, as shown in the table below.

The largest portion of the Town's assets at September 30, 2010 consists of capital assets (approximately \$51 million net of accumulated depreciation), primarily roadways, sidewalks, park lands and related assets transferred to the Town by the County, additional infrastructure developed by the Town, as well as a building and related land and ancillary assets acquired in fiscal 2010 related to the Town Hall site (the primary contributor to the increase in capital assets, and related long-term debt, in fiscal 2010).

Other significant assets at September 30, 2010 and 2009 include cash on hand and receivables due from the County, the State of Florida (the "State"), and from various grants. Cash increased approximately \$7 million in fiscal 2010, primarily resulting from fiscal 2010 operating activities. Receivables increased approximately \$519,000 primarily as a result of increased receivables from various grants at September 30, 2010 versus the 2009 balance.

Receivables at September 30, 2010 and 2009 consist primarily of amounts due from the County (\$611,000 and \$648,900, respectively) as well as intergovernmental receivables due from the State (\$454,000 and \$454,200, respectively). Receivables from various grants at September 30, 2010 approximate \$1,128,000 versus \$571,000 at September 30, 2009.

The receivables due from the County at September 30, 2010 and 2009 related primarily to property and utility taxes and stormwater fees due the Town at that date. The decrease in the fiscal 2010 balance relative to the fiscal 2009 balance relates primarily to the fact that there were approximately \$38,000 less outstanding from the County for utility and property taxes at September 30, 2010 versus the corresponding 2009 balance.

The increase in grant receivables at September 30, 2010 over the September 30, 2009 balance is due primarily to two grants commenced in fiscal 2010, the JPA (Old Cutler Road) project and the ARRA Stimulus project from which the Town had receivables of approximately \$452,000 and \$154,000 at September 30, 2010 with no corresponding balances at September 30, 2009. Offsetting these increases were decreased receivables from a Recycling grant (approximately \$44,000 less at year-end 2010 versus year-end 2009) which wound down in fiscal 2010.

Long-term debt increased approximately \$8.9 million in fiscal 2010 primarily resulting from the bank loans issued to fund the purchase of the Town Hall building site (as discussed above). The increase in other liabilities primarily reflects the timing of payment of accounts payable, with more accounts payable outstanding at September 30, 2010 versus the corresponding 2009 balance.

	Governmental Activities		Business-type Activities		Total		Total Percent Change
	2010	2009	2010	2009	2010	2009	
Current and other assets	\$ 22,325	\$ 15,078	\$ 941	\$ 558	\$ 23,266	\$ 15,636	48.8%
Capital assets	50,094	40,592	1,006	258	51,100	40,850	25.1%
Total assets	72,419	55,670	1,947	816	74,366	56,486	31.7%
Long-term debt	13,060	4,171	8	15	13,068	4,186	212.2%
Other liabilities	3,194	1,045	118	79	3,312	1,124	194.7%
Total liabilities	16,254	5,216	126	94	16,380	5,310	208.5%
Net assets							
Invested in capital assets, net of related debt	36,900	36,283	991	236	37,891	36,519	3.8%
Restricted	4,366	1,888	-	-	4,366	1,888	131.3%
Unrestricted	14,899	12,283	830	486	15,729	12,769	23.2%
Total net assets	\$ 56,165	\$ 50,454	\$ 1,821	\$ 722	\$ 57,986	\$ 51,176	13.3%

The balance of unrestricted net assets (approximately \$15.7 million and \$12.8 million, respectively at September 30, 2010 and 2009) may be used to meet the government's ongoing obligations to citizens and creditors.

At September 30, 2010 and 2009, the Town of Cutler Bay is able to report positive balances in all three categories of net assets.

**Governmental activities.** Governmental activities increased net assets by \$5.7 million and \$2.7 million, respectively, for the year ended September 30, 2010 and 2009, representing the results of the Town's operations for the applicable fiscal periods.

**Business-type activities.** Business-type activities increased net assets by approximately \$1.1 million and 637,000, respectively, for the year ended September 30, 2010 and 2009, representing the results of the Town's operations of the stormwater utility which commenced in the fourth quarter of fiscal year 2008.

Key elements in the changes in net assets activity are as follows:

Town of Cutler Bay Changes in Net Assets For The Fiscal Year Ended (in thousands)							
	Governmental Activities		Business-Type Activities		Total		Total Percent Change
	September 30, 2010	2009	September 30, 2010	2009	September 30, 2010	2009	
<b>Revenues</b>							
Program revenues:							
Charges for services	\$ 5,749	\$ 1,399	\$ 982	\$ 986	\$ 6,731	\$ 2,385	182.2%
Operating grants and contributions	1,238	385	-	-	1,238	385	221.6%
Capital grants and contributions	788	715	365	151	1,153	866	33.1%
General revenues:							
Taxes and franchise fees	14,767	16,040	-	-	14,767	16,040	-7.9%
Other	109	217	3	4	112	221	-49.3%
<b>Total revenues</b>	<b>22,651</b>	<b>18,756</b>	<b>1,350</b>	<b>1,141</b>	<b>24,001</b>	<b>19,897</b>	<b>20.6%</b>
<b>Expenses</b>							
General government	4,256	3,566	660	585	4,916	4,151	18.4%
Public safety	7,491	7,890	-	-	7,491	7,890	-5.1%
Parks and recreation	1,624	1,577	-	-	1,624	1,577	3.0%
Community development	2,859	2,898	-	-	2,859	2,898	-1.3%
Interest on long-term debt	301	6	-	-	301	6	4916.7%
<b>Total expenses</b>	<b>16,531</b>	<b>15,937</b>	<b>660</b>	<b>585</b>	<b>17,191</b>	<b>16,522</b>	<b>4.0%</b>
Change in net assets before transfers	6,120	2,819	690	556	6,810	3,375	101.8%
Transfers	(409)	(81)	409	81	-	-	N/A
Increase in net assets	5,711	2,737	1,099	637	6,810	3,375	101.8%
Net assets, beginning	50,454	51,909	722	85	51,176	51,994	-1.6%
Adjustment for QNIP bonds	-	(4,192)	-	-	-	(4,192)	
<b>Net assets, ending</b>	<b>\$ 56,165</b>	<b>\$ 50,454</b>	<b>\$ 1,821</b>	<b>\$ 722</b>	<b>\$ 57,986</b>	<b>\$ 51,176</b>	<b>13.3%</b>

**Governmental activities:**

- Taxes and franchise fees (\$14.8 million and \$16 million, respectively, for fiscal 2010 and fiscal 2009) comprised 65% and 85%, respectively, of total revenues of \$22.6 million and \$18.8 million for fiscal 2010 and fiscal 2009, respectively, with property taxes representing the largest single tax source (\$5.5 million in fiscal 2010 and \$6.6 million in fiscal 2009). The \$3.8 million increase in these total revenues in fiscal 2010 over fiscal 2009 amounts result primarily from receipt of approximately \$3.4 million in park impact fees from the County. This was offset by a \$1.1 million decrease in property taxes resulting from the declining property values experienced in fiscal 2010. Operating and capital grants increased approximately \$926,000 resulting primarily from public

works and parks projects ongoing during fiscal 2010. The remaining net increase results from increased building and zoning permitting activity and other smaller net changes in other revenue categories.

- Operating and capital grants and contributions (\$1,238,000 and \$788,000 at September 30, 2010 and \$385,000 and \$715,000 at September 30, 2009, respectively) account for 9% and 6% of total revenues at September 30, 2010 and 2009, respectively. The amounts in both the fiscal 2010 and fiscal 2009 periods are comprised primarily of local option gas tax receipts and capital project grant funds received by the Town. Use of these funds is restricted to certain prescribed uses.
- Charges for services account for 25% and 7% of total revenues at September 30, 2010 and 2009, respectively. These amounts consist primarily of building and zoning fees, impact fees, park service fees and public safety fines and forfeitures. Use of these funds is generally restricted to certain prescribed uses. The significant increase in these revenues in fiscal 2010 resulted primarily from a significant receipt of park impact fees from the County (\$3.4 million) related to the transfer of Lakes By The Bay park, as well as increased building and zoning permitting fees.
- Expenses for governmental activities increased approximately \$594,000, resulting primarily from an approximate \$690,000 increase in general government expenses related to various public works projects, offset by lower operating expenses for salaries and benefits (primarily as a result of positions not being filled the entire year), business insurance (primarily as a result of lower rates) and rentals (primarily due to the Town purchasing the building in which it operates from, thereby eliminating rent expense payments). Additionally, interest on long-term debt increased approximately \$295,000 reflecting interest paid on the QNIP bonds and the notes payable issued to finance the Town Hall building acquisition and improvements. These increases were offset by approximately \$400,000 of reduced expenses related to public safety, reflecting reduced costs of police services contracted from the County.
- Transfers increased approximately \$328,000 primarily due to increased grant match and financial assistance provided for various drainage projects in the Stormwater Fund (a proprietary fund).

**Business-type activities:**

- Charges for services for stormwater fees, which represent 73% and 86% of total revenues at September 30, 2010 and 2009, respectively, in the proprietary fund, resulted from the Town's operation of the stormwater utility within the Town's boundaries which commenced in the fourth quarter of fiscal 2008. Capital grants and contributions also increased in fiscal 2010 as a result of amounts received for additional drainage projects ongoing in Town.

**Financial Analysis of the Government's Funds**

The Town of Cutler Bay uses fund accounting to ensure and demonstrate accountability for the collection and use of public resources.

**Governmental funds.** The focus of the Town of Cutler Bay'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'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 September 30, 2010 and 2009, the Town's governmental funds reported combined ending fund balances of \$19.4 million and \$14.3 million, respectively. The increase in the balance results primarily from normal current operating activities in fiscal 2010 (approximately \$7.7 million) increased by proceeds from debt issuance (approximately \$9.1 million) and transfers in (approximately \$609,000), and offset by capital expenditures (approximately \$10.8 million), debt service (approximately \$535,000) and transfers out (approximately \$1 million).

Property taxes were approximately \$1.1 million less in fiscal 2010 versus the 2009 period, resulting from the decreased property value assessments in Town. While property tax revenues were down, the Town realized stronger than anticipated revenues for all revenue categories in fiscal 2010 other than investment income, including approximately \$1 million more in grant funds for park and public works capital projects. Impact fees increased approximately \$3.5 million, primarily due to a \$3.4 million payment received from the County for development of Lakes By The Bay park. The fiscal 2010 period also included approximately \$280,000 in rental income. During June 2010, the Town acquired the office building in which it operated (see next paragraph). The Town is only occupying a portion of the building and the remainder continues to function as commercial office space leased to tenants from which the Town derives rental income.

During fiscal 2010, the Town acquired a Town Hall building site, which included a building, the underlying land and ancillary assets for approximately \$8.8 million, paid for with the issuance of bank loans (which included partial draw downs on related building improvement loans and on a loan to fund the purchase of an adjacent land parcel which occurred in fiscal year 2011). Debt service related to these new loans, as well as from the Town's pro-rata share of debt service on the QNIP bonds that the Town is obligated to pay to the County, resulted in higher principal and interest outlays in fiscal 2010 versus the 2009 period (an approximate \$451,000 increase in debt service payments).

Current expenditures increased approximately \$600,000 in fiscal 2010 versus the fiscal 2009 period primarily as a result increased grant expenditures (approximately \$1 million) for various parks and public works capital projects, offset by a decrease (approximately \$400,000) in public safety expenditures as a result of lower costs associated with police services contracted with the County.

Transfers out reflect transfers of grant match funds from the General Fund to other funds (approximately \$572,000, including approximately \$409,000 transferred to the Stormwater Fund (proprietary fund) for various drainage projects), as well as transfers of gas taxes (approximately \$229,000) and park impact fees (approximately \$217,000) from the Special Revenue Fund to various capital projects funds for use on public works and parks projects, respectively, in fiscal 2010. This represented an increase of approximately \$874,000 over the 2009 transfers out reflecting the increased capital project activity in the Town in fiscal 2010.

Transfers in reflect inflows into various funds of amounts transferred out, as specified above. Transfers in for fiscal 2010 increased approximately \$546,000 over fiscal 2009 amounts due to increased projects in fiscal 2010 accounted for in various special revenue and capital project funds.

Approximately 76% and 85% of the combined ending fund balance, or \$14.7 million and \$12.1 million, respectively, constitutes unreserved fund balance at September 30, 2010 and 2009, respectively, which is available for spending at the Town's discretion. Of the unreserved fund balance at September 30, 2010, \$3.8 million has been designated by management, and approved by Council, for contingencies and other operating emergencies. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for prepaid expenses or reserved for special revenue or capital project fund purposes.

The General Fund is the primary operating fund of the Town of Cutler Bay. At September 30, 2010 and 2009, unreserved fund balance of the General Fund was \$14.7 million and \$12.1 million, respectively. As a measure of the fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance of the General Fund at September 30, 2010 represents 64% of total General Fund expenditures (85% at September 30, 2008), while total fund balance of the General Fund represents 65% of that same total fund expenditure amount (87% at September 30, 2009). This indicator remains positive and reflects a healthy financial condition for the Town.

The fund balance of the Town's General Fund increased by \$2.6 million and \$3.4 million during fiscal 2010 and fiscal 2009, respectively. The fiscal 2010 increase primarily reflects the results of the Town's operating activity for the fiscal year (approximately \$3.7 million), increased by proceeds from debt issuance (approximately \$9.1 million) and offset by capital expenditures (approximately \$9.1 million), debt service (approximately \$535,000) and transfers out (approximately \$572,000).

Revenues of the General Fund in fiscal 2010 were approximately \$757,000 less than fiscal 2009, primarily due to decreased property taxes (approximately \$1.1 million) as a result of lower assessed property values, offset by approximately \$280,000 in rental income resulting from rental operations of the Town Hall building site (see discussion above). Other significant revenue changes in fiscal 2010 versus fiscal 2009 include an approximate \$550,000 decrease in amount received for communications taxes (primarily as a result of the State having made better, more accurate, estimates of the true revenues applicable to the Town), an approximate \$275,000 increase in building permit and zoning fees (primarily as a result of increased building/zoning activity in Town), an approximate \$192,000 increase in utility taxes (primarily due to increased electrical consumption), an approximate \$44,000 increase in electric franchise fees (primarily due to increased consumption), an approximate \$30,000 increase in solid waste franchise fees (primarily due to increased registration of franchisees and increased activity in Town), an approximate \$25,000 increase in lien search fees (primarily due to increased requests as properties turn over), an approximate \$17,000 increase in burglar alarm registrations and fines (primarily due to increased false alarm activity), and an approximate \$11,000 increase in parks fees (primarily due to fee increases). The remaining difference in the

decrease in revenue from fiscal 2009 levels is a combination of other small net changes in other revenue categories.

Current expenditures in fiscal 2010 decreased approximately \$500,000, primarily resulting in an approximate \$400,000 decrease in public safety expenditures due to lower contracted costs of police services from the County (as mentioned above).

Also as discussed above, the changes (increases) in debt service (of approximately \$451,000), capital outlay (approximately \$8.7 million) and proceeds from debt issuance (approximately \$9.1 million) result primarily from the acquisition and financing of the Town Hall building site in fiscal 2010. Debt service was also impacted by the Town's payment of its pro-rata share of debt service on the QNIP bonds that the Town is obligated to pay to the County.

Transfers out in fiscal 2010 increased approximately \$439,000 over fiscal 2009 as a result of increased grant match and other General Fund support for public works and parks projects in fiscal 2010.

The Capital Projects Fund - LBTB Park was established in fiscal 2010 when the County transferred an approximate 49.3 acre land parcel to the Town which was to be developed as a park (i.e. Lakes By The Bay (LBTB) park). In conjunction with this transfer, the County also remitted to the Town approximately \$3.4 million in park impact fees to be used for initial park development. The County has also committed to provide additional funding, approximately \$5.2 million, to complete development of the park. During fiscal 2010, the Town expended approximately \$848,000 in development costs on the park. Completion of the park is anticipated in the fall of 2011.

**Proprietary funds.** The Town's proprietary fund was created to account for the Town's stormwater operations, which commenced in July 2008. Operations during fiscal year 2010 generated an increase in net assets of approximately \$1.1 million, whereas operations for fiscal 2009 generated an increase in net assets of approximately \$637,000. The fiscal year 2010 increase in net assets resulted from operating activity (\$322,000), a capital contribution (\$365,000) relating to stormwater infrastructure under construction, transfer in from the General Fund (approximately \$409,000) to support ongoing drainage projects and non-operating revenues (\$3,000).

Fiscal 2009 was the first full year the Town operated the stormwater system within the Town's boundaries. As such, the Town began on its own maintenance program to keep the stormwater drainage assets and canals functioning properly and clear of debris. Also, the Town commenced stormwater drainage projects to enhance the system taken over from the County. The cost of these new drainage assets are being accumulated in construction in progress until such time as they are completed and placed in service.

Of the total net assets at September 30, 2010 of approximately \$1,821,000, \$991,000 are classified as invested in capital assets, net of related debt, and \$830,000 are classified as unrestricted. At September 30, 2009, total net assets of \$722,000 were classified as \$236,000 invested in capital assets, net of related debt, and \$486,000 as unrestricted.

## **General Fund Budget Highlights**

During fiscal 2010 and fiscal 2009, the actual "excess of revenues over expenditures" exceeded the corresponding budgetary amounts by \$6.4 million and \$5.4 million, respectively. For fiscal 2010, the results were achieved as actual revenues exceeded budgeted amounts by \$3.3 million while actual expenditures were \$3.1 million less than budgeted. In fiscal 2009, actual revenues exceeded budgeted amounts by \$2.3 million while actual expenditures were \$3.1 million less than budgeted. The favorable results in both fiscal periods result from close monitoring of operations by Town personnel.

In the fiscal 2010 period, contributing to the favorable revenue variance was better than expected collections of utility taxes and franchise fees, offset somewhat by lower than expected property tax revenues, as well as better than expected collections from State shared revenue sources and licensing activity. Given the economic climate in which the Town operated under while preparing its fiscal 2010 budget, management conservatively estimated various revenue streams as a precautionary measure. In virtually all material revenue categories, actual revenues generated exceeded budget. Similarly, the Town had favorable expenditure budget variances with all departments. This resulted from a conscious effort by management

for fiscal restraint in the difficult economic times in which the Town was operating, as well as deferring expenditures for some planned projects to future fiscal years.

In November 2010, the Town Council passed a budget amendment ordinance to increase the fiscal 2010 budget amount for debt proceeds and capital outlay related to the Town's acquisition and improvement of its Town Hall building (\$10.8 million), to increase revenues for rental income (\$289,000) and building permit activities (\$195,000), to increase other contractual services for community development with a corresponding decrease to software outlays in finance (\$120,000), and to establish operating expense line item categories for the Town Hall building operations with a corresponding decrease to law enforcement professional services (\$250,000).

## Capital Assets and Debt Administration

**Capital assets.** The Town of Cutler Bay's investment in capital assets, net of accumulated depreciation, for its governmental and business type activities as of September 30, 2010 and 2009, amounts to approximately \$50.1 million and \$1 million and \$40.6 million and \$258,000, respectively. This investment in capital assets includes acquisition, by purchase and/or through capital lease, of computer hardware and software, furniture and equipment, vehicles and improvements other than buildings which are necessary for the Town to operate, infrastructure assets transferred to the Town by the County and additional infrastructure assets developed by the Town, and, in fiscal 2010, acquisition of the Town Hall building site which includes a building, the underlying land and various ancillary assets.

In July 2008, Miami Dade County transferred effective operating control of the stormwater utility function within the Town's boundaries to the Town. However, the County has not yet been able to provide to the Town a comprehensive inventory/accounting of the actual assets that were transferred as part of this agreement. As a result, while the Town has assumed operating control of the stormwater utility within its boundaries effective July 2008, the assets and related accumulated depreciation of those assets are not yet reflected in the financial statements of the Town. After two years of unsuccessfully attempting to get the information from the County, the Town took it upon itself to commission the inventory of those assets. This inventory was commenced in fiscal year 2011 and, when completed, it will then be valued in accordance with applicable accounting standards. It is anticipated that such assets will be recorded in the Town's financial statements in fiscal 2011.

The following summarizes the Town's investment in capital assets for its governmental and business type activities, net of accumulated depreciation:

Town of Cutler Bay  
Investment in Capital Assets, net of Accumulated Depreciation  
September 30,  
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
General Government	\$ 9,054	\$ 237	\$ -	\$ -	\$ 9,054	\$ 237
Community Development	80	138	-	-	80	138
Public safety	87	137	-	-	87	137
Parks	11,199	9,723	-	-	11,199	9,723
Public Works	29,674	30,357	1,006	258	30,680	30,615
	<u>\$ 50,094</u>	<u>\$ 40,592</u>	<u>\$ 1,006</u>	<u>\$ 258</u>	<u>\$ 51,100</u>	<u>\$ 40,850</u>

Additional information regarding the Town's capital assets can be found in footnotes I. and V. in the accompanying notes to financial statements.

**Long-term debt.** At September 30, 2010, the long-term portion of the Town's pro rata share of QNIP bonds (interlocal debt) was approximately \$3.8 million, a 4.6% decrease from the prior year. Notes payable were issued in fiscal 2010 in conjunction with the acquisition and improvement of the Town Hall building site. At September 30, 2010, approximately \$9.1 million was outstanding on those notes payable, all classified as long-term. Capital leases were entered into for the acquisition of vehicles, furniture and telecom equipment

which are included in capital assets. At September 30, 2010, the long-term portion outstanding on these capital leases for governmental and business-type activities are \$14,000 and \$8,000, respectively.

The Town also has long-term liabilities related to its net OPEB obligation recorded in accordance with GASB Statement No. 45 and for compensated absences. These approximate \$18,000 and \$74,000, respectively, at September 30, 2010, versus \$9,000 and \$87,000, respectively, at September 30, 2009.

Total debt increased approximately \$8.9 million, or 212%, primarily as a result of the issuance of the notes payable to finance the Town Hall building and site acquisition and related improvements.

Town of Cutler Bay  
Long-term Debt  
September 30,  
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
QNIP bonds	\$ 3,834	\$ 4,017	\$ -	\$ -	\$ 3,834	\$ 4,017
Notes payable	9,120	-	-	-	9,120	0
Capital leases	14	58	8	15	22	73
Compensated absences	74	87	-	-	74	87
Net OPEB obligation	18	9	-	-	18	9
	<u>\$ 13,060</u>	<u>\$ 4,171</u>	<u>\$ 8</u>	<u>\$ 15</u>	<u>\$ 13,068</u>	<u>\$ 4,186</u>

Additional information regarding the Town's long-term debt can be found in footnotes I. and VI. in the accompanying notes to financial statements.

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

- The unemployment rate for the Miami-Dade County area at September 30, 2010 is 11.1%, which is an increase from a rate of 10.7% a year ago, and above the national unemployment rate.
- Inflationary trends in the region compare unfavorably to national indices.
- In setting its fiscal 2011 budget, the Town adopted a mil rate equal to the amount that was in effect for fiscal 2010. The mil rate adopted, however, was less than the statutorily computed "roll-back" rate.
- On January 29, 2008, the Florida electorate approved an amendment to the Florida Constitution relative to property taxation. The amendment, which primarily provides for additional property tax exemptions and adds a "portability" provision, began impacting the Town in fiscal 2009 and will have a negative impact on the amount of property tax revenue the Town generates going forward, assuming the Town does not increase its millage rate or achieve growth in its tax base which will offset the amendment's effects.
- Cutler Bay, like most communities across the state and nation, has been negatively impacted by the financial crisis and economic downturn gripping the United States. The south Florida real estate market has been especially hard hit. Property values have experienced significant declines and there has been increased foreclosure activity. The 2010 certified tax roll issued by the County Property Appraiser in July 2010, used for ad valorem purposes for fiscal year 2011, reflected an approximate 23% decline in the taxable value of property within the Town versus the certified tax roll for 2009 (used for ad valorem purposes in fiscal year 2010). It may take several years before building activity and growth return to the Town. Preliminary estimates of the 2011 tax roll (for fiscal year 2012 purposes) indicates modest declines in the taxable property value for the upcoming year, hopefully indicating that the large declines of recent years may be abating.
- These decreased property values, when factored on top of the property tax changes discussed above, will further reduce the Town's property tax revenues (all other factors remaining constant). Further, it may take several years before building activity and growth return to the Town. In the interim, the Town continues to operate in a lean and efficient manner and has been extremely successful in obtaining grants and other funding sources to proceed with planned projects within the Town.

## **Requests for Information**

This financial report is designed to provide a general overview of the Town of Cutler Bay's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Department of Finance, 10720 Caribbean Blvd., Suite 105, Cutler Bay, FL 33189.

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## **BASIC FINANCIAL STATEMENTS**

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**TOWN OF CUTLER BAY, FLORIDA**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2010**

	<u>Governmental</u> <u>Activities</u>	<u>Business-</u> <u>Type</u> <u>Activities</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 16,304,798	\$ -	\$ 16,304,798
Restricted cash and cash equivalents	4,366,337	-	4,366,337
Accounts receivable - net	1,756,573	499,461	2,256,034
Prepays	318,729	-	318,729
Other assets	20,042	-	20,042
Internal balances	(441,402)	441,402	-
Capital assets not being depreciated:			
Land	8,533,053	-	8,533,053
Construction in progress	2,089,012	820,412	2,909,424
Capital assets being depreciated:			
Building	8,046,515	-	8,046,515
Computer hardware and software	634,085	-	634,085
Furniture and equipment	914,627	29,383	944,010
Infrastructure	57,205,800	173,050	57,378,850
Improvements other than building	<u>2,895,519</u>	<u>-</u>	<u>2,895,519</u>
Total capital assets	80,318,611	1,022,845	81,341,456
Less accumulated depreciation	<u>(30,224,225)</u>	<u>(17,352)</u>	<u>(30,241,577)</u>
Total capital assets - net	<u>50,094,386</u>	<u>1,005,493</u>	<u>51,099,879</u>
Total assets	<u>72,419,463</u>	<u>1,946,356</u>	<u>74,365,819</u>
<b><u>LIABILITIES</u></b>			
Accounts payable	2,742,557	110,725	2,853,282
Other liabilities	194,210	-	194,210
Noncurrent liabilities:			
The amount due in one year	257,622	7,209	264,831
The amount due in over one year	<u>13,059,669</u>	<u>7,444</u>	<u>13,067,113</u>
Total liabilities	<u>16,254,058</u>	<u>125,378</u>	<u>16,379,436</u>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	36,899,978	990,840	37,890,818
Restricted for:			
Capital projects	981,664	-	981,664
Public safety	221,316	-	221,316
Parks and recreation	3,163,357	-	3,163,357
Unrestricted	<u>14,899,090</u>	<u>830,138</u>	<u>15,729,228</u>
Total net assets	<u>\$ 56,165,405</u>	<u>\$ 1,820,978</u>	<u>\$ 57,986,383</u>

See notes to basic financial statements

**TOWN OF CUTLER BAY, FLORIDA**  
**STATEMENT OF ACTIVITIES**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>		<u>Total</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>
<u>Functions/programs</u>							
Governmental activities:							
General government	\$ 4,256,359	\$ 548,152	\$ 3,500	\$ -	\$ (3,704,707)	\$ -	\$ (3,704,707)
Public safety	7,490,653	519,974	-	-	(6,970,679)	-	(6,970,679)
Community development	2,859,147	1,050,184	1,158,584	195,373	(455,006)	-	(455,006)
Parks and recreation	1,624,291	3,631,061	76,061	592,416	2,675,247	-	2,675,247
Interest on long-term debt	300,708	-	-	-	(300,708)	-	(300,708)
Total governmental activities	<u>16,531,159</u>	<u>5,749,371</u>	<u>1,238,145</u>	<u>787,789</u>	<u>(8,755,854)</u>	<u>-</u>	<u>(8,755,854)</u>
Business-type activities:							
Stormwater	<u>659,486</u>	<u>981,683</u>	<u>-</u>	<u>364,570</u>	<u>-</u>	<u>686,767</u>	<u>686,767</u>
Total business-type activities	<u>659,486</u>	<u>981,683</u>	<u>-</u>	<u>364,570</u>	<u>-</u>	<u>686,767</u>	<u>686,767</u>
Total	<u>\$ 17,190,645</u>	<u>\$ 6,731,054</u>	<u>\$ 1,238,145</u>	<u>\$ 1,152,359</u>	<u>(8,755,854)</u>	<u>686,767</u>	<u>(8,069,087)</u>
General revenues:							
Property taxes					5,448,770	-	5,448,770
Utility taxes					2,379,305	-	2,379,305
Franchise fees on gross receipts					1,864,675	-	1,864,675
Intergovernmental (unrestricted)					5,074,418	-	5,074,418
Investment income					108,463	3,227	111,690
Change in net assets before transfers					<u>6,119,777</u>	<u>689,994</u>	<u>6,809,771</u>
Transfers					<u>(408,660)</u>	<u>408,660</u>	<u>-</u>
Change in net assets					<u>5,711,117</u>	<u>1,098,654</u>	<u>6,809,771</u>
Net assets, Beginning					<u>50,454,288</u>	<u>722,324</u>	<u>51,176,612</u>
Net assets, Ending					<u>\$ 56,165,405</u>	<u>\$ 1,820,978</u>	<u>\$ 57,986,383</u>

See notes to basic financial statements

**TOWN OF CUTLER BAY, FLORIDA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2010**

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General	Capital Projects Fund- LBTB Park		
<u>ASSETS</u>				
Cash and cash equivalents	\$ 16,662,695	\$ -	\$ -	\$ 16,662,695
Restricted cash and cash equivalents	115,591	2,759,771	1,133,078	4,008,440
Accounts receivable - net	968,908	-	787,665	1,756,573
Prepays	318,729	-	-	318,729
Other assets	20,042	-	-	20,042
Due from other funds	-	-	930,644	930,644
Total assets	<u>\$ 18,085,965</u>	<u>\$ 2,759,771</u>	<u>\$ 2,851,387</u>	<u>\$ 23,697,123</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Accounts payable	\$ 2,320,588	\$ 243,577	\$ 178,392	\$ 2,742,557
Deferred revenues	81,451	-	-	81,451
Other liabilities	112,759	-	-	112,759
Due to other funds	549,194	-	822,852	1,372,046
Total liabilities	<u>3,063,992</u>	<u>243,577</u>	<u>1,001,244</u>	<u>4,308,813</u>
<u>FUND BALANCES</u>				
Reserved for:				
Prepays	318,729	-	-	318,729
Capital projects	-	-	981,664	981,664
Parks and recreation	-	2,516,194	647,163	3,163,357
Public safety	-	-	221,316	221,316
Unreserved:				
Designated for:				
Contingencies and emergencies	3,800,000	-	-	3,800,000
Undesignated	10,903,244	-	-	10,903,244
Total fund balances	<u>15,021,973</u>	<u>2,516,194</u>	<u>1,850,143</u>	<u>19,388,310</u>
Total liabilities and fund balances	<u>\$ 18,085,965</u>	<u>\$ 2,759,771</u>	<u>\$ 2,851,387</u>	<u>\$ 23,697,123</u>

See notes to basic financial statements

**TOWN OF CUTLER BAY, FLORIDA**  
**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2010**

Fund balances - total government funds (Page 15)	\$ 19,388,310
<p>Amounts reported for governmental activities in the statement of net assets are different as a result of:</p>	
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>	
Governmental capital assets	80,318,611
Less accumulated depreciation	(30,224,225)
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.</p>	
OPEB Liability	(18,000)
Long term debt	(13,194,408)
Compensated absences	<u>(104,883)</u>
Net assets of governmental activities (Page 13)	<u>\$ 56,165,405</u>

**TOWN OF CUTLER BAY, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General	Capital Projects Fund- LBTB Park		
<b>Revenues:</b>				
Property taxes	\$ 5,448,770	\$ -	\$ -	\$ 5,448,770
Franchise fees	1,864,675	-	-	1,864,675
Utility taxes	2,379,305	-	-	2,379,305
Charges for services	427,514	-	-	427,514
Intergovernmental	5,074,418	-	1,677,158	6,751,576
Licenses and permits	1,002,582	-	-	1,002,582
Impact fees	-	3,357,500	202,300	3,559,800
Fines and forfeitures	306,341	-	-	306,341
Interest	90,649	7,164	10,650	108,463
Rental income	280,313	-	-	280,313
Miscellaneous	176,320	-	-	176,320
Total revenues	<u>17,050,887</u>	<u>3,364,664</u>	<u>1,890,108</u>	<u>22,305,659</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	3,274,314	-	1,189,147	4,463,461
Public safety	7,440,693	-	-	7,440,693
Community development	1,418,418	-	-	1,418,418
Parks and recreation	1,170,463	-	76,061	1,246,524
<b>Debt service:</b>				
Principal retirement	234,524	-	-	234,524
Interest	300,708	-	-	300,708
<b>Capital outlay:</b>				
General government	9,041,662	-	-	9,041,662
Public safety	-	-	-	-
Community development	13,840	-	228,855	242,695
Parks and recreation	67,178	848,470	597,037	1,512,685
Total expenditures	<u>22,961,800</u>	<u>848,470</u>	<u>2,091,100</u>	<u>25,901,370</u>
Excess of revenues over expenditures and other financing sources	<u>(5,910,913)</u>	<u>2,516,194</u>	<u>(200,992)</u>	<u>(3,595,711)</u>
<b>Other financing sources (uses) :</b>				
Transfers in	-	-	609,315	609,315
Transfers out	(571,917)	-	(446,058)	(1,017,975)
Debt issuance	9,120,000	-	-	9,120,000
Total other financing sources (uses)	<u>8,548,083</u>	<u>-</u>	<u>163,257</u>	<u>8,711,340</u>
Net change in fund balances	2,637,170	2,516,194	(37,735)	5,115,629
Fund balances - Beginning	<u>12,384,803</u>	<u>-</u>	<u>1,887,878</u>	<u>14,272,681</u>
Fund balances - Ending	<u>\$ 15,021,973</u>	<u>\$ 2,516,194</u>	<u>\$ 1,850,143</u>	<u>\$ 19,388,310</u>

See notes to basic financial statements

**TOWN OF CUTLER BAY, FLORIDA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2010**

Amounts reported for governmental activities in the statement of activities are different as a result of:

Net change in fund balances - total government funds (Page 17)	\$	5,115,629
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 outlays	10,797,042	
Less current year depreciation	<u>(2,074,761)</u>	8,722,281
The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net assets.		
Land transferred from Miami-Dade County	345,277	
Capital outlay which did not meet the threshold for capitalization	<u>434,831</u>	780,108
The issuance of long-term debt (e.g. bonds, leases) provided current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.		
Proceeds from issuance of debt	(9,120,000)	
Principal payments on long term debt	<u>234,524</u>	(8,885,476)
Some expenses reported in the statement of activities do not require current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
OPEB liability	(9,000)	
Compensated absences	<u>(12,425)</u>	(21,425)
Change in net assets of governmental activities (Page 14)	\$	<u>5,711,117</u>

**TOWN OF CUTLER BAY, FLORIDA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2010**

	<u>Stormwater</u>
<u>ASSETS</u>	
Current assets:	
Receivables	\$ 499,461
Due from other funds	<u>441,402</u>
Total current assets	<u>940,863</u>
Non-current assets:	
Capital assets, net	<u>1,005,493</u>
Total non-current assets	<u>1,005,493</u>
Total assets	<u>1,946,356</u>
<u>LIABILITIES AND NET ASSETS</u>	
Current liabilities:	
Accounts payable	\$ 110,725
Current portion of capital lease	<u>7,209</u>
Total current liabilities	<u>117,934</u>
Non-current liabilities:	
Capital lease	<u>7,444</u>
Total liabilities	<u>125,378</u>
Net assets:	
Invested in capital assets, net of related debt	990,840
Unrestricted	<u>830,138</u>
Total net assets	<u>\$ 1,820,978</u>

See notes to basic financial statements

**TOWN OF CUTLER BAY, FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	<u>Stormwater</u>
Operating revenues:	
Charges for services	\$ 981,683
Total revenues	<u>981,683</u>
Operating expenses:	
Operations and maintenance	645,807
Depreciation	<u>13,679</u>
Total operating expenses	<u>659,486</u>
Operating income	<u>322,197</u>
Non-operating revenues:	
Interest income	<u>3,227</u>
Capital contributions	364,570
Transfers in	<u>408,660</u>
Changes in net assets	1,098,654
Net assets - Beginning	<u>722,324</u>
Net assets - Ending	<u>\$ 1,820,978</u>

See notes to basic financial statements

**TOWN OF CUTLER BAY, FLORIDA**  
**STATEMENT OF CASHFLOWS**  
**PROPRIETARY FUNDS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	<u>Stormwater</u>
Cash Flows From Operating Activities:	
Cash received from customers	\$ 485,857
Cash paid to employees	(117,446)
Cash paid to suppliers	<u>(489,572)</u>
Net cash used in operating activities	<u>(121,161)</u>
Cash Flows From Non-Capital Financing Activities	
Transfers from other funds	408,660
Collections on loans to other funds	<u>113,300</u>
Net cash provided by non-capital financing activities	<u>521,960</u>
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	(761,666)
Capital contributions	364,570
Principal payments	<u>(6,930)</u>
Net cash used in non-capital financing activities	<u>(404,026)</u>
Cash Flows From Investing Activities	
Interest income	<u>3,227</u>
Net cash provided by investing activities	<u>3,227</u>
Net Increase in Cash and Cash Equivalents	-
Cash and Cash Equivalents- Beginning	<u>-</u>
Cash and Cash Equivalents- Ending	<u>\$ -</u>
Reconciliation Of Operating Income to Net Cash Used In Operating Activities:	
Operating income	\$ <u>322,197</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	13,679
Change in operating assets and liabilities:	
Receivables	(495,826)
Accounts payable	<u>38,789</u>
Net cash used in operating activities	<u>\$ (121,161)</u>

See notes to basic financial statements

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**NOTES TO BASIC FINANCIAL STATEMENTS**

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**TOWN OF CUTLER BAY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. This report, the accounting systems and classification of accounts conform to standards of the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

**a. Financial Reporting Entity**

The Town was incorporated on November 9, 2005 as a municipal corporation, resulting from the election authorized by Resolution R-1318-04 adopted by the Miami-Dade County Board of County Commissioners, and was established to conduct a government, perform municipal functions, and provide services to its citizens, as provided by the Constitution of the State of Florida and the Home Rule Charter of Miami-Dade County. The Town operates under a Council-Manager form of government. The Town Council is responsible for legislative and fiscal control of the Town. A Town Manager is appointed by the Town Council and is responsible for the administration of all Town affairs placed in the manager's charge by charter or action of the Town Council.

The financial statements were prepared in accordance with government accounting standards which establishes standards for defining and reporting on the financial reporting entity. The definition of the financial reporting entity is based upon the concept that elected officials are accountable to their constituents for their actions. One of the objectives of financial reporting is to provide users of financial statements with a basis for assessing the accountability of the elected officials. The financial reporting entity consists of the Town, organizations for which the Town is financially accountable and other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Town is financially accountable for a component unit if it appoints a voting majority of the organization's governing board and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Town. Based upon the application of these criteria, there were no organizations which met the criteria described above.

**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 primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Town has one business-type activity, the stormwater utility fund.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the 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 and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon 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. Revenues resulting from expenditure driven transactions such as certain grants are considered collectible at the time the expenditure has been made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, insurance claims, pensions and other post employment benefits are recorded only when payment is due or when the Town has made a decision to fund these obligations with current available resources. Property taxes, sales taxes, utility taxes, 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 Town reports the following major governmental funds:

The **general fund** is the Town'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 **capital projects fund-LBTB Park** was established to account for the revenues derived from Miami-Dade County and other sources specifically earmarked for the development of a park within the Town known as Lakes By The Bay (LBTB) Park. The tract of land comprising this park was transferred by Miami-Dade County to the Town in March 2010.

The Town reports the following major proprietary fund:

The **stormwater fund** accounts for stormwater fees assessed on property owners. Funds are dedicated to the ongoing renewal and replacement costs of the Town's stormwater drainage system.

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 the 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 payments-in-lieu of taxes and other charges between the government's stormwater 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. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, 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 stormwater fund are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources and then from the unrestricted resources.

## **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **d. Deposits**

The Town's cash and cash equivalents are considered to be cash on hand and demand deposits.

### **e. Prepaids**

Prepaid items are accounted for using the consumption method and recorded as expenditure/expense in the fund level and government-wide financial statements in the period benefited.

### **f. Interfund Activity**

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

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". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

### **g. Restricted Assets**

Proceeds from impact fees and local option gas taxes are classified as restricted in the Special Revenue Fund since these resources are specifically earmarked for law enforcement, transportation and recreational purposes only.

### **h. Property Taxes**

Property values are assessed as of January 1 of each year, at which time taxes become an enforceable lien on property. Tax bills are mailed for the Town by Miami-Dade County (the County) on or about October 1 of each year and are payable with discounts of up to 4% offered for early payment. Taxes become delinquent on April 1 of the year following the year of assessment and State law provides for enforcement of collection of property taxes by seizure of the personal property or by the sale of interest-bearing tax certificates to satisfy unpaid property taxes.

Assessed values are established by the Miami-Dade County Property Appraiser. In November 1992, a Florida constitutional amendment was approved by the voters which provides for limiting the increases in homestead property valuations for Ad Valorem tax purposes to a maximum of 3% annually and also provides for reassessment of market values upon changes in ownership. The County bills and collects all property taxes and remits them to the Town.

State statutes permit municipalities to levy property taxes at a rate of up to 10 mills (\$10 per \$1,000 of assessed taxable valuation). The tax levy of the Town is established by the Town council and the Miami-Dade County Property Appraiser incorporates the Town's millage into the total tax levy, which includes the County and the County School Board tax requirements. The millage rate to finance general governmental services for the year ended September 30, 2010 was 2.5888 mills per \$1,000 of assessed valuation.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**i. Capital Assets**

Capital assets, which include furniture, equipment, computer equipment, leasehold improvements and certain infrastructure assets (e.g. roadways, sidewalks, park lands, facilities and improvements) are reported in the government-wide financial statements. Capital assets, excluding infrastructure assets, are defined by the Town as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Infrastructure assets are recorded as capital assets if they have an initial, individual cost in excess of \$10,000 and an estimated useful life in excess of one year. 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.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

	<u>Years</u>
Buildings	20
Roadways and sidewalks	40-50
Infrastructure	25
Improvements other than buildings	5-10
Furniture, equipment and software	3-5

When capital assets are sold or disposed of, the related cost and accumulated depreciation are removed from the accounts and a resulting gain or loss is recorded in the government-wide financial statements.

**j. Compensated Absences**

It is the Town's policy to permit employees to accumulate, within certain limits, earned but unused vacation time and sick leave. All vacation pay is accrued when incurred in the government-wide financial statements. The Town's sick leave policy does not meet the criteria for accrual under current accounting standards. In the governmental funds, a liability is recorded only when they matured, for example, as a result of employee resignations or retirements. Compensated absences of governmental funds are typically liquidated from the general fund. The Town Manager, by contract, receives 160 hours of vacation leave per year. For employees other than the Town Manager, the vacation policy of the Town provides for employees to earn 80 hours of vacation leave during each of the first four years of service. From five through nine years of service, 120 hours are earned each year and for ten or more years of service, 160 hours are earned each year. Unused vacation leave, for all employees, including the Town Manager, may be carried over to the following year and accumulated up to a maximum of 280 hours. Employees who terminate employment under terms of voluntary separation are paid for all unused accumulated vacation leave at their final rate of pay.

Employees earn 96 hours of sick leave each year with a maximum accumulation of 1,040 hours. Unused sick leave is not paid to employees upon separation from Town service.

## **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **k. Long-Term Obligations**

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

### **l. Grant Revenue**

The Town, a recipient of grant revenues, recognizes revenues (net of estimated uncollectible amounts, if any) when all applicable eligibility requirements, including time requirements, are met.

### **m. Deferred Revenue**

Deferred revenues include amounts collected before revenue recognition criteria are met and receivables, which, under the modified accrual basis of accounting, are measurable, but not yet available. The deferred items consist primarily of license revenues.

### **n. Fund Balance/Net Assets**

In accordance with GASB Statement No. 34, total equity as of September 30, 2010, is classified into three components of net assets:

- Invested in capital assets, net of related debt: This category consists of capital assets (including restricted capital assets), net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, and improvements of those assets.
- Restricted net assets: This category consists of net assets restricted in their use by (1) external groups such as grantors, creditors or laws and regulations of other governments; or (2) law, through constitutional provisions or enabling legislation.
- Unrestricted net assets: This category includes all of the remaining net assets that do not meet the definition of the other two categories.

### **o. Post Employment Benefits Other Than Pensions (OPEB)**

Pursuant to Section 112.0801, Florida Statutes, the Town is mandated to permit participation in the health insurance program by retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. Retirees are required to pay 100% of the premium rates where premiums are determined based upon a blended rates used for active employees and retirees. These premium rates were adjusted to reflect differing utilization rates by age and gender and the impact of the Medicare program on claim costs. The blended rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees.

The Town currently provides these benefits in accordance with the vesting and retirement requirement of the Town. The Town is financing the post employee benefits on a pay-as-you go basis. As determined by an actuarial valuation, the Town records a Net OPEB obligation in its government-wide financial statements related to the implicit subsidy. The OPEB plan does not issue separate financial statements.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**p. Use of Estimates**

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States of America. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the period reported. These estimates include assessing the collectibility of accounts receivable, postretirement obligations and useful lives and impairment of tangible assets, the determination of the actuarially accrued liability for unpaid claims, which is prepared based upon certain assumptions pertaining to interest rates, inflation rates, etc., among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statement in the period they are determined to be necessary. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

**q. New Accounting Pronouncement Adopted**

At September 30, 2010, the Town adopted the provision of GASB Statement No. 51, *Accounting for Financial Reporting for Intangible Assets*. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

By its nature as a local government unit, the Town is subject to various federal, state, and local laws and contractual regulations. The Town has no material violations of finance-related legal and contractual obligations.

**Fund Accounting Requirements-** 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, like any other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related requirements, and segregation for management purposes.

**Revenue Restrictions-** The Town has various restrictions placed over certain revenue sources from federal, state, or local requirements. The primary revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Gas Tax	Roads, sidewalks, streets
Transportation Tax	Transportation and roads
Various Grant Programs	Grant Program Expenditures
Police Forfeitures	Law Enforcement

For the year ended September 30, 2010, the Town complied, in all material respects, with these revenue restrictions.

### III. DEPOSITS AND INVESTMENTS

#### Deposits

In addition to insurance provided by the Federal Depository Insurance Corporation, 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 banking 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. Accordingly, all amounts reported as deposits are insured or collateralized.

#### Investments

The Town does not have a written investment policy and follows the State of Florida investment policy as set forth in State Statute 218.415. In accordance with Section 218.415 of the Florida Statutes, the Town is authorized to invest in obligations of the U.S. Treasury, its agencies and instrumentalities and in the Local Government Surplus Trust Funds administered by the State Board of Administration (SBA).

As of September 30, 2010, the Town had no investments.

### IV. RECEIVABLES/PAYABLES

#### Receivables

The Town's receivables at September 30, 2010 were as follows:

	<u>Taxes</u>	<u>Grants</u>	<u>Fees</u>	<u>Others</u>	<u>Totals</u>
General fund	\$874,981	\$ -	\$ -	\$93,927	\$968,908
Non-major governmental funds	-	787,665	-	-	787,665
Stormwater fund	-	<u>341,976</u>	<u>157,485</u>	-	<u>499,461</u>
	<u>\$874,981</u>	<u>\$1,129,641</u>	<u>\$157,485</u>	<u>\$93,927</u>	<u>\$2,256,034</u>

All amounts due from Miami-Dade County, the State of Florida and grants are considered fully collectible.

#### Payables

The Town's payables at September 30, 2010 were as follows:

	<u>Vendors</u>	<u>Miami Dade County</u>	<u>Total</u>
General fund	\$435,832	\$1,884,756	\$2,320,588
Capital Projects Fund- LBTB Park	243,577	-	243,577
Non-major governmental funds	178,392	-	178,392
Stormwater fund	<u>110,725</u>	-	<u>110,725</u>
	<u>\$968,526</u>	<u>\$1,884,756</u>	<u>\$2,853,282</u>

## V. CAPITAL ASSETS

Capital asset activities for the fiscal year ended September 30, 2010 was as follows:

	<u>Balance</u> <u>Oct. 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>Sept. 30, 2010</u>
<b>Governmental activities:</b>					
Capital assets not being depreciated:					
Land	\$ 6,062,776	\$ 2,470,277	\$ -	\$ -	\$ 8,533,053
Construction in progress	<u>639,211</u>	<u>2,209,839</u>	<u>-</u>	<u>(760,038)</u>	<u>2,089,012</u>
Total capital assets not being depreciated	<u>6,701,987</u>	<u>4,680,116</u>	<u>-</u>	<u>(760,038)</u>	<u>10,622,065</u>
Capital assets being depreciated:					
Building	1,238,279	6,605,332	-	202,904	8,046,515
Roads and sidewalks	57,205,800	-	-	-	57,205,800
Improvements other than buildings	2,456,839	6,956	-	431,724	2,895,519
Computer hardware and software	334,012	174,663	-	125,410	634,085
Property under capital lease	318,379	-	-	-	318,379
Furniture and equipment	<u>486,166</u>	<u>110,081</u>	<u>-</u>	<u>-</u>	<u>596,247</u>
Total capital assets being depreciated	<u>62,039,475</u>	<u>6,897,033</u>	<u>-</u>	<u>760,038</u>	<u>69,696,546</u>
Less accumulated depreciation for:					
Building	(126,408)	(178,910)	-	-	(305,318)
Roads and sidewalks	(26,971,665)	(1,320,738)	-	-	(28,292,403)
Improvements other than buildings	(471,303)	(286,147)	-	-	(757,450)
Computer hardware and software	(238,183)	(100,994)	-	-	(339,177)
Property under capital lease	(189,213)	(78,664)	-	-	(267,877)
Furniture and equipment	<u>(152,692)</u>	<u>(109,307)</u>	<u>-</u>	<u>-</u>	<u>(262,000)</u>
Total accumulated depreciation	<u>(28,149,464)</u>	<u>(2,074,761)</u>	<u>-</u>	<u>-</u>	<u>(30,224,225)</u>
Total capital assets being depreciated, net	<u>33,890,011</u>	<u>4,822,272</u>	<u>-</u>	<u>760,038</u>	<u>39,472,321</u>
Governmental activities capital assets, net	<u>\$40,591,998</u>	<u>\$ 9,502,388</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,094,386</u>
	<u>Balance</u> <u>Oct. 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>Sept. 30, 2010</u>
<b>Business-type Activities:</b>					
Capital assets not being depreciated:					
Construction in progress	\$ 231,796	\$ 761,666	\$ -	\$ (173,050)	\$ 820,412
Total capital assets not being depreciated	<u>231,796</u>	<u>761,666</u>	<u>-</u>	<u>(173,050)</u>	<u>820,412</u>
Capital assets being depreciated:					
Property under capital lease	29,383	-	-	-	29,383
Infrastructure	<u>-</u>	<u>-</u>	<u>-</u>	<u>173,050</u>	<u>173,050</u>
Total capital assets being depreciated	<u>29,383</u>	<u>-</u>	<u>-</u>	<u>173,050</u>	<u>202,433</u>
Less accumulated depreciation for:					
Property under capital lease	(3,673)	(9,641)	-	-	(13,314)
Infrastructure	<u>-</u>	<u>(4,038)</u>	<u>-</u>	<u>-</u>	<u>(4,038)</u>
Total accumulated depreciation	<u>(3,673)</u>	<u>(13,679)</u>	<u>-</u>	<u>-</u>	<u>(17,352)</u>
Total capital assets being depreciated, net	<u>25,710</u>	<u>(13,679)</u>	<u>-</u>	<u>173,050</u>	<u>185,081</u>
Proprietary activities capital assets, net	<u>\$ 257,506</u>	<u>\$ 747,987</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,005,493</u>

**V. CAPITAL ASSETS (Continued)**

Depreciation expense for the governmental activities was charged to functions/programs of the Town as follows:

General government	\$213,226
Public Safety	49,883
Community development	1,435,361
Culture and Recreation	<u>376,291</u>
Total depreciation expense – governmental activities	<u>\$2,074,761</u>

**VI. LONG-TERM DEBT**

***Public Service Tax Revenue Bonds, Series 1999 and 2002 (QNIP Bonds)***

As a condition of incorporation, the Town agreed to pay the County its pro rata share for the Public Service Tax Revenue Bonds, Series 1999 and 2002 (QNIP Bonds) issued prior to the Town’s incorporation. The Town agreed that, until the bonds have been paid or provision made for their payment pursuant to the ordinance enacted by the County, the County shall have the right to receive and apply to debt service on the bonds all of the public service taxes, as defined, collected on behalf of the Town with respect to bonds outstanding at the time of the municipal incorporation. The Town’s debt service obligations as to the bonds in each fiscal year shall be its pro rata share of such debt service obligation. The Town’s pro rata share will be equal to that percentage of the total debt service accruing on the bonds in such fiscal year calculated by multiplying such total debt service by a fraction the numerator of which will be the total amount of public service taxes collected within the boundaries of the unincorporated area comprising the boundaries of the Town during the fiscal year in which the Town incorporated and the denominator of which will be the total amount of public service taxes collected in the entire unincorporated area of the County. The balance of the public service taxes collected within the boundaries of the Town are remitted to the Town after the County satisfies the debt service requirements for the bonds.

Debt service requirements to maturity for the fiscal year ending September 30, 2010 are summarized as follows:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 183,065	\$ 198,428	\$ 381,493
2012	191,060	190,731	381,791
2013	199,875	182,145	382,020
2014	209,920	172,538	382,458
2015	220,375	162,292	382,667
2016-2020	1,280,430	622,199	1,902,629
2021-2025	1,425,160	258,048	1,683,208
2026-2027	<u>306,680</u>	<u>23,589</u>	<u>330,269</u>
	<u>\$ 4,016,565</u>	<u>\$ 1,809,970</u>	<u>\$ 5,826,535</u>

**VI. LONG-TERM DEBT (Continued)**

**Notes Payable**

On June 14, 2010, the Town executed a loan agreement with a local bank to borrow up to \$13,800,000 (Notes A through E) for the purpose of financing the costs of the acquisition and renovations to the new Town Hall and acquisition of vacant land adjacent to the new Town Hall. The notes are secured by a pledge to budget and appropriate sufficient funds to pay for the principal and interest due on the notes from the Town's Non-Ad Valorem Revenues. Principal and interest payment vary from year to year and interest rates range from 3.05% to 4.42%.

Debt service requirements to maturity for the fiscal year ending September 30, 2010 are summarized as follows:

<u>September 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ -	\$ 386,443	\$ 386,443
2012	146,197	412,901	559,098
2013	557,185	445,389	1,002,574
2014	397,450	421,666	819,116
2015	374,565	345,330	719,895
2016-2020	2,120,470	1,306,399	3,426,869
2021-2025	2,618,868	753,880	3,372,748
2026-2030	<u>2,905,267</u>	<u>224,720</u>	<u>3,129,987</u>
	<u>\$ 9,120,000</u>	<u>\$4,296,728</u>	<u>\$13,416,728</u>

**Revolving Line of Credit**

On September 23, 2010, the Town has entered into a revolving line of credit agreement with a local bank to borrow up to \$2,000,000. The line of credit is unsecured and any unpaid principal plus accrued interest is due on demand, but no later than maturity (September 23, 2011). Monthly payments of interest are due on the outstanding principal balance at the Wall Street Journal Prime + ¼%, but at no time the interest rate will fall below 3.5%. There are also quarterly fees equal to ½% on the average quarterly unused balance. At September 30, 2010, there were no amounts due under this line of credit.

**Capital Leases**

The Town has entered into several lease agreements for the purchase of furniture, equipment and vehicles totaling approximately \$347,762.

These lease agreements qualify as capital leases for accounting purposes and, therefore, have been capitalized and a liability has been recorded at the net present value of the future minimum lease payments, as of the inception date.

The value of assets acquired through capital leases and accumulated depreciation are as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Furniture and equipment	\$103,363	\$ -
Vehicles	<u>215,016</u>	<u>29,383</u>
	\$318,379	\$ 29,383
Less accumulated depreciation	<u>(267,877)</u>	<u>(13,314)</u>
	<u>\$ 50,502</u>	<u>\$ 16,069</u>

**VI. LONG-TERM DEBT (Continued)**

Future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2010 are as follows:

<u>September 30,</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>
2011	\$46,686	\$7,800
2012	<u>13,720</u>	<u>7,800</u>
Total	60,406	15,600
Less amount representing interest	<u>(2,563)</u>	<u>(947)</u>
	<u>\$57,843</u>	<u>\$14,653</u>

The following is a summary of changes in the long-term debt for the fiscal year ended September 30, 2010:

	<u>Balance</u> October 1,			<u>Balance</u> September 30,		<u>Due Within</u>
<u>Governmental activities:</u>	<u>2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>2010</u>	<u>One year</u>	
QNIP Bonds	\$4,191,840	\$ -	\$175,275	\$4,016,565	\$183,065	
Notes payable	-	9,120,000	-	9,120,000	-	
Capital leases	117,092	-	59,249	57,843	44,339	
Compensated absences	92,459	72,557	60,133	104,883	30,218	
Net OPEB Obligation	<u>9,000</u>	<u>9,000</u>	<u>-</u>	<u>18,000</u>	<u>-</u>	
Total Governmental activities	<u>\$4,410,391</u>	<u>\$9,141,424</u>	<u>\$234,524</u>	<u>\$13,317,291</u>	<u>\$257,622</u>	
 <u>Business type activities:</u>						
Capital leases	<u>\$21,583</u>	<u>\$ -</u>	<u>\$6,930</u>	<u>\$14,653</u>	<u>\$7,209</u>	

**VII. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund balances as of September 30, 2010, were as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ -	\$549,194
Non-major governmental funds	930,644	822,852
Proprietary Fund	<u>441,402</u>	<u>-</u>
	<u>\$1,372,046</u>	<u>\$1,372,046</u>

The outstanding balances between funds result primarily from revenues received in the general fund on behalf of special revenue and other funds.

Interfund transfer activity for the year ended September 30, 2010 was as follows:

	<u>Transfers In*</u>	<u>Transfers Out*</u>
General Fund	\$ -	\$571,917
Non-major governmental funds	609,315	446,058
Proprietary Fund	<u>408,660</u>	<u>-</u>
	<u>\$1,017,975</u>	<u>\$1,017,975</u>

## VII. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

\*Transfers in/out during the fiscal year are as follows:

- \$408,660 was transferred from the General Fund to the Stormwater (Proprietary) Fund for the Town's match portion on two grants for the construction of stormwater drainage assets through September 30, 2010.
- \$30,562 was transferred from the General Fund to the Federal Stimulus (Special Revenue) Fund to fund certain costs of the Federal stimulus project not covered by grant funds.
- \$132,695 was transferred from the General Fund to the Capital Projects Fund for the Town's match portion on a grant for a park improvement project through September 30, 2010.
- \$217,203 was transferred from the Special Revenue Fund to the Capital Projects Fund to transfer park impact fees for use on two park improvement projects.
- \$228,855 was transferred from the Special Revenue Fund to the Public Works (Capital Projects) Fund to transfer gas taxes used for a roadway improvement project.

## VIII. FLORIDA RETIREMENT SYSTEM

The Town elected to participate in the Florida Retirement System (FRS) effective February 1, 2007. The FRS is a cost sharing, multiple employer, public retirement system controlled by the State Legislature and administered by the State of Florida Board of Administration, Division of Retirement. Benefits are established by Chapter 121, Florida Statutes and Chapter 22B, Florida Administrative Code. Amendments to the law can only be made by an act of the Florida Legislature.

The most recent actuarial report was prepared as of July 1, 2010. Section 121.031(3) of the Florida Statutes requires that an actuarial review of the FRS be performed biannually. The conclusions of the review are included in the annual report of the FRS.

The Florida Retirement System issues a financial report that includes the financial statements and other statistically relevant financial information. That report may be obtained from the State of Florida, Division of Retirement, 2639 N. Monroe Street, Tallahassee, Florida 32399 or by calling (850) 488-2879.

Once an agency elects to participate in the FRS, membership is compulsory for all full-time and part-time employees working in a regularly established position, as defined. Contributions are currently funded entirely by employer contributions based on contribution rates, which vary by defined membership class, set by the State Legislature each year. The contribution rates are applied to the employees' eligible wages to calculate the required monthly contribution.

Participants (employees) have the option of joining one of two FRS plans, the FRS Pension Plan, a defined benefit plan, and the FRS Investment Plan, a defined contribution plan. Each plan has its own unique features and terms. Generally, employees are initially enrolled in the FRS Pension Plan but can make an election to switch into the FRS Investment Plan before the end of the fifth month following initial enrollment in the FRS. Outside of this window, the employee is provided one other opportunity to switch between plans at any future date. After electing that other one-time switch, the employee can no longer switch between plans.

### **FRS Pension Plan**

In general, the FRS Pension Plan provides for vesting of benefits after 6 years of creditable service. For other than special risk classes, which do not currently apply to the Town, employees are eligible for normal retirement after six years of service and attaining age 62. The member becomes vested after thirty years of service regardless of age. Early retirement may be taken any time after vesting; however, there is a 5% benefit reduction for each year from the member's retirement date to his/her normal retirement age. Benefits are computed on the basis of age and/or years of service, average final compensation, and service credit. Average final compensation is the average of the 5 highest fiscal years of earnings. The system also provides for death and disability benefits.

**VIII. FLORIDA RETIREMENT SYSTEM (Continued)**

**FRS Investment Plan**

The FRS Investment Plan is a defined contribution retirement plan qualified under Section 401(a) of the Internal Revenue Code and was enacted as an optional retirement plan during the 2000 legislative session. Its formal name, as set out in Part II of Chapter 121, Florida Statutes, is the "Public Employee Optional Retirement Program".

Contribution amounts for employees participating in the FRS Investment Plan are calculated in the same manner as those participating in the FRS Pension Plan, as discussed previously. However, the FRS Investment Plan participants direct the investment of the funds contributed on their behalf among the investment funds available through the plan. For the FRS Investment Plan, vesting in all contributions and earnings thereon occurs after completion of 1 year of service. There is no "normal retirement age" for the FRS Investment Plan. Rather, when employment ends with all FRS employers, an employee/FRS Investment Plan participant can take the value of the account with him/her. The retirement benefit will depend on the account balance and the type of payout chosen.

As part of its participation in FRS, the Town elected to purchase "past service credit" for eligible employees and elected officials, which would provide FRS participation for eligible employees from his/her hire date through February 1, 2007 (the date of the Town's enrollment in FRS). The Town utilized appropriated budgeted funds to satisfy this obligation in fiscal 2008.

The Town's contributions for the Florida Retirement System for the last three years which were equal to the required contribution for each year were as follows:

<u>September 30,</u>	<u>Required Contribution</u>
2010	\$216,761
2009	\$215,066
2008	\$214,563

**IX. RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Town participates in the Florida League of Cities (FLC) risk pool. This is a statewide pool with several hundred governmental members. FLC provides the Town with auto liability, general liability, property and workers' compensation coverage. There is no self-insured retention for the Town, excluding a \$1,000 per occurrence property deductible. FLC provides \$1,000,000 for general liability and statutorily required coverage for workers' compensation.

During its past three years, the Town has not incurred any significant claims nor have there been any significant reductions in coverage.

## **X. COMMITMENTS AND CONTINGENCIES**

### **Grants**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the Town. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

### **Claims and Lawsuits**

As of September 30, 2010, the Town was a defendant in one claim/lawsuit. Although the outcome of this claim/lawsuit is not presently determinable, in the opinion of the Town's counsel the resolution of this matter will not have a material adverse effect on the financial condition of the Town.

### **Stormwater Utility Revenue Bonds**

As a condition of incorporation, the Town is required to pay the County its pro rata share for the Stormwater Utility Revenue Bonds, Series 1999 and 2004 (the Stormwater Bonds) issued prior to the Town's incorporation. The County has pledged the stormwater utility service charges for debt service payments of the Stormwater Utility Revenue Bonds. As of September 30, 2010, the Town's pro-rata share of the bonds is \$2,363,850.

On June 20, 2008, the Town executed an agreement with Miami-Dade County for the County to administer, bill and collect the stormwater utility service charges for the Town. The County bills the Town \$0.87 per bill and also deducts the Town's pro-rata share of debt service on 1999 and 2004 Stormwater Bonds issued by the County. The agreement expires on June 20, 2018 and may be extended for an additional ten (10) year period.

In July 2008, Miami Dade County transferred effective operating control of the stormwater utility function within the Town's boundaries to the Town. However, the County has not yet been able to provide to the Town a comprehensive inventory/accounting of the actual assets that were transferred as part of this agreement. As a result, while the Town has assumed operating control of the stormwater utility within its boundaries effective July 2008, the assets and related accumulated depreciation of those assets are not yet reflected in the financial statements of the Town. It is anticipated that such assets will be inventoried and recorded in the Town's financial statements in fiscal 2011 along with the related Stormwater Bonds outstanding balance.

### **Public Service Tax Revenue Bonds, Series 2006**

The Town is currently in discussions with the County relating to the County's Public Service Tax Revenue Bonds, Series 2006 and whether the Town also owes a pro rata share of those bonds as a condition of the Town's incorporation. As of the date of this report those discussions have not been finalized. If the Town is determined to be responsible for the pro-rata share of the outstanding balance of the Public Service Tax Revenue Bonds, Series 2006; the Town's total liability for the Public Service Tax Revenue Bonds owed to the County would increase by \$1,121,350 in fiscal year 2011.

### **Agreement with Miami-Dade County for Local Police Patrol Services**

On August 8, 2006, the Town executed an agreement with Miami-Dade County for local police patrol services. Services to the Town under the contract commenced on August 28, 2006. The County provides a quarterly reconciliation to the Town whereby these monthly budgeted amounts are compared with actual costs incurred and the resulting difference is billed or credited to the Town. Payments for the services provided by the County for subsequent fiscal years shall be based upon the level of staffing services requested by the Town utilizing the actual personnel costs of officers and equipment. For fiscal year 2010, approximately \$7,337,317 was paid by the Town for such services. The agreement expires on August 20, 2014.

**XI. POST-EMPLOYMENT HEALTH CARE BENEFITS**

Plan Description: The Town has a single-employer health insurance post retirement benefit plan. Retirees can continue the same medical coverage they had (including family coverage) as active employees. As required by Florida Law, retirees under age 65 are required to have access to their current plan if they pay the full premium. This is a benefit to retirees because the cost of health insurance for retirees under age 65 exceeds the full premium. Employees will subsidize the cost of retirees under the Group Coverage. There is no benefit for retirees over age 65.

Funding Policy: These benefits are financed on a pay-as-you-go basis.

An actuarial valuation was performed as of September 30, 2009 to determine the net OPEB obligation. The plan is not funded. The valuation used the projected unit cost method, with linear pro-ration to assumed benefit commencement.

*Annual OPEB Cost and Net OPEB Obligation.* The Town's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize and unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation.

Annual required contribution	\$ 8,000
Interest on net OPEB obligation	0
Adjustment to annual required contribution	<u>1,000</u>
Annual OPEB cost (expense)	9,000
Contributions made	<u>0</u>
Increase in net OPEB obligation	9,000
Net OPEB obligation – beginning of year	<u>9,000</u>
 Net OPEB obligation – end of year	 <u>\$ 18,000</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
September 30, 2010	\$9,000	\$ 0	\$9,000
September 30, 2009	\$9,000	\$ 0	\$9,000

*Funded Status and Funding Progress.* As of September 30, 2009, the most recent actuarial valuation date, the plan was 0% funded. The unfunded actuarial accrued liability (UAAL) is \$21,000. The covered payroll (annual payroll of active employees covered by the plan) was \$1.2 million and the ratio of the UAAL to the covered payroll was 1.8 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented below, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**XI. POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)**

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan member to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the September 30, 2009 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.5% initially, gradually decreasing over time. By 2030 the rate of increase is 5.4%, and by 2050 4.9%. The rates included a 3.2% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on a closed basis over thirty years.

**Schedule of Funding Progress for the Town**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
September 30, 2009	-	\$ 21,000	\$ 21,000	0.0%	\$1,200,000	1.8%

**XII. PRIOR PERIOD ADJUSTMENT**

**Adjustments to Net Assets of Government-Wide and Fund Financial Statements**

Net assets of the governmental activities, as of October 1, 2009, were restated to correct the adjustments noted below:

Net assets – beginning as previously reported	\$ 54,646,128
Correction of long term debt – QNIP Bonds	<u>(4,191,840)</u>
Net assets – beginning as restated	<u>\$ 50,454,288</u>

During 2010, the Town obtained the information needed from the County in order to calculate its pro-rata share of the Public Service Tax Revenue Bonds, Series 1999 and 2002 (“QNIP Bonds”) that the Town agreed to pay as a condition of incorporation.

**XIII. SUBSEQUENT EVENTS**

In December 2010, the Town acquired the 2.27 acre land parcel adjacent to the new Town Hall building property for \$1,835,130. The initial plans for this parcel call for the development of a passive park and the Town Council has authorized up to \$150,000 in site improvements to accomplish this plan. Acquisition financing was provided by the same lender which provided the financing for the Town Hall building acquisition and improvements. The land parcel loan, which matures in June 2020, calls for quarterly interest only payments (at a rate of 3.81%) until September 2012, at which point quarterly principal and interest payments commence for the remaining loan term.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**TOWN OF CUTLER BAY, FLORIDA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive/(Negative)
<b>Revenues:</b>				
Property taxes	\$ 5,552,982	\$ 5,552,982	\$ 5,448,770	\$ (104,212)
Franchise fees	1,339,500	1,339,500	1,864,675	525,175
Utility taxes	1,875,300	1,875,300	2,379,305	504,005
Charges for services	148,460	148,460	427,514	279,054
Intergovernmental	3,881,591	3,881,591	5,074,418	1,192,827
Licenses and permits	200,000	200,000	1,002,582	802,582
Fines and forfeitures	200,000	200,000	306,341	106,341
Interest	145,000	145,000	90,649	(54,351)
Rental income	-	289,000	280,313	(8,687)
Miscellaneous	75,000	75,000	176,320	101,320
Total revenues	<u>13,417,833</u>	<u>13,706,833</u>	<u>17,050,887</u>	<u>3,344,054</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	1,713,304	12,763,304	10,579,949	2,183,355
Legislative	153,689	153,689	139,207	14,482
Town clerk	206,977	206,977	166,289	40,688
Finance	617,709	497,709	416,068	211,711
Town attorney	450,000	450,000	417,455	32,545
Community development	1,444,015	1,564,015	1,432,258	131,757
Public works	1,190,017	1,190,017	1,132,240	57,777
Culture and recreation	1,385,603	1,385,603	1,237,641	147,962
Police services	<u>8,002,064</u>	<u>7,752,064</u>	<u>7,440,693</u>	<u>311,371</u>
Total expenditures	<u>15,163,378</u>	<u>25,963,378</u>	<u>22,961,800</u>	<u>3,131,648</u>
(Deficiency) Excess of revenues under expenditures before other financing sources (uses)	<u>(1,745,545)</u>	<u>(12,256,545)</u>	<u>(5,910,913)</u>	<u>6,345,632</u>
<b>Other financing sources (uses):</b>				
Appropriation of prior year fund balance	2,907,685	2,618,685	-	(2,618,685)
Contingency reserve	(250,000)	(250,000)	-	250,000
Insurance contingencies	(136,705)	(136,705)	-	136,705
Grant match reserve	(50,000)	(50,000)	-	50,000
Other reserves	(360,000)	(360,000)	-	360,000
Revenue stabilization reserve	(50,000)	(50,000)	-	50,000
Transfers in	1,459,458	1,459,458	-	(1,459,458)
Transfers out	(1,774,893)	(1,774,893)	(571,917)	1,202,976
Issuance of debt	-	10,800,000	9,120,000	(1,680,000)
Total other financing sources	<u>1,745,545</u>	<u>12,256,545</u>	<u>8,548,083</u>	<u>(3,708,462)</u>
Net change in fund balance	-	-	2,637,170	<u>2,637,170</u>
Fund balances - Beginning	-	-	12,384,803	
Fund balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,021,973</u>	

See notes to budgetary comparison schedule

**TOWN OF CUTLER BAY, FLORIDA**  
**NOTES TO BUDGETARY COMPARISON SCHEDULES**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2010**

**Notes to Budgetary Comparison Schedule**

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

- a. Prior to September 1, the Town Manager submits to the Town Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to October 1, the budget is legally enacted through passage of two ordinances - one fixing a millage rate and another adopting the final budget.
- d. Appropriations which are neither expended, encumbered, or specifically designated to be carried over lapse at the end of the fiscal year.
- e. The Town prepares and adopts a budget for the General Fund and the Special Revenue Fund. The budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) except for principal payments on their debt. No differences exist between the budgetary or GAAP basis of accounting. Budgeted amounts are as originally adopted, or as amended by the Town Council. The Town Manager may transfer any unencumbered line item allocation of funds, or any portion thereof, to another line item classification within the same department. Amendments to total budgeted appropriations of any of the Town's departments must be approved by the Town Council. Therefore, the legal level of control (level of which expenditures may not exceed the budget) is at the department level.
- f. Supplemental appropriations for the fiscal year ended September 30, 2010 were as follows:  
  
 In November 2010, the Town Council passed a budget amendment ordinance to increase the fiscal 2010 budget amount for debt proceeds and capital outlay related to the Town's acquisition and improvement of its Town Hall building (\$10.8 million), to increase revenues for rental income (\$289,000) and building permit activities (\$195,000), to increase other contractual services for community development with a corresponding decrease to software outlays in finance (\$120,000), and to establish operating expense line item categories for the Town Hall building operations with a corresponding decrease to law enforcement professional services (\$250,000).
- g. Formal budgetary integration is employed as a management control device. Additionally, the Town does not utilize encumbrance accounting.

The General Fund, Special Revenue Fund, The Children's Trust Fund, Recycling Fund, Federal Stimulus Fund, JPA (Old Cutler Road) Fund, Capital Projects Fund, Public Works Fund and the Stormwater Fund have legally adopted budgets. Only the Capital Projects Fund – LBTB Park does not have a legally adopted budget. All funds with legally adopted budgets have been included as either a budgetary comparison schedule in the required supplementary information section or as a schedule of revenues and expenditures- budget vs. actual in the combining fund statements section.

**Excesses of expenditures over appropriations**

For fiscal year ended September 30, 2010, expenditures exceeded appropriations in the following non-major governmental fund.

	<u>Final Budget</u>	<u>Actual</u>	<u>Amount in Excess of Final Budget</u>
JPA (Old Cutler Road) Fund	\$450,000	\$452,394	\$2,394

This excess was funded with excess revenues received in the current fiscal year.

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## **COMBINING FINANCIAL STATEMENTS**

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# NONMAJOR GOVERNMENTAL FUNDS

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## Special Revenue Funds

Special revenue funds are used to account for specific revenue that is legally restricted to expenditure for particular purposes.

**Special Revenue Fund** – This fund was established to account for impact fees and gas tax revenues that are restricted to use for specific purposes.

**The Children’s Trust Fund** – This fund was established to account for revenues derived from the grant from The Children’s Trust of Miami Dade County to be used specifically for children’s programs at the Town’s parks.

**Recycling Fund** – This fund was established to account for the revenues derived from the grant from the Florida Department of Environmental Protection to be used specifically for recycling projects and education within the Town.

**Federal Stimulus Fund** – This fund was established to account for the revenues derived from the federal ARRA stimulus grant to be used specifically for road resurfacing projects within the Town.

**JPA (Old Cutler Road) Fund** – This fund was established to account for the revenues derived from Miami Dade County to be used specifically for road improvements to Old Cutler Road within the Town.

## Capital Projects Funds

Capital project funds are used to account for financial resources to be used for acquisition or construction of major capital assets other than those financed by proprietary or trust funds.

**Capital Projects Fund** – This fund was established to account for state and local grants and other revenues to be used on various park improvement projects within the Town.

**Public Works Fund** – This fund was established to account for the use of various restricted revenues for roadway and other public works projects within the Town.

**TOWN OF CUTLER BAY, FLORIDA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2010**

	Special Revenue Funds					Capital Projects Funds		Total
	Special Revenue Fund	The Children's Trust Fund	Recycling Fund	Federal Stimulus Fund	JPA (Old Cutler Road) Fund	Capital Projects Fund	Public Works Fund	Nonmajor Governmental Funds
<b><u>ASSETS</u></b>								
Restricted cash and cash equivalent:	\$ 1,133,078	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,133,078
Receivables	-	10,816	1,250	153,976	452,394	169,229	-	787,665
Due from other funds	701,789	-	-	-	-	-	228,855	930,644
Total assets	<u>\$ 1,834,867</u>	<u>\$ 10,816</u>	<u>\$ 1,250</u>	<u>\$ 153,976</u>	<u>\$ 452,394</u>	<u>\$ 169,229</u>	<u>\$ 228,855</u>	<u>\$ 2,851,387</u>
<b><u>LIABILITIES</u></b>								
Accounts payable	\$ -	\$ 2,438	\$ -	\$ 14,729	\$ 90,456	\$ 46,677	\$ 24,092	\$ 178,392
Due to other funds	-	8,378	1,250	139,247	361,938	107,276	204,763	822,852
Total liabilities	<u>-</u>	<u>10,816</u>	<u>1,250</u>	<u>153,976</u>	<u>452,394</u>	<u>153,953</u>	<u>228,855</u>	<u>1,001,244</u>
<b><u>FUND BALANCES</u></b>								
Unreserved	<u>1,834,867</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,276</u>	<u>-</u>	<u>1,850,143</u>
Total liabilities and fund balance:	<u>\$ 1,834,867</u>	<u>\$ 10,816</u>	<u>\$ 1,250</u>	<u>\$ 153,976</u>	<u>\$ 452,394</u>	<u>\$ 169,229</u>	<u>\$ 228,855</u>	<u>\$ 2,851,387</u>

**TOWN OF CUTLER BAY, FLORIDA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	Special Revenue Funds					Capital Projects Funds		Total Nonmajor Governmental Funds
	Special Revenue Fund	The Children's Trust Fund	Recycling Fund	Federal Stimulus Fund	JPA (Old Cutler Road) Fund	Capital Projects Fund	Public Works Fund	
Revenues:								
Intergovernmental	\$ 195,373	\$ 76,061	\$ 44,753	\$ 661,438	\$ 452,394	\$ 247,139	\$ -	\$ 1,677,158
Impact fees	202,300	-	-	-	-	-	-	202,300
Interest	10,650	-	-	-	-	-	-	10,650
Total revenues	<u>408,323</u>	<u>76,061</u>	<u>44,753</u>	<u>661,438</u>	<u>452,394</u>	<u>247,139</u>	<u>-</u>	<u>1,890,108</u>
Expenditures:								
Current:								
General government	-	-	44,753	692,000	452,394	-	-	1,189,147
Parks and recreation	-	76,061	-	-	-	-	-	76,061
Capital outlay	-	-	-	-	-	597,037	228,855	825,892
Total expenditures	<u>-</u>	<u>76,061</u>	<u>44,753</u>	<u>692,000</u>	<u>452,394</u>	<u>597,037</u>	<u>228,855</u>	<u>2,091,100</u>
Excess (Deficiency) of revenues over expenditures and other financing sources (uses)	<u>408,323</u>	<u>-</u>	<u>-</u>	<u>(30,562)</u>	<u>-</u>	<u>(349,898)</u>	<u>(228,855)</u>	<u>(200,992)</u>
Other financing sources :								
Transfers in	-	-	-	30,562	-	349,898	228,855	609,315
Transfers out	(446,058)	-	-	-	-	-	-	(446,058)
Total other financing sources (uses)	<u>(446,058)</u>	<u>-</u>	<u>-</u>	<u>30,562</u>	<u>-</u>	<u>349,898</u>	<u>228,855</u>	<u>163,257</u>
Net change in fund balance	<u>(37,735)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(37,735)</u>
Fund balances, Beginning	<u>1,872,602</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,276</u>	<u>-</u>	<u>1,887,878</u>
Fund balances, Ending	<u>\$ 1,834,867</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,276</u>	<u>\$ -</u>	<u>\$ 1,850,143</u>

**TOWN OF CUTLER BAY, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET VS ACTUAL - SPECIAL REVENUE FUND**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 594,886	\$ 594,886	\$ 195,373	\$ (399,513)
Licenses, permits and fines	655,000	850,000	-	(850,000)
Impact fees	23,000	23,000	202,300	179,300
Interest	<u>25,000</u>	<u>25,000</u>	<u>10,650</u>	<u>(14,350)</u>
Total revenues	<u>1,297,886</u>	<u>1,492,886</u>	<u>408,323</u>	<u>(1,084,563)</u>
Other financing uses:				
Appropriation of prior year fund balance	1,824,019	1,629,019	-	(1,629,019)
Reserve for future police impact fees	(200,910)	(200,910)	-	200,910
Reserve for future park impact fees	(391,745)	(391,745)	-	391,745
Reserve for future public works projects	(94,292)	(94,292)	-	94,292
Transfers out	<u>(2,434,958)</u>	<u>(2,434,958)</u>	<u>(446,058)</u>	<u>1,988,900</u>
Total other financing uses	<u>(1,297,886)</u>	<u>(1,492,886)</u>	<u>(446,058)</u>	<u>1,046,828</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>(37,735)</u>	<u>(37,735)</u>
Fund balances, Beginning	<u>-</u>	<u>-</u>	<u>1,872,602</u>	
Fund balances, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,834,867</u>	

**TOWN OF CUTLER BAY, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET VS ACTUAL - THE CHILDREN'S TRUST FUND**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 96,197	\$ 96,197	\$ 76,061	\$ (20,136)
Total revenues	<u>96,197</u>	<u>96,197</u>	<u>76,061</u>	<u>(20,136)</u>
Expenditures:				
Current:				
Parks and recreation	<u>96,197</u>	<u>96,197</u>	<u>76,061</u>	<u>20,136</u>
Total expenditures	<u>96,197</u>	<u>96,197</u>	<u>76,061</u>	<u>20,136</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, Beginning	<u>-</u>	<u>-</u>	<u>-</u>	
Fund balances, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

**TOWN OF CUTLER BAY, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET VS ACTUAL - RECYCLING FUND**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 54,000	\$ 54,000	\$ 44,753	\$ (9,247)
Total revenues	<u>54,000</u>	<u>54,000</u>	<u>44,753</u>	<u>(9,247)</u>
Expenditures:				
Current:				
General government	54,000	54,000	44,753	9,247
Total expenditures	<u>54,000</u>	<u>54,000</u>	<u>44,753</u>	<u>9,247</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, Beginning	<u>-</u>	<u>-</u>	<u>-</u>	
Fund balances, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

**TOWN OF CUTLER BAY, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET VS ACTUAL - FEDERAL STIMULUS FUND**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 1,359,313	\$ 1,359,313	\$ 661,438	\$ (697,875)
Total revenues	<u>1,359,313</u>	<u>1,359,313</u>	<u>661,438</u>	<u>(697,875)</u>
Expenditures:				
Current:				
General government	<u>1,418,028</u>	<u>1,418,028</u>	<u>692,000</u>	<u>726,028</u>
Total expenditures	<u>1,418,028</u>	<u>1,418,028</u>	<u>692,000</u>	<u>726,028</u>
Deficiency of revenues under expenditures and other financing sources	<u>(58,715)</u>	<u>(58,715)</u>	<u>(30,562)</u>	<u>28,153</u>
Other financing sources:				
Transfers in	<u>58,715</u>	<u>58,715</u>	<u>30,562</u>	<u>(28,153)</u>
Total other financing sources	<u>58,715</u>	<u>58,715</u>	<u>30,562</u>	<u>(28,153)</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, Beginning	<u>-</u>	<u>-</u>	<u>-</u>	
Fund balances, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

**TOWN OF CUTLER BAY, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET VS ACTUAL - JPA (Old Cutler Road) Fund**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 450,000	\$ 450,000	\$ 452,394	\$ 2,394
Total revenues	<u>450,000</u>	<u>450,000</u>	<u>452,394</u>	<u>2,394</u>
Expenditures:				
Current:				
General government	<u>450,000</u>	<u>450,000</u>	<u>452,394</u>	<u>(2,394)</u>
Total expenditures	<u>450,000</u>	<u>450,000</u>	<u>452,394</u>	<u>(2,394)</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, Beginning	<u>-</u>	<u>-</u>	<u>-</u>	
Fund balances, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

**TOWN OF CUTLER BAY, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET VS ACTUAL - CAPITAL PROJECTS FUND**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 1,249,600	\$ 1,249,600	\$ 247,139	\$ (1,002,461)
Interest	-	-	-	-
Total revenues	<u>1,249,600</u>	<u>1,249,600</u>	<u>247,139</u>	<u>(1,002,461)</u>
Expenditures:				
Current:				
Parks and recreation	<u>2,076,200</u>	<u>2,076,200</u>	<u>597,037</u>	<u>1,479,163</u>
Total expenditures	<u>2,076,200</u>	<u>2,076,200</u>	<u>597,037</u>	<u>1,479,163</u>
Deficiency of revenues under expenditures and other financing sources	<u>(826,600)</u>	<u>(826,600)</u>	<u>(349,898)</u>	<u>476,702</u>
Other financing sources:				
Appropriation of prior year fund balance	147,000	147,000	-	(147,000)
Transfers in	<u>679,600</u>	<u>679,600</u>	<u>349,898</u>	<u>(329,702)</u>
Total other financing sources	<u>826,600</u>	<u>826,600</u>	<u>349,898</u>	<u>(476,702)</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, Beginning	<u>-</u>	<u>-</u>	<u>15,276</u>	
Fund balances, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,276</u>	

**TOWN OF CUTLER BAY, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET VS ACTUAL - PUBLIC WORKS FUND**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Expenditures:				
Current:				
Community development	\$ 683,000	\$ 683,000	\$ 228,855	\$ 454,145
Total expenditures	<u>683,000</u>	<u>683,000</u>	<u>228,855</u>	<u>454,145</u>
Deficiency of revenues under expenditures and other financing sources	<u>(683,000)</u>	<u>(683,000)</u>	<u>(228,855)</u>	<u>454,145</u>
Other financing sources:				
Transfers in	<u>683,000</u>	<u>683,000</u>	<u>228,855</u>	<u>(454,145)</u>
Total other financing sources	<u>683,000</u>	<u>683,000</u>	<u>228,855</u>	<u>(454,145)</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, Beginning	<u>-</u>	<u>-</u>	<u>-</u>	
Fund balances, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

**TOWN OF CUTLER BAY, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**BUDGET VS ACTUAL - STORMWATER FUND**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Operating revenues:				
Charges for services	\$ 1,059,294	\$ 1,059,294	\$ 981,683	\$ (77,611)
Total operating revenues	<u>1,059,294</u>	<u>1,059,294</u>	<u>981,683</u>	<u>(77,611)</u>
Operating expenses:				
Operations and maintenance	<u>1,059,294</u>	<u>1,059,294</u>	<u>659,486</u>	<u>399,808</u>
Total operating expenses	<u>1,059,294</u>	<u>1,059,294</u>	<u>659,486</u>	<u>399,808</u>
Operating income	<u>-</u>	<u>-</u>	<u>322,197</u>	<u>322,197</u>
Non-operating revenues:				
Interest income	<u>-</u>	<u>-</u>	<u>3,227</u>	<u>3,227</u>
Capital contributions	<u>-</u>	<u>-</u>	<u>364,570</u>	<u>364,570</u>
Transfers in	<u>-</u>	<u>-</u>	<u>408,660</u>	<u>408,660</u>
Changes in net assets	<u>-</u>	<u>-</u>	<u>1,098,654</u>	<u>1,098,654</u>
Net assets- Beginning	<u>-</u>	<u>-</u>	<u>722,324</u>	
Net assets- Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,820,978</u>	

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**STATISTICAL SECTION**

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## STATISTICAL SECTION

This part of the Town of Cutler Bay's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

	<u>Page</u>
<b>Financial Trends</b>	
<i>These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.</i>	<b>50-53</b>
<b>Revenue Capacity</b>	
<i>These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax.</i>	<b>54-58</b>
<b>Debt Capacity</b>	
<i>These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.</i>	<b>59-60</b>
<b>Demographic and Economic Information</b>	
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.</i>	<b>61-62</b>
<b>Operating Information</b>	
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.</i>	<b>63-65</b>

**TOWN OF CUTLER BAY, FLORIDA**  
Net Assets By Component  
Last Ten Fiscal Years (1)  
(accrual basis of accounting)

	Fiscal Year				
	2006	2007	2008	2009	2010
<b>Governmental activities:</b>					
Invested in capital assets, net of related debt	\$ 73,058	\$ 9,479,324	\$ 40,987,278	\$ 36,283,066	36,899,978
Restricted	994,197	1,355,365	2,030,550	1,887,878	4,366,337
Unrestricted	1,374,021	4,603,866	8,890,979	12,283,344	14,899,090
<b>Total governmental activities net assets</b>	<b><u>\$ 2,441,276</u></b>	<b><u>\$ 15,438,555</u></b>	<b><u>\$ 51,908,807</u></b>	<b><u>\$ 50,454,288</u></b>	<b><u>\$ 56,165,405</u></b>
<b>Business-type activities:</b>					
Invested in capital assets, net of related debt	\$ -	-	\$ -	\$ 235,923	990,840
Restricted	-	-	-	-	-
Unrestricted	-	-	84,567	486,401	830,138
<b>Total business-type activities net assets</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 84,567</u></b>	<b><u>\$ 722,324</u></b>	<b><u>\$ 1,820,978</u></b>
<b>Primary government:</b>					
Invested in capital assets, net of related debt	\$ 73,058	\$ 9,479,324	\$ 40,987,278	\$ 36,518,989	\$ 37,890,818
Restricted	994,197	1,355,365	2,030,550	1,887,878	4,366,337
Unrestricted	1,374,021	4,603,866	8,975,546	12,769,745	15,729,228
<b>Total primary government net assets</b>	<b><u>\$ 2,441,276</u></b>	<b><u>\$ 15,438,555</u></b>	<b><u>\$ 51,993,374</u></b>	<b><u>\$ 51,176,612</u></b>	<b><u>\$ 57,986,383</u></b>

(1) - Information for fiscal years prior to September 30, 2006 are unavailable in this format since the Town was incorporated in November 2005.

**TOWN OF CUTLER BAY, FLORIDA**  
Changes in Net Assets  
Last Ten Fiscal Years (1)  
(accrual basis of accounting)

	Fiscal Year				
	2006	2007	2008	2009	2010
<b>EXPENSES</b>					
Governmental activities:					
General government	\$ 2,266,246	\$ 2,852,271	\$ 3,436,645	\$ 3,565,748	4,256,359
Public safety	5,363,660	6,249,705	6,871,073	7,890,206	7,490,653
Community development	70,757	1,211,490	1,957,968	2,898,067	2,859,147
Parks	652,494	931,051	1,438,346	1,576,740	1,624,291
Interest on long-term debt	906	4,570	7,199	6,087	300,708
Total governmental activities	<u>8,354,063</u>	<u>11,249,087</u>	<u>13,711,231</u>	<u>15,936,848</u>	<u>16,531,159</u>
Business-type activities:					
Stormwater	-	-	67,384	584,976	659,486
Total business-type activities	<u>-</u>	<u>-</u>	<u>67,384</u>	<u>584,976</u>	<u>659,486</u>
Total primary government expenses	<u>8,354,063</u>	<u>11,249,087</u>	<u>13,778,615</u>	<u>16,521,824</u>	<u>17,190,645</u>
<b>PROGRAM REVENUES</b>					
Governmental activities:					
Charges for services:					
General government	140,310	10,914	39,737	139,451	548,152
Public safety	144,735	348,726	443,701	395,610	519,974
Community development	-	833,563	792,172	723,271	1,050,184
Parks and recreation	555,857	221,865	136,593	140,853	3,631,061
Operating grants and contributions	349,393	586,295	249,051	384,452	1,238,145
Capital grants and contributions	137,881	9,319,655	32,573,921	715,331	787,789
Total governmental activities program revenues	<u>1,328,176</u>	<u>11,321,018</u>	<u>34,235,175</u>	<u>2,498,968</u>	<u>7,775,305</u>
Business-type activities:					
Charges for services:					
Stormwater	-	-	150,693	986,119	981,683
Capital grants and contributions	-	-	-	150,456	364,570
Total business-type activities program revenues	<u>-</u>	<u>-</u>	<u>150,693</u>	<u>1,136,575</u>	<u>1,346,253</u>
Total primary government revenues	<u>1,328,176</u>	<u>11,321,018</u>	<u>34,385,868</u>	<u>3,635,543</u>	<u>9,121,558</u>
Net revenue (expense):					
Governmental activities	(7,025,887)	71,931	20,523,944	(13,437,880)	(8,755,854)
Business-type activities	-	-	83,309	551,599	686,767
Total primary government net revenues (expenses)	<u>(7,025,887)</u>	<u>71,931</u>	<u>20,607,253</u>	<u>(12,886,281)</u>	<u>(8,069,087)</u>
<b>General revenues and Other Changes in Net Assets:</b>					
Governmental activities:					
Property taxes	3,591,359	5,335,778	6,667,064	6,599,152	5,448,770
Utility taxes	1,288,432	1,836,054	2,155,040	2,186,688	2,379,305
Franchise fees based on gross receipts	960,000	1,373,216	1,636,231	1,791,088	1,864,675
Unrestricted intergovernmental revenue	3,581,552	4,118,670	5,123,456	5,463,037	5,074,418
Unrestricted interest earnings	43,806	237,033	305,716	197,380	108,463
Miscellaneous revenues	2,014	24,597	58,801	19,194	-
Total governmental activities	<u>9,467,163</u>	<u>12,925,348</u>	<u>15,946,308</u>	<u>16,256,539</u>	<u>14,875,631</u>
Business-type activities:					
Interest earnings	-	-	1,258	4,820	3,227
Total business-type activities	<u>-</u>	<u>-</u>	<u>1,258</u>	<u>4,820</u>	<u>3,227</u>
Total primary government	<u>9,467,163</u>	<u>12,925,348</u>	<u>15,947,566</u>	<u>16,261,359</u>	<u>14,878,858</u>
<b>Transfers</b>					
Governmental activities	-	-	-	(81,338)	(408,660)
Business-type activities	-	-	-	81,338	408,660
Total primary government	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Change in Net Assets</b>					
Governmental activities	<u>\$ 2,441,276</u>	<u>\$ 12,997,279</u>	<u>\$ 36,470,252</u>	<u>\$ 2,737,321</u>	<u>\$ 5,711,117</u>
Business-type activities	<u>-</u>	<u>-</u>	<u>84,567</u>	<u>637,757</u>	<u>1,098,654</u>
Total primary government	<u>\$ 2,441,276</u>	<u>\$ 12,997,279</u>	<u>\$ 36,554,819</u>	<u>\$ 3,375,078</u>	<u>\$ 6,809,771</u>

(1) - Information for fiscal years prior to September 30, 2006 are unavailable in this format since the Town was incorporated in November 2005.

**TOWN OF CUTLER BAY, FLORIDA**  
Fund Balances of Governmental Funds  
Last Ten Fiscal Years (1)  
(modified accrual basis of accounting)

	Fiscal Year				
	2006	2007	2008	2009	2010
General Fund					
Reserved	\$ 38,033	\$ 257,118	\$ 289,207	\$ 271,536	\$ 318,729
Unreserved	1,326,292	4,388,094	8,669,213	12,113,267	14,703,244
Total general fund	<u>\$ 1,364,325</u>	<u>\$ 4,645,212</u>	<u>\$ 8,958,420</u>	<u>\$ 12,384,803</u>	<u>\$ 15,021,973</u>
All other governmental funds					
Reserved	\$ 994,197	\$ 1,353,855	\$ 2,030,550	\$ 1,887,878	\$ 4,366,337
Total all other governmental funds	<u>\$ 994,197</u>	<u>\$ 1,353,855</u>	<u>\$ 2,030,550</u>	<u>\$ 1,887,878</u>	<u>\$ 4,366,337</u>

(1) - Information for fiscal years prior to September 30, 2006 are unavailable in this format since the Town was incorporated in November 2005.

**TOWN OF CUTLER BAY, FLORIDA**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years (1)**  
**(modified accrual basis of accounting)**

	Fiscal Year				
	2006	2007	2008	2009	2010
<b>REVENUES</b>					
Ad valorem taxes	\$ 3,591,359	\$ 5,335,778	\$ 6,667,064	\$ 6,599,152	\$ 5,448,770
Licenses, permits and fines	127,260	1,065,638	1,117,357	1,023,098	1,308,923
Utility taxes	1,288,432	1,836,054	2,155,040	2,186,688	2,379,305
Franchise fees	960,000	1,373,216	1,636,231	1,791,088	1,864,675
Intergovernmental revenue	4,058,570	4,915,333	5,980,712	6,516,513	6,751,576
Charges for services	700,592	349,430	311,519	376,087	3,987,314
Interest and other	44,826	261,630	364,517	262,881	565,096
Total revenues	<u>10,771,039</u>	<u>15,137,079</u>	<u>18,232,440</u>	<u>18,755,507</u>	<u>22,305,659</u>
<b>EXPENDITURES</b>					
Current:					
General government	2,245,553	2,748,244	3,294,772	3,415,710	4,463,461
Public safety	5,363,617	6,224,741	6,815,994	7,837,236	7,440,693
Community development	70,757	1,185,763	1,509,035	1,448,464	1,418,418
Parks and recreation	652,494	915,464	1,181,067	1,292,713	1,246,524
Capital outlay	141,934	494,454	438,337	1,364,026	10,797,042
Debt service:					
Principal	7,384	44,835	71,113	77,956	234,524
Interest	906	4,570	7,199	6,087	300,708
Total expenditures	<u>8,482,645</u>	<u>11,618,071</u>	<u>13,317,517</u>	<u>15,442,192</u>	<u>25,901,370</u>
Excess (deficiency) of revenues over expenditures	2,288,394	3,519,008	4,914,923	3,313,315	(3,595,711)
Other financing sources (uses):					
Capital lease proceeds	70,128	121,537	74,980	51,734	-
Transfers	-	-	-	(81,338)	(408,660)
Debt proceeds	-	-	-	-	9,120,000
<b>Net change in fund balances</b>	<u><u>2,358,522</u></u>	<u><u>3,640,545</u></u>	<u><u>4,989,903</u></u>	<u><u>3,283,711</u></u>	<u><u>5,115,629</u></u>
Debt service as a percentage of noncapital expenditures	<u>0.1%</u>	<u>0.4%</u>	<u>0.6%</u>	<u>0.6%</u>	<u>3.5%</u>

(1) - Information for fiscal years prior to September 30, 2006 are unavailable in this format since the Town was incorporated in November 2005.

**TOWN OF CUTLER BAY, FLORIDA**  
 General Governmental Tax Revenues By Source  
 Last Ten Fiscal Years (1)  
 (accrual basis of accounting)

<u>Fiscal Year</u>	<u>Ad-Valorem Taxes General Purpose</u>	<u>Utility Tax</u>	<u>Intergovernmental</u>	<u>Franchise Fees</u>	<u>Total</u>
2006	\$ 3,591,359	\$ 1,288,432	\$ 4,058,570	\$ 960,000	\$ 9,898,361
2007	\$ 5,335,778	\$ 1,836,054	\$ 4,915,333	\$ 1,373,216	\$ 13,460,381
2008	\$ 6,667,064	\$ 2,155,040	\$ 5,980,712	\$ 1,636,231	\$ 16,439,047
2009	\$ 6,599,152	\$ 2,186,688	\$ 6,516,513	\$ 1,791,088	\$ 17,093,441
2010	\$ 5,448,770	\$ 2,379,305	\$ 6,751,576	\$ 1,864,675	\$ 16,444,326

(1) - Information for fiscal years prior to September 30, 2006 are unavailable in this format since the Town was incorporated in November 2005.

**TOWN OF CUTLER BAY, FLORIDA**  
 Assessed Value and Estimated Actual Value of Taxable Property  
 Last Ten Fiscal Years (1)  
 (amounts expressed in thousands, except as noted)

Fiscal Year	Real Property		Personal Property	Net Assessed Value	Total Direct Tax Rate (2)	Estimated Actual Value	Net Assessed Value as a Percentage of Estimated Actual Value
	Residential Property	Commercial Property					
2006	(1)	(1)	(1)	(1)	(1)	(1)	(1)
2007	\$ 1,752,683	\$ 431,400	\$ 46,852	\$ 2,230,935	2.4470	\$ 3,548,313	62.87%
2008	\$ 2,231,296	\$ 495,928	\$ 55,318	\$ 2,782,542	2.4470	\$ 4,362,898	63.78%
2009	\$ 2,213,948	\$ 538,463	\$ 59,422	\$ 2,811,833	2.4470	\$ 4,529,632	62.08%
2010	\$ 1,683,995	\$ 492,970	\$ 66,639	\$ 2,243,604	2.5888	\$ 3,397,498	66.04%

Note: Property in the Town is reassessed each year. State law requires the Property Appraiser to appraise property at 100% of market value. The Florida Constitution was amended, effective January 1, 1995, to limit annual increases in assessed value of property with homestead exemption to 3% per year or the amount of the Consumer Price Index, whichever is less. The increase is not automatic since no assessed value shall exceed market value. Tax rates are per \$1,000 of assessed value.

Source: Miami-Dade County Property Appraisal office.

(1) The Town incorporated in November 2005 and its first year of setting its millage rate was fiscal year 2007. Therefore, information for fiscal periods prior to that are not available.

(2) Property tax rates are assessed per \$1,000 of taxable assessed valuation

**TOWN OF CUTLER BAY, FLORIDA**  
Property Tax Rates  
Direct and Overlapping Governments (2)  
Last Ten Fiscal Years (1)

Fiscal Year	DIRECT RATES		OVERLAPPING RATES						Total Direct and Overlapping Rates
	Town of Cutler Bay		County			Special Districts			
	Operating Millage	Total Town Millage	County-wide	Debt Service	Fire	Library	School	State/Other	
2006	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
2007	2.4470	2.4470	5.6150	0.2850	2.6132	0.4860	8.1050	0.7355	20.2867
2008	2.4470	2.4470	4.8379	0.2850	2.2271	0.3822	7.7970	1.0797	19.0559
2009	2.4470	2.4470	4.8379	0.2850	2.2271	0.3822	7.7970	1.0797	19.0559
2010	2.5888	2.5888	5.4275	0.4450	2.5753	0.2840	7.8640	0.6586	19.8432

(1) The Town incorporated in November 2005 and its first year of setting its millage rate was fiscal year 2007. Therefore, information for fiscal periods prior to that are not available.

(2) Overlapping rates are those of local and county governments and other taxing districts that apply to property owners within the Town of Cutler Bay.

Additional information:

Property tax rates are assessed per \$1,000 of taxable assessed valuation

Tax rate limits:

Town	10.0000 mills
County	10.0000 mills
School	10.0000 mills
State	10.0000 mills

Source: Miami-Dade County Property Appraisal office.

**TOWN OF CUTLER BAY, FLORIDA**

Principal Property Taxpayers  
 Current Year and Five Years Ago (1)  
 (amounts expressed in thousands)

2010			2007		
Taxpayer	Assessed Valuation	Percentage Total Assessed Valuation	Taxpayer	Assessed Valuation	Percentage Total Assessed Valuation
SOUTHLAND MALL PROPERTIES LLC	\$ 73,001	3.3%	SOUTHLAND MALL PROPERTIES LLC	40,283	1.8%
WRI TC S DADE SHOPPING CENTER LLC	33,000	1.5%	WRI TC S DADE SHOPPING CENTER LLC	22,400	1.0%
FLORIDA POWER AND LIGHT	23,163	1.0%	FLORIDA POWER AND LIGHT	14,172	0.6%
EQUITY ONE INC	19,375	0.9%	EQUITY ONE INC	13,038	0.6%
PRIDE HOMES	19,274	0.9%	LENNAR HOMES INC	12,468	0.6%
BILL USSERY MOTORS OF CUTLER BAY	17,402	0.8%	A&E PARTNERS HOLDING LLC	10,320	0.5%
OLD CUTLER TOWNE CENTER	12,518	0.6%	HEALTH CARE FUND	9,222	0.4%
SEARS ROEBUCK & CO	11,829	0.5%	SEARS ROEBUCK & CO	9,900	0.4%
A&E PARTNERS HOLDING LLC	11,000	0.5%	HOMESTAR AT CUTLER BAY PALMS LLC	8,755	0.4%
QUAIL ROOST INVESTORS JOINT VENTURE	10,990	0.5%	ALL STORES REALTY CORP	8,200	0.4%
	<u>\$ 231,552</u>	<u>10.3%</u>		<u>\$ 148,758</u>	<u>6.7%</u>

(1) - Information for fiscal years prior to September 30, 2006 are unavailable in this format since the Town was incorporated in November 2005.

Source: Miami-Dade County Property Appraisal office.

**TOWN OF CUTLER BAY, FLORIDA**  
Property Tax Levies and Collection  
Last Ten Fiscal Years (1)  
(amounts expressed in thousands)

Fiscal Year	Total Taxes Levied for Fiscal Year	Collected Within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2006	(1)	(1)	(1)	(1)	(1)	(1)
2007	\$ 5,459,098	\$ 5,193,807	95.1%	\$ 141,971	\$ 5,335,778	97.7%
2008	\$ 6,808,880	\$ 6,372,439	93.6%	\$ 294,625	\$ 6,667,064	97.9%
2009	\$ 6,880,555	\$ 6,371,429	92.6%	\$ 227,723	\$ 6,599,152	95.9%
2010	\$ 5,808,242	5,448,770	93.8%	205,800	5,654,570	97.4%

(1) The Town incorporated in November 2005 and its first year of setting its millage rate was fiscal year 2007. Therefore, information for fiscal periods prior to that are not available.

Note: Total adjusted tax levy is based on final assessed property tax values by Miami-Dade County Department of Property Appraisal Office after the Property Appraisal Adjustment Board has completed hearings on the tax roll, and before discounts.

Discounts Allowed:

November	4%
December	3%
January	2%
February	1%
April	Taxes delinquent

Source: Miami-Dade County Tax Collector's Office.

**TOWN OF CUTLER BAY, FLORIDA**  
Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years (1)

Fiscal Year	Governmental Activities			Business-type Activities			Total Primary Government	Percentage of Personal Income (2)	Per Capita (2)
	Interlocal Debt	Notes Payable	Capital Leases	Interlocal Debt	Notes Payable	Capital Leases			
2006	\$ -	\$ -	\$ 62,744	\$ -	\$ -	\$ -	\$ 62,744	0.005%	\$ 1.69
2007	\$ -	\$ -	\$ 139,447	\$ -	\$ -	\$ -	\$ 139,447	0.010%	\$ 3.45
2008	\$ -	\$ -	\$ 143,314	\$ -	\$ -	\$ -	\$ 143,314	0.010%	\$ 3.47
2009	\$ -	\$ -	\$ 117,092	\$ -	\$ -	\$ 21,583	\$ 138,675	0.009%	\$ 3.34
2010	\$ 4,016,565	\$ 9,120,000	\$ 57,843	\$ -	\$ -	\$ 14,653	\$ 13,209,061	n/a	\$ 320.65

(1) Information for fiscal years prior to September 30, 2006 are unavailable in this format since the Town was incorporated in November 2005.

(2) See the schedule of Demographics and Economic Statistics for the personal income and per capita.

n/a All data necessary for computation not available.

**TOWN OF CUTLER BAY, FLORIDA**  
Direct and Overlapping Governmental Activities Debt  
Fiscal Year Ended September 30, 2010  
(amounts expressed in thousands)

Jurisdiction	Net Debt Outstanding	Estimated Percentage Applicable (1)	Amount Applicable to Cutler Bay
Miami-Dade County Schools (2)	\$ 567,310	0.91%	\$ 5,190
Miami-Dade County (3)	<u>859,492</u>	0.91%	<u>7,863</u>
Subtotal overlapping debt	1,426,802		13,054
Town of Cutler Bay direct debt	<u>13,194</u>	100.00%	<u>13,194</u>
Total direct and overlapping debt	<u><u>\$ 1,439,996</u></u>		<u><u>\$ 26,248</u></u>

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the County's taxable assessed value that is within the Town's boundaries and dividing it by the County's total taxable assessed value.

(2) Miami-Dade County Schools, General Finance Department

(3) Miami-Dade County, Finance Department (includes General Obligation and Special Obligation Bonds)

**TOWN OF CUTLER BAY, FLORIDA**  
Demographic and Economic Statistics  
Last Ten Fiscal Years (1)

<u>Fiscal Year</u>	<u>Population (2)</u>	<u>Personal Income (in thousands) (3)</u>	<u>Per Capita Personal Income (4)</u>	<u>Unemployment Rate (5)</u>
2006	37,103	\$ 1,296,156	\$ 34,934	3.8%
2007	40,468	\$ 1,431,272	\$ 35,368	4.2%
2008	41,300	\$ 1,482,133	\$ 35,887	5.3%
2009	41,579	\$ 1,511,687	\$ 36,357	10.7%
2010	41,194	n/a	n/a	11.1%

(1) Information for fiscal years prior to September 30, 2006 are unavailable in this format since the Town was incorporated in November 2005.

(2) Population estimate based on data published by the University of Florida, Bureau of Economic and Business Research, except for 2006 which is from Adopted Operating Budget.

(3) Personal income is the Miami-Dade per capita personal income applied to the Cutler Bay population.

(4) Per Capita Personal Income is for Miami-Dade County from the U.S. Department of Commerce, Bureau of Economic Analysis.

(5) Florida Agency for Workplace Innovation, Labor Force Statistics, Labor Force Summary, Annual Average Employment for Miami-Dade County.

n/a Data not available.

**TOWN OF CUTLER BAY, FLORIDA**

Principal Employers

Current Year and Five Years Ago (1)

2010			2007		
Employer	Employees	Percentage of Total	Employer	Employees	Percentage of Total
PRC, INC	1,537	45.6%	PRC, INC	1,537	54.4%
EAST RIDGE RETIREMENT VILLAGE	267	7.9%	PUBLIX SUPERMARKETS	291	10.3%
PUBLIX SUPERMARKETS	235	7.0%	SEARS ROEBUCK & CO	265	9.4%
SEARS ROEBUCK & CO	183	5.4%	SOUTHLAND MALL	16	0.6%
HEALTH SOUTH	162	4.8%	JC PENNEY	114	4.0%
JC PENNEY	114	3.4%	MACY'S	99	3.5%
BEST BUY	103	3.1%	WINN DIXIE STORES	69	2.4%
MACY'S	99	2.9%	PETERSON'S HARLEY-DAVIDSON	41	1.5%
MERCEDES BENZ	99	2.9%	ROSS STORES	40	1.4%
WINN DIXIE STORES	96	2.9%	TOWN OF CUTLER BAY	42	1.5%
SOUTHLAND MALL 16	80	2.4%	WILLIAMSON SATURN	40	1.4%
CAC FLORIDA MEDICAL	61	1.8%	OLD NAVY	35	1.2%
TOYS R US	50	1.5%	HAIR EGO	14	0.5%
TOWN OF CUTLER BAY	49	1.5%	BED, BATH & BEYOND	24	0.9%
PETERSON'S HARLEY-DAVIDSON	41	1.2%	JO ANN FABRIC & CRAFTS	30	1.1%
ROSS STORES	40	1.2%	CHARLOTTE RUSSE	21	0.7%
OLD NAVY	35	1.0%	CAC FLORIDA MEDICAL	19	0.7%
JO ANN FABRIC & CRAFTS	29	0.9%	LA QUINTA INNS	97	3.4%
LA QUINTA INNS	25	0.7%	PETCO	16	0.6%
HAIR EGO	24	0.7%	BERLO INDUSTRY	13	0.5%
PETCO	15	0.4%			
BED, BATH & BEYOND	13	0.4%			
CHARLOTTE RUSSE	10	0.3%			
	<u>3,367</u>	<u>100.0%</u>		<u>2,823</u>	<u>100.0%</u>

Source: Town of Cutler Bay local business tax registrations

(1) - Information for fiscal years prior to September 30, 2006 are unavailable in this format since the Town was incorporated in November 2005.

**TOWN OF CUTLER BAY, FLORIDA**  
 Full-Time Equivalent Town Government Employees By Function  
 Last Ten Fiscal Years (1)

Function	Fiscal Year				
	2006	2007	2008	2009	2010
Legislative	5	5	5	5	5
Clerk	1	1	1	2	1
General government	3	6	7	7	7
Community Development	-	5	9	9	8
Public Works	-	5	5	4	5
Parks	-	13	14	14	16
Public Safety:					
Police	n/a (2)	n/a (2)	n/a (2)	n/a (2)	n/a (2)
Civilian administrative staff	-	1	1	1	1
	<u>9</u>	<u>36</u>	<u>42</u>	<u>42</u>	<u>43</u>

(1) - Information for fiscal years prior to September 30, 2006 are unavailable in this format since the Town was incorporated in November 2005.

(2) - Police services contracted through Miami-Dade County.

Source: Town of Cutler Bay Finance Department

**TOWN OF CUTLER BAY, FLORIDA**  
 Operating Indicators By Function  
 Last Ten Fiscal Years (1)

Function/Program	Fiscal Year				
	2006	2007	2008	2009	2010
<b>Public Safety</b>					
Police:					
Number of emergency calls for service	708	1,157	1,285	1,195	1,162
Number of priority calls for service	n/a	1,120	1,195	1,031	933
Number of non-emergency calls for service	7,381	21,118	23,922	16,744	23,775
Number of arrests	455	1324	1,212	1,063	1,141
Number of sworn personnel	36	44	46	51	50
Building and Zoning:					
Number of building permits issued	n/a (2)	2297	2,176	1,854	3,121
Number of certificates of use issued	n/a (2)	185	152	147	57
Number of occupational licenses issued	n/a (2)	605	787	812	813
<b>Culture and Recreation</b>					
Number of parks	n/a (2)	7	7	7	7

(1) - Information for fiscal years prior to September 30, 2006 are unavailable in this format since the Town was incorporated in November 2005.

(2) - The Town did not take over this function until fiscal year 2007. Information prior to the take-over date is not available.

n/a - data not available for this period.

Source: Various Town departments

**TOWN OF CUTLER BAY, FLORIDA**  
 Capital Asset Statistics By Function/Program  
 Last Ten Fiscal Years (1)

Function/Program	Fiscal Year				
	2006	2007	2008	2009	2010
<b>Culture and Recreation</b>					
Parks	n/a (2)	7	7	7	7
Swimming pools	n/a (2)	1	1	1	1
Tennis courts	n/a (2)	3	3	3	3
Playgrounds	n/a (2)	3	3	3	3
Soccer/Football/Lacrosse fields	n/a (2)	2	2	3	3
Baseball fields	n/a (2)	3	3	3	3
Picnic shelters	n/a (2)	1	1	2	2
<b>Public Works</b>					
Streets (length in feet)	n/a (3)	n/a (3)	472,102	472,102	472,102
Sidewalks (area in square feet)	n/a (3)	n/a (3)	267,325	267,325	267,325

(1) - Information for fiscal years prior to September 30, 2006 are unavailable in this format since the Town was incorporated in November 2005.

(2) - The Town did not take over this function until fiscal year 2007. Information prior to the take-over date is not available.

(3) - The Town did not take over this function until fiscal year 2008. Information prior to the take-over date is not available.

Source: Town of Cutler Bay Parks department.

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**COMPLIANCE SECTION**

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

Honorable Mayor and Members of the Town Council  
Town of Cutler Bay, Florida

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Cutler Bay, Florida (the "Town") as of and for the fiscal year ended September 30, 2010, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated June 20, 2011. 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 Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Town's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

Pursuant to Chapter 119, Florida Statutes, this report is public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Town's Council, management, others within the Town, and 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.

*Alberni Caballero & Company, LLP*

June 20, 2011  
Coral Gables, Florida



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## MANAGEMENT LETTER REQUIRED BY SECTION 10.550 OF THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Honorable Mayor and Members of the Town Council  
Town of Cutler Bay, Florida

We have audited the financial statements of the Town of Cutler Bay, Florida, as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated June 20, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters, Independent Auditors' Report on Compliance with Requirements Applicable to each Major Federal Program and on Internal Control over Compliance, and Schedule of Findings and Responses. Disclosures in these reports and schedule, which are dated June 20, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports or schedule:

- ❖ Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial report. There were no recommendations made in the preceding annual financial report.
- ❖ Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415., Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Town of Cutler Bay, Florida complied with Section 218.415, Florida Statutes.
- ❖ Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we have one recommendation for the fiscal year ended September 30, 2010 that has been reported below in the Schedule of Findings and Responses.
- ❖ Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- ❖ Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

Honorable Mayor, Town Council and Town Manager  
Town of Cutler Bay, Florida

- ❖ Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The Town of Cutler Bay was created pursuant to the Constitution of the State of Florida and the Home Rule Charter of Miami-Dade County. There were no component units related to the Town of Cutler Bay.
- ❖ Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Town of Cutler Bay, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- ❖ Section 10.554(1)(i)7.b., Rules of the Auditor General, required that the annual financial report for the Town of Cutler Bay, Florida for the fiscal year ended September 30, 2010, was filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, and is in agreement with the annual financial audit report for the fiscal year ended September 30, 2010. In connection with our audit, we determined that these two reports were in agreement.
- ❖ Sections 10.554(i)7.c. and 10.556(7), Rules of the Auditor General, require that we apply financial assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Pursuant to Chapter 119, Florida Statutes, this management letter is public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, Town Council, and the State of Florida Auditor General, and is not intended to be and should not be used by anyone other than these parties.

We wish to thank the Town of Cutler Bay, Florida, and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements and the courtesies extended to us.

*Alberni Caballero & Company, LLP*

June 20, 2011  
Coral Gables, Florida



Alberni, Caballero  
& Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB A-133**

Honorable Mayor, Town Council and Town Manager  
Town of Cutler Bay, Florida

**Compliance**

We have audited the Town of Cutler Bay, Florida (the "Town") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the fiscal year ended September 30, 2010. The Town's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and responses. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town's compliance with those requirements.

In our opinion, the Town complied, in all material aspects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the fiscal year ended September 30, 2010.

**Internal Control over Compliance**

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

Honorable Mayor, Town Council and Town Manager  
Town of Cutler Bay, Florida

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was limited for the purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of the Town Council, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Alberni Caballero & Company, LLP*

June 20, 2011  
Coral Gables, Florida

**TOWN OF CUTLER BAY, FLORIDA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2010**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract #</u>	<u>Expenditures</u>
<b><i>U.S. Department of Transportation</i></b>			
<i>Indirect Programs-Passed through the Florida Department of Transportation:</i>			
Highway Planning and Construction	20.205	FM-426429-1, ARRA-424	
Highway Planning and Construction	20.205	FM-426432-1, ARRA-425	
Highway Planning and Construction	20.205	FM-426434-1, ARRA-330	
Highway Planning and Construction	20.205	FM-426436-1, ARRA-426	
Highway Planning and Construction	20.205	FM-426438-1, ARRA-428	
Highway Planning and Construction	20.205	FM-426439-1, ARRA-445	661,437
<b><i>Total U.S. Department of Transportation</i></b>			<u>661,437</u>
 <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			 <b>\$ <u>661,437</u></b>

See Notes to Schedule of Expenditures of Federal Awards.

**TOWN OF CUTLER BAY, FLORIDA**  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED SEPTEMBER 30, 2010

**NOTE 1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town of Cutler Bay, Florida and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133 and Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 2. CONTINGENCY**

The grant revenue amounts received are subject to audit and adjustment. If any expenditures are disallowed by a grantor agency as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the Town. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal and state laws and regulations.

**TOWN OF CUTLER BAY, FLORIDA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2010**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued:

*Unqualified Opinion*

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ yes   X   no

Significant deficienc(ies) identified?

\_\_\_\_\_ yes   X   None reported

Non-compliance material to financial statements noted?

\_\_\_\_\_ yes   X   no

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?

\_\_\_\_\_ yes   X   no

Significant deficienc(ies) identified?

\_\_\_\_\_ yes   X   None reported

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

*Unqualified Opinion*

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?

\_\_\_\_\_ yes   X   no

Identification of major programs:

Federal Awards Program

Federal CFDA No.

Highway Planning and Construction

20.205

Dollar threshold used to distinguish between Type A and Type B programs:

Federal \$300,000

Auditee qualified as low risk auditee for audit of federal awards programs?

\_\_\_\_\_ yes   X   no

**TOWN OF CUTLER BAY, FLORIDA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2010**

**SECTION II – FINANCIAL STATEMENT FINDINGS AND RESPONSES**

NONE

**SECTION III – FEDERAL AWARD FINDINGS AND RESPONSES**

NONE

**SECTION IV – PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND RESPONSES**

NONE

**SECTION V – PRIOR YEAR FEDERAL AWARD FINDINGS AND NONE**

NONE

**SECTION VI – CURRENT YEAR RECOMMENDATIONS**

**2010-1 – Government Accounting Standards Board Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions**

**Condition:** The Objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The hierarchy is as follows:

- Restricted, committed, assigned, and unassigned.

The statement is effective for fiscal years beginning after June 15, 2010.

**Recommendation:** We recommend that the Town obtain a thorough understanding of the requirements and initiate implementation for the September 30, 2011 fiscal year.

**Management's Response:**

The Town is implementing this standard in its fiscal year ended September 30, 2011.