

# TOWN OF CUTLER BAY, FLORIDA



Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2011

Town of Cutler Bay, Florida  
Comprehensive Annual Financial Report  
Fiscal Year Ended September 30, 2011

Prepared by Robert Daddario, CPA, Finance Director

# TOWN OF CUTLER BAY, FLORIDA

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# TOWN OF CUTLER BAY, FLORIDA

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## INTRODUCTORY SECTION

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## Office of the Town Manager

Steven J. Alexander  
Town Manager

May 29, 2012

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, 2011, 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 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, 2011, 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).

While the effects of the above noted changes have had a profound impact on the taxable property base within the Town, the Town's property values seem to have stabilized. The 2011 certified tax roll issued by the County Property Appraiser in July 2011, used for ad valorem purposes for fiscal year 2012, reflected a decline of only 0.6% in the taxable value of property within the Town versus the certified tax roll for 2010 (used for ad valorem purposes in fiscal year 2011). It may take several years before building activity and growth return to the Town, but the Town is starting to see encouraging signs in building activity and new development in the Town heading into fiscal year 2012. 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 2012, road work on the Old Cutler Road project commenced and planning and engineering of the Caribbean Boulevard project continued.

Additionally, in fiscal year 2011 the Town completed 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 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 were not 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, which was completed and then were subjected to a valuation in accordance with governmental accounting standards. As a result, assets valued at approximately \$6.7 million, and related accumulated depreciation of approximately \$2.3 million and debt of approximately \$2.4 million, were recorded as of September 30, 2010.

In fiscal year 2010, the Town's stormwater utility completed the Coral Sea Road drainage project (approximately \$173,000) and in fiscal year 2011 completed 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. Following its parks master plan, the Town completed approximately \$1.2 million in park improvements in fiscal years 2009 and 2010 and an additional \$1.1 million of park improvements in fiscal year 2011. These improvements were funded by a combination of sources, including grants, impact fees and other general fund sources. These improvements significantly upgraded the utility, functionality and appearance of the park facilities.

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 \$345,000). This park was developed at a quicker pace than anticipated and opened to the public in December 2011 at a cost of approximately \$8.7 million. This park, the largest in Town, provides 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 in the future. The development project was funded primarily with County provided impact fees and GOB funds. In fiscal year 2012, the Town anticipates further development in this park, primarily adding playground equipment for children.

In June 2010, the Town acquired the office building in which it was operating. This building continues to serve as the Town's "Town Hall" building, housing all of its operations except for the Parks department, as well as continues 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 total approximately \$1.5 million through fiscal year 2011. It is anticipated that the building improvements will be completed in 2012.

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



## Office of the Town Manager

acquisition and improvements. The Town is improving this parcel, at a cost of approximately \$225,000, to serve as a combination passive park and parking lot. In the future, it may serve another purpose, including the possibility of a site to host a Town recreation center. Through fiscal year 2011, approximately \$31,000 has been spent on this parcel's development and the improvements should be completed in fiscal year 2012.

Subsequent to the end of the fiscal year, the Town entered into two Interlocal agreements that will greatly benefit the Town's residents. In February 2012, the Town entered into an Interlocal agreement with Miami-Dade County (the "County") to allow the Town to receive funds from the County Charter Transit System Surtax (the "surtax"). This surtax was authorized in 2002 and is shared by the County (80%) and the incorporated municipalities (20%). Since the Town was incorporated after enactment of the surtax, the County had not previously included the Town in the distribution of the funds raised by the surtax.

Pursuant to a "most favored nation" clause in the Town's agreement with the County, and as a result of the County's settlement with two other municipalities who filed law suits which resulted in more favorable terms, the Town is to receive not only payments for fiscal year 2012 and going forward (currently estimated to be \$1.1 million to \$1.5 million annually), but will also receive a lump sum payment for estimated revenues from the prior two years. The lump sum payment for the prior two years is estimated to be approximately \$2.5 million and should be received by the Town in fiscal year 2012. On an annual basis, at least 20% of the surtax proceeds must be spent on transit related items. The remaining portion may be spent on transportation related items.

The second significant Interlocal agreement that the Town entered into after the end of the fiscal year was with the Miami-Dade County School Board (the "School Board"). In May 2012, the Town and the School Board agreed to provide for the establishment of three choice academies of study at existing Town schools which will bring to the Town its first ever high school level curriculum. The programs include newly created studies based on a Cambridge Curriculum and an iPrep Academy, as well as an expansion of an existing Environmental Sciences magnet program.

The Town's contribution to the establishment of these programs is to provide funding to the School Board to assist in their creation and/or expansion. The upfront cost to the Town is estimated at \$2.75 million, \$2 million of which is a one-time initial capital investment for construction of facilities, \$450,000 is for the initial iPrep Academy cost, and \$300,000 is the initial investment for the Cambridge Curriculum.

The costs of the Cambridge Curriculum are subject to annual renewal and could exceed the \$300,000 initial cost if requested by the School Board and approved by the Town Council. The iPrep Academy contribution noted above is the Town's maximum contribution for the first three years. After the third year, contributions of up to \$150,000 may be requested for replacement of equipment.

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, 2011 and 2010 were approximately \$381,500 and \$380,900, respectively. As a result of the County's refinancing of the debt, the payment for fiscal year 2012 was approximately \$144,800, but is anticipated to approximate \$350,000 in the year thereafter. 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.



## Office of the Town Manager

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 and conform to 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 2011, the Town earned \$65,000 in investment income, as compared to \$111,000 earned in fiscal year 2010. The decrease in investment income is directly related to the sharp decline in interest rates during fiscal year 2011. The low interest rate environment is expected to continue into fiscal year 2012.

The Town Council and Town management closely monitor the resources available to the Town and its use. At September 30, 2011, the total fund balance of the General Fund is approximately \$16.6 million, an increase of approximately \$1.6 million from September 30, 2010. This total fund balance represents approximately 92% of total fiscal year 2011 general fund expenditures.

Of that \$16.6 million balance, approximately \$12.5 million (representing 70% of total fiscal year 2011 general fund expenditures) is classified as "unassigned" fund balance which is available for future appropriation by the Town Council for specific purposes it deems appropriate, and approximately \$3.8 million is classified, in accordance with Town Council authorization, as "committed" for contingencies and emergencies. The remainder of the General Fund's fund balance is classified as "nonspendable" to indicate that it is not available for new spending because it has already been committed for prepaid expenses.

### 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 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**

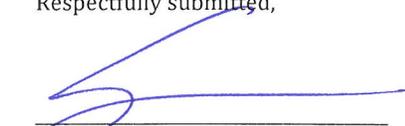
This year the Town has applied for the Certificate of Achievement for Excellence in Financial Reporting awarded by the Governmental Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is a prestigious national award recognizing conformance with the highest 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, 2010. 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, 2011 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.

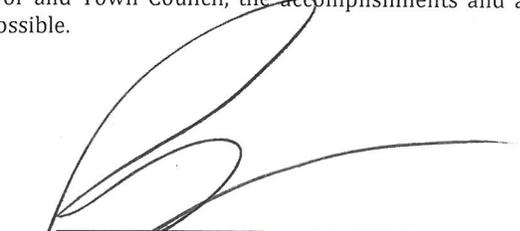
In closing, without the leadership and support of the Mayor and Town Council, the accomplishments and anticipated future successes noted in this report would not have been possible.

Respectfully submitted,



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Steven Alexander, Town Manager



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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, 2010

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, 2011**

**Council-Manager Form of Government**

**TOWN COUNCIL**

**Edward MacDougall, Mayor**

**Ernest Sochin, Vice Mayor**

**Mary Ann Mixon, Councilmember, Seat 1**

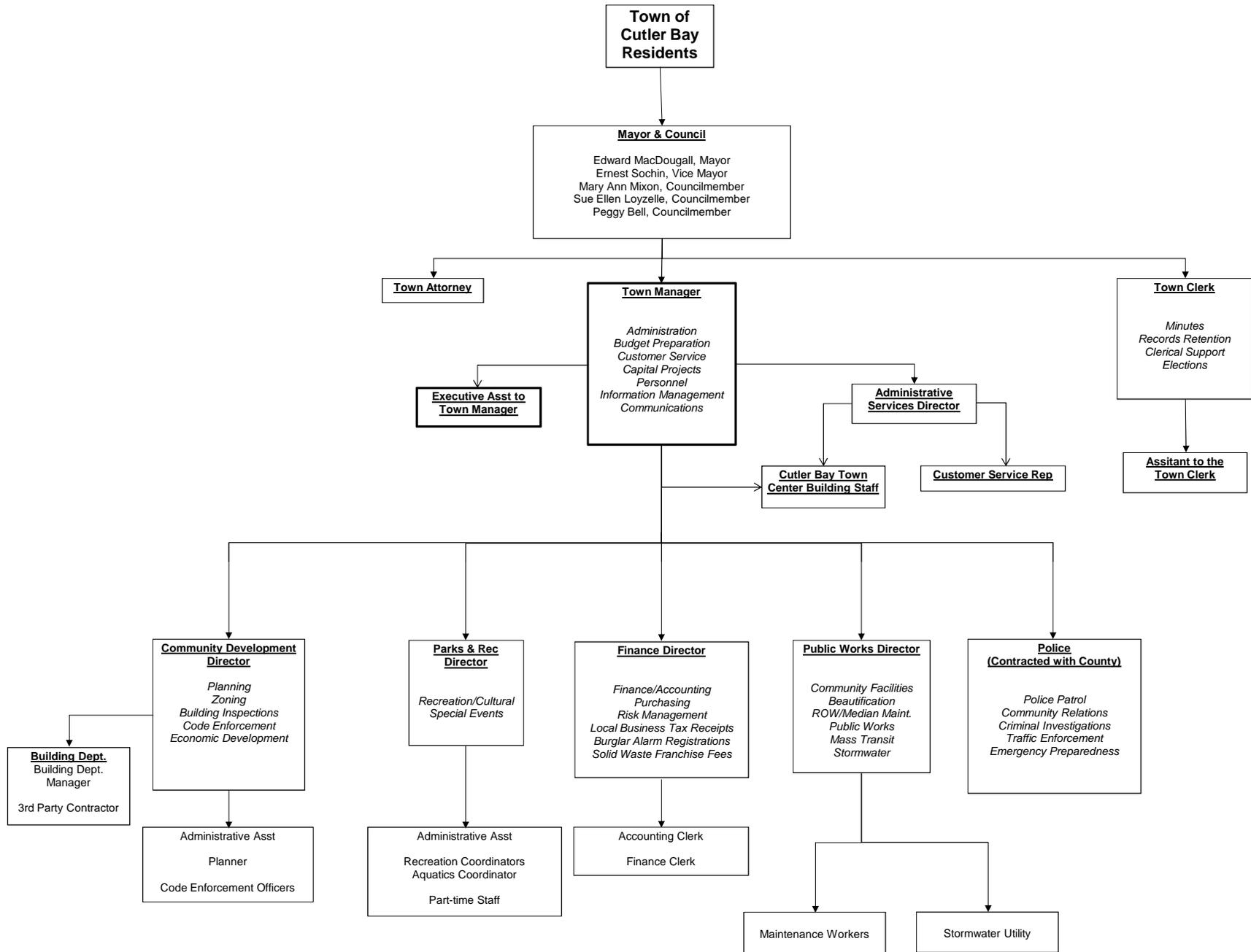
**Sue Ellen Loyzelle, Councilmember, Seat 2**

**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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SUITE 404  
CORAL GABLES, FL 33146  
TEL: 305-662-7272  
FAX: 305-662-4266  
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, 2011, 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 opinions.

In our opinion, the 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, 2011, 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 May 29, 2012 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 13 and 41 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 financial statements as a whole. The introductory section, combining and individual non-major fund financial statements and schedules and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual non-major fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Alberni Caballero & Company, LLP*

Alberni Caballero & Company, LLP  
Coral Gables, Florida  
May 29, 2012

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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, 2011 with a comparative analysis with the prior fiscal year.

### **Financial Highlights**

- The assets of the Town exceeded its liabilities at September 30, 2011 by approximately \$65 million (net assets). Of this amount, approximately \$17.2 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 \$4.95 million from the total net assets balance at September 30, 2010 (as restated). The net increase results primarily from the Town's fiscal year 2011 operations (\$4.68 million) in addition to an adjustment (\$271,000) to reflect reduction of the principal balance on 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 VI in the accompanying notes to financial statements). The County refinanced those bonds during 2011 and the refinancing impacted the Town's pro-rata share.
- As of September 30, 2011, the Town's governmental funds reported combined ending fund balances of \$19.56 million, an increase of \$170,800 from the September 30, 2010 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 135% of combined governmental fund operating expenditures (excluding capital outlay).
- At September 30, 2011, unassigned fund balance for the General Fund was \$12.5 million, or 70% of total General Fund expenditures, versus \$10.9 million and 47%, respectively, at September 30, 2010. The \$1.6 million increase in unassigned 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 year 2011, the stormwater utility's net assets decreased by approximately \$11,800, which resulted primarily from an operating loss of approximately \$131,100 generated from approximately \$988,800 in revenues against \$1,119,900 in expenses, including \$163,400 in depreciation. The other components of the fiscal 2011 decrease in net assets include capital contributions of approximately \$100,800 relating to stormwater infrastructure under construction, as well as \$18,500 in interest income and transfers.
- At September 30, 2011, \$3.8 million of the General Fund's fund balance is classified as "Committed" 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 2010 and earlier, to the Town from the County (park lands and related assets, roadways and sidewalks, and in the case of the stormwater utility fund, a business-type activity, stormwater system assets), 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 and its Capital Projects Fund – LBTB Park fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with its respective budget. A Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget vs. Actual report for the Capital Projects Fund – LBTB Park fund is also provided.

**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 approximately \$65 million and \$60 million, as adjusted, respectively, at September 30, 2011 and 2010, an increase of \$4.95 million during fiscal year 2011, as shown in the table below.

The largest portion of the Town's assets at September 30, 2011 consists of capital assets (approximately \$63.4 million (net of accumulated depreciation), primarily roadways, sidewalks, park lands and related assets transferred to the Town by the County, park improvements made by the Town, stormwater 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 year 2010 related to the Town Hall site. The primary contributors to the increase in capital assets in fiscal year 2011 include a land parcel acquired adjacent to Town Hall which will be developed as a passive park, improvements made to the Town Hall building that was acquired in the previous fiscal year, park improvements made to several of the Towns existing parks, as well as continuing development work related to a new Town park.

Other significant assets at September 30, 2011 and 2010 include cash on hand and receivables due from the County, the State of Florida (the "State"), and from various grants. Cash, totaling approximately \$20.5 million at September 30, 2011, decreased approximately \$219,000 in fiscal 2011, primarily resulting from fiscal year 2011 operating activities adjusted for debt issuance and capital expenditures. Receivables increased approximately \$1.3 million primarily as a result of net increase in receivables from the County for various projects at September 30, 2011 versus the 2010 balance.

Receivables at September 30, 2011 and 2010 consist primarily of amounts due from the County (\$636,000 and \$611,000, respectively) as well as intergovernmental receivables due from the State (\$483,000 and \$454,000, respectively). Receivables from various grants at September 30, 2011 approximate \$2,360,000 versus \$1,128,000 at September 30, 2010.

The receivables due from the County at September 30, 2011 and 2010 related primarily to property and utility taxes and stormwater fees due the Town at that date. The increase in the fiscal year 2011 balance relative to the fiscal year 2010 balance relates primarily to the fact that there were approximately \$25,000 more outstanding from the County for utility and clerk of the court remittances, offset by decreased amounts outstanding for property taxes, at September 30, 2011 versus the corresponding 2010 balance.

The increase in grant receivables at September 30, 2011 over the September 30, 2010 balance is due primarily to amounts receivable from the County for the LBTB Park capital project from which the Town had receivables of approximately \$1,280,000 at September 30, 2011 with no corresponding balances at September 30, 2010.

Long-term debt increased approximately \$3 million in fiscal year 2011 primarily resulting from the final draw downs on the bank loans issued to fund the purchase of the land parcel adjacent to the Town Hall building site (as discussed above) and to make improvements to the Town Hall building, offset by principal paid during fiscal 2011. The increase in other liabilities primarily reflects the timing of payment of accounts payable, with more accounts payable outstanding at September 30, 2011 versus the corresponding 2010 balance.

Town of Cutler Bay  
Statement of Net Assets  
September 30,  
(in thousands)

	Governmental Activities		Business-type Activities		Total		Total Percent Change
	2011	2010	2011	2010 (as restated)	2011	2010 (as restated)	
Current and other assets	\$ 23,341	\$ 22,325	\$ 885	\$ 941	\$ 24,226	\$ 23,266	4.1%
Capital assets	58,029	50,094	5,394	5,429	63,423	55,523	14.2%
Total assets	81,370	72,419	6,279	6,370	87,649	78,789	11.2%
Long-term debt	16,137	13,060	2,200	2,372	18,337	15,432	18.8%
Other liabilities	4,102	3,194	210	118	4,312	3,312	30.2%
Total liabilities	20,239	16,254	2,410	2,490	22,649	18,744	20.8%
Net assets							
Invested in capital assets, net of related debt	41,729	36,900	3,103	3,050	44,832	39,950	12.2%
Restricted	3,001	4,366	-	-	3,001	4,366	-31.3%
Unrestricted	16,401	14,899	765	830	17,166	15,729	9.1%
Total net assets	\$ 61,131	\$ 56,165	\$ 3,868	\$ 3,880	\$ 64,999	\$ 60,045	8.3%

The balance of unrestricted net assets (approximately \$17.2 million and \$15.7 million, respectively at September 30, 2011 and 2010) may be used to meet the government's ongoing obligations to citizens and creditors.

At September 30, 2011 and 2010, 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 \$4.97 million and \$5.7 million, respectively, for the year ended September 30, 2011 and 2010, representing the results of the Town's operations for the applicable fiscal periods. The fiscal year 2011 period also reflects an approximate \$271,000 gain resulting from the County's refinancing of the QNIP bonds on which the Town pays a pro-rata share.

**Business-type activities.** Business-type activities decreased net assets by approximately \$12,000 for the year ended September 30, 2011 versus an increase in net assets of approximately \$1.1 million for the year ended September 30, 2010, representing the results of the Town's operations of the stormwater utility which commenced in the fourth quarter of fiscal year 2008.

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, 2011	September 30, 2010	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010	
<b>Revenues</b>							
Program revenues:							
Charges for services	\$ 2,625	\$ 5,749	\$ 989	\$ 982	\$ 3,614	\$ 6,731	-46.3%
Operating grants and contributions	466	1,238	-	-	466	1,238	-62.4%
Capital grants and contributions	5,759	788	101	365	5,860	1,153	408.2%
General revenues:							
Taxes and franchise fees	13,435	14,767	-	-	13,435	14,767	-9.0%
Other	63	109	1	3	64	112	-42.9%
<b>Total revenues</b>	<b>22,348</b>	<b>22,651</b>	<b>1,091</b>	<b>1,350</b>	<b>23,439</b>	<b>24,001</b>	<b>-2.3%</b>
<b>Expenses</b>							
General government	4,605	4,256	1,120	660	5,725	4,916	16.5%
Public safety	8,055	7,491	-	-	8,055	7,491	7.5%
Parks and recreation	1,729	1,624	-	-	1,729	1,624	6.5%
Community development	2,568	2,859	-	-	2,568	2,859	-10.2%
Interest on long-term debt	679	301	-	-	679	301	125.6%
<b>Total expenses</b>	<b>17,636</b>	<b>16,531</b>	<b>1,120</b>	<b>660</b>	<b>18,756</b>	<b>17,191</b>	<b>9.1%</b>
Change in net assets before transfers and forgiveness of debt	4,712	6,120	(29)	690	4,683	6,810	-31.2%
Transfers	(17)	(409)	17	409	-	-	N/A
Forgiveness of debt	271	-	-	-	271	-	N/A
Increase in net assets	4,966	5,711	(12)	1,099	4,954	6,810	-27.3%
Net assets, beginning	56,165	50,454	3,880	722	60,045	51,176	17.3%
Adjustment for Stormwater bonds	-	0	-	2,059	0	2,059	-100.0%
<b>Net assets, ending</b>	<b>\$ 61,131</b>	<b>\$ 56,165</b>	<b>\$ 3,868</b>	<b>\$ 3,880</b>	<b>\$ 64,999</b>	<b>\$ 60,045</b>	<b>8.3%</b>

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

**Governmental activities:**

- Taxes and franchise fees (\$13.4 million and \$14.8 million, respectively, for fiscal year 2011 and fiscal year 2010) comprised 60% and 65%, respectively, of total revenues of \$22.3 million and \$22.6 million for fiscal year 2011 and fiscal year 2010, respectively, with property taxes representing the largest single tax source (\$4.2 million in fiscal 2011 and \$5.5 million in fiscal year 2010). Total fiscal year 2011 revenues were essentially flat versus revenues for fiscal year 2010. While operating and capital grants and contributions increased approximately \$4.2 million increase, relating to various park and road improvement projects funded in large part with funds contributed by the County, charges for services decreased approximately \$3.4 million reflecting park impact fees contributed by the County in fiscal year 2010 related to the construction of a new park in Town. No such amounts were contributed by the County in fiscal year 2011. Further, property taxes decreased approximately \$1.2 million resulting from the declining property values experienced in fiscal year 2011.
- Operating and capital grants and contributions (\$466,000 and \$5,759,000 at September 30, 2011 and \$1,238,000 and \$788,000 at September 30, 2010, respectively) account for 28% and 9% of total revenues at September 30, 2011 and 2010, respectively. The amounts in both the fiscal year 2011 and fiscal year 2010 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 12% and 25% of total revenues for fiscal years 2011 and 2010, 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 decrease in these revenues in fiscal year 2011 resulted primarily from a significant receipt of park impact fees from the County (\$3.4 million) in fiscal year 2010 related to the transfer of Lakes By The Bay park.
- Expenses for governmental activities increased approximately \$1 million, resulting primarily from an approximate \$577,000 increase in expenses related to public safety and an approximate \$379,000 increase in interest paid on the QNIP bonds and the notes payable issued to finance the Town Hall building acquisition and improvements.
- Transfers decreased approximately \$392,000 primarily due to decreased 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 91% and 73% of total revenues for fiscal years 2011 and 2010, 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 decreased in fiscal year 2011 as a result of less construction activity for stormwater drainage construction.

**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, 2011 and 2010, the Town's governmental funds reported combined ending fund balances of \$19.6 million and \$19.4 million, respectively. The increase in the balance results primarily from normal current operating activities in fiscal 2011 (approximately \$8.3 million) increased by proceeds from debt issuance (approximately \$3.6 million) and transfers in (approximately \$377,000), and offset by capital expenditures (approximately \$10.8 million), debt service (approximately \$885,000) and transfers out (approximately \$394,000).

Total revenues for fiscal year 2011 decreased approximately \$1.1 million from fiscal year 2010 levels, due primarily to a decrease in property taxes of approximately \$1.2 million resulting from the decreased property value assessments in Town. Other revenue changes essentially offset each other. The more significant of those items include an approximate \$450,000 decrease in franchise fees as a result of a refund passed through by the electric utility which generates the bulk of the Town's franchise fee revenue, an approximate \$320,000 increase in intergovernmental revenues, primarily reflecting an increase in the Town's share of State shared revenues, and an approximate \$475,000 decrease in intergovernmental revenue related to various capital projects and special revenue projects, including reduced revenue related to Federal stimulus road projects (approximately \$420,000), County-Town joint roadway projects (approximately \$360,000) and termination of a recycling grant (\$45,000) offset by increased revenue related to various park improvement projects (approximately \$285,000), the development of a bicycle path master plan (\$40,000), increased State shared gas taxes (\$14,000), and increased revenues related to a County funded program for children (\$13,000). The fiscal year 2011 period also included approximately \$470,000 more in rental income than in the fiscal year 2010 period due to the Town operating its Town Hall building for an entire year in fiscal year 2011 versus only for three and a half months in fiscal year 2010.

During fiscal year 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). In fiscal year 2011, the Town completed the drawdown of the building improvement loans and the loan to fund the purchase an adjacent land parcel, resulting in \$3.6 million of additional debt financing. 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 year 2011 versus the 2010 period (an approximate \$350,000 increase in debt service payments).

Capital expenditures increased approximately \$35,000 in fiscal year 2011 versus the fiscal year 2010 period primarily as a result increased expenditures (approximately \$5.6 million) for various parks and public works capital projects, increased expenditures related to a land parcel purchase (approximately \$1.8 million) and Town Hall building improvements (approximately \$1.5 million), and increased public safety expenditures (approximately \$8,000) for computers and equipment, offset by a decrease (approximately \$8.8 million) related to the Town Hall building assets acquired in fiscal year 2010 for which there was no similar expenditure in fiscal year 2011. Other small changes account for the balance of the change.

Transfers out (approximately \$394,000) reflect transfers of grant match funds from the General Fund to other funds (approximately \$35,000), including approximately \$17,000 transferred to the Stormwater Fund (proprietary fund) for various drainage projects), as well as transfers of gas taxes (approximately \$213,000) and park impact fees (approximately \$140,000), and police impact fees (approximately \$5,000), from the Special Revenue Fund to various capital projects funds for use on public works and parks projects, and to the General Fund for the purchase of police equipment, respectively, in fiscal year 2011. This represented a decrease of approximately \$624,000 over the fiscal year 2010 transfers out reflecting the decreased capital project and stormwater project activity in the Town in fiscal year 2011.

Transfers in reflect inflows into various funds of amounts transferred out, as specified above. Transfers in for fiscal year 2011 decreased approximately \$233,000 over fiscal year 2010 amounts due to decreased projects in fiscal year 2011 accounted for in various special revenue and capital project funds.

Approximately 64% and 56% of the combined ending fund balance, or \$12.5 million and \$10.9 million, respectively, constitutes unassigned fund balance at September 30, 2011 and 2010, respectively, which is available for spending at the Town's discretion. At September 30, 2011, \$3.8 million of the fund balance has been classified as "Committed" by management, and approved by Council, for contingencies and other operating emergencies. The remainder of fund balance is classified as "Nonspendable" to indicate that it is not available for new spending because it has already been committed for prepaid expenses or "Restricted" 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, 2011 and 2010, unassigned fund balance of the General Fund was \$12.5 million and \$10.9 million, respectively. As a measure of the fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance of the General Fund at September 30, 2011 represents 70% of total General Fund expenditures (47% at September 30, 2010), while total fund balance of the General Fund represents 92% of that same total fund expenditure amount (65% at September 30, 2010). This indicator remains positive and reflects a healthy financial condition for the Town.

The fund balance of the Town's General Fund increased by approximately \$1.6 million and \$2.6 million during fiscal years 2011 and 2010, respectively. The fiscal year 2011 increase primarily reflects the results of the Town's operating activity for the fiscal year (approximately \$2.4 million), increased by proceeds from debt issuance (approximately \$3.6 million) and transfers in (approximately \$5,000), offset by capital expenditures (approximately \$3.5 million), debt service (approximately \$885,000) and transfers out (approximately \$35,000).

Revenues of the General Fund in fiscal year 2011 were approximately \$1.1 million less than fiscal year 2010, primarily due to decreased property taxes (approximately \$1,233,000) as a result of lower assessed property values, decreased franchise fees of approximately \$450,000 as a result of a refund passed through by the electric utility which generates the bulk of the Town's franchise fee revenue, and a decrease in bus bench/shelter advertising revenue of approximately \$157,000, offset by approximately \$320,000 increase in intergovernmental revenues, primarily reflecting an increase in the Town's share of State shared revenues, and an increase of approximately \$470,000 in rental income resulting from rental operations of the Town Hall building site (see discussion above). The remaining difference in the decrease in revenue from fiscal year 2010 levels is a combination of other small net changes in other revenue categories.

Current expenditures of the General Fund in fiscal year 2011 increased approximately \$261,000, primarily resulting from an approximate \$560,000 increase in public safety expenditures due to increased contracted costs of police services from the County, offset by an approximate \$250,000 decrease in community development expenditures, primarily resulting from reduced personnel costs, reduced expenditures related to a planning contractor, reduced rent expenditures and reduced communications costs. The balance of the difference is comprised of a combination of other small changes.

Also as discussed above, the General Fund experienced an increase in debt service of approximately \$350,000 due to the acquisition and financing of the Town Hall building, related improvements and purchase of the adjacent land parcel. 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.

Capital outlay in the General Fund decreased approximately \$5.7 million, primarily reflecting increased expenditures related to a land parcel purchase (approximately \$1.8 million) and Town Hall building improvements (approximately \$1.5 million), and increased public safety expenditures (approximately \$8,000) for computers and equipment, offset by a decrease (approximately \$8.8 million) related to the Town Hall building assets acquired in fiscal year 2010 for which there was no similar expenditure in fiscal year 2011. Other small changes constitute the balance of the difference. Proceeds from debt issuance in the General Fund, for the aforementioned Town Hall building acquisition and improvements and adjacent land parcel purchase, decreased approximately \$5.5 million, reflecting only \$3.6 million being borrowed in fiscal year 2011 versus \$9.1 million in fiscal year 2010.

Transfers out in the General Fund in fiscal year 2011 decreased approximately \$536,000 over fiscal year 2010 as a result of decreased grant match and other General Fund support for public works and parks projects in fiscal year 2010 (approximately \$144,000), as well as decreased funding provided to the Stormwater Utility fund (proprietary fund) due to less need for drainage projects in fiscal year 2011 (approximately \$392,000). Transfers in to the General Fund increased approximately \$5,000, reflecting the transfer of police impact fees from Special Revenue used for the purchase of specialized equipment. There were no transfers in to the General Fund in fiscal year 2010.

The Capital Projects Fund - LBTB Park was established in fiscal year 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). The County also agreed to provide approximately \$8.6 million in funding to complete development of the park. In conjunction with this transfer, in fiscal year 2010 the County remitted to the Town approximately \$3.4 million in park impact fees to be used for initial park development. Additional funding of approximately \$5 million was provided by the County in fiscal year 2011. During fiscal years 2011 and 2010, the Town expended approximately \$6,432,000 and \$848,000, respectively, in park development costs. Completion of the park is anticipated in the fall of 2012.

**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 2011 generated a decrease in net assets of approximately \$11,800, whereas operations for fiscal 2010 generated an increase in net assets of approximately \$1.1 million. The fiscal year 2011 decrease in net assets resulted from an operating loss of approximately \$131,100, capital contributions of approximately \$100,800 relating to stormwater infrastructure under construction, transfer in from the General Fund (approximately \$17,000) to support ongoing drainage projects and non-operating revenues (approximately \$1,500).

Fiscal 2009 was the first full year the Town operated the stormwater system within the Town's boundaries and, since that time, 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, 2011 of approximately \$3.9 million, \$3.1 million are classified as invested in capital assets, net of related debt, and \$765,000 are classified as unrestricted. At September 30, 2010, total net assets of \$1.8 million were classified as \$991,000 invested in capital assets, net of related debt, and \$830,000 as unrestricted.

## **General Fund Budget Highlights**

During fiscal years 2011 and 2010, the actual "excess of revenues over expenditures" exceeded the corresponding budgetary amounts by approximately \$2.5 million and \$6.4 million, respectively. For fiscal year 2011, the results were achieved as actual revenues exceeded budgeted amounts by \$841,000 while actual expenditures were \$1.7 million less than budgeted. In fiscal year 2010, actual revenues exceeded budgeted amounts by \$3.3 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 year 2011 period, contributing to the favorable revenue variance was better than expected collections of utility taxes, franchise fees, and charges for services, as well as better than expected collections from State shared revenue sources, offset somewhat by lower than expected property tax revenues and revenues from licensing activity. Given the economic climate in which the Town operated under while preparing its fiscal year 2011 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 2011, the Town Council passed a budget amendment resolution to increase the fiscal year 2011 budget amount for debt proceeds and capital outlay related to the Town's improvement of its Town Hall building (\$2 million) and the acquisition of the land parcel adjacent to Town Hall (\$2 million), to increase revenues for building permit activities (\$215,000), utility taxes (\$200,000), and intergovernmental revenues (\$300,000), offset by decreases to revenues from rental income (\$270,000) and franchise fees (\$130,000) and to appropriation of prior year fund balance (\$315,000). Additionally, the budget amendment provided for an increase to other contractual services for community development (\$200,000) with a corresponding decrease to professional services for public safety, an increase in professional services for the Town Hall building operations (\$100,000) offset by a decrease in professional services for public works, and an increase in debt service-interest for general government (\$60,000) offset by decreases in professional services in community development (\$35,000) and in software outlays in finance (\$25,000).

## **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, 2011 and 2010, amounts to approximately \$58 million and \$5.4 million and \$50.1 million and \$5.4 million, 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 (to land and 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 year 2011, acquisition of the land parcel adjacent to the Town Hall building, as well as improvements to the Town Hall building itself which was acquired in fiscal year 2010.

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 never provided to the Town a comprehensive inventory/accounting of the actual assets that were transferred as part of this agreement. After two years of unsuccessfully attempting to get the information from the County, the Town took it upon itself to commission the inventory and valuation of those assets. Those assets (approximately \$6.67 million), net of accumulated depreciation (approximately \$2.25 million) and the related debt (approximately \$2.36 million) were recorded by the Town effective September 30, 2010.

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	
	2011	2010	2011	2010 (as restated)	2011	2010 (as restated)
General Government	\$ 12,415	\$ 9,054	\$ -	\$ -	\$ 12,415	\$ 9,054
Community Development	27,673	29,754	-	-	27,673	29,754
Public Safety	47	87	-	-	47	87
Culture and Recreation	17,894	11,199	-	-	17,894	11,199
Public Works-Stormwater	-	-	5,394	5,428	5,394	5,428
	<u>\$ 58,029</u>	<u>\$ 50,094</u>	<u>\$ 5,394</u>	<u>\$ 5,428</u>	<u>\$ 63,423</u>	<u>\$ 55,522</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, 2011, the long-term portion of the Town's pro rata share of QNIP bonds (interlocal debt) was approximately \$3.5 million, representing a 8.9% decrease from the prior year. Notes payable were issued in fiscal year 2010 in conjunction with the acquisition and improvement of the Town Hall building site and the purchase of the adjacent land parcel and final draw downs on those notes payable were made in fiscal year 2011. At September 30, 2011, approximately \$12.7 million was outstanding on those notes payable, \$12.57 million of which were 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, 2011, all balances due on these remaining leases are due within one year and there is no long-term portion outstanding on these capital leases for governmental and business-type activities.

In conjunction with recording the stormwater assets transferred to the Town by the County (see above discussion), the Town recorded associated debt of approximately \$2.36 million at September 30, 2010, of which approximately \$2.28 million was considered long-term. The long-term balance at September 30, 2011, approximately \$2.20 million, represents a 3.7% decrease from the prior year.

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 \$27,000 and \$47,000, respectively, at September 30, 2011, versus \$18,000 and \$74,000, respectively, at September 30, 2010.

Total long-term debt increased approximately \$3 million, or 19%, primarily as a result of the final draw downs on the notes payable to finance the Town Hall building improvements and acquisition of the land parcel adjacent to Town Hall, offset by principal pay downs.

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

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010 (as restated)	2011	2010 (as restated)
QNIP bonds	\$ 3,493	\$ 3,834	\$ -	\$ -	\$ 3,493	\$ 3,834
Notes payable	12,570	9,120	-	-	12,570	9,120
Stormwater Utility Revenue Bonds	-	-	2,200	2,284	2,200	2,284
Capital leases	-	14	-	8	0	22
Compensated absences	47	74	-	-	47	74
Net OPEB obligation	27	18	-	-	27	18
	<u>\$ 16,137</u>	<u>\$ 13,060</u>	<u>\$ 2,200</u>	<u>\$ 2,292</u>	<u>\$ 18,337</u>	<u>\$ 15,352</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, 2011 is approximately 10.8%, which is an decrease from a rate of 12.6% a year ago, but it is still above the national unemployment rate.
- Inflationary trends in the region compare unfavorably to national indices.
- In setting its fiscal year 2012 budget, the Town adopted a mil rate that was lower than the rate for fiscal year 2011. The mil rate adopted, however, was 1.41% higher 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 year 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. As of July 1, 2011, the certified taxable value of property within the Town reflected an approximate decrease of 38% from the level at July 1, 2008. The 2011 certified tax roll issued by the County Property Appraiser in July 2011, used for ad valorem purposes for fiscal year 2012, gave some indications that property values within the Town may have stabilized as it reflected only an approximate 0.6% decline in the taxable value of property within the Town versus the certified tax roll for 2010 (used for ad valorem purposes in fiscal year 2011). It may take several years before building activity and growth return to the Town. Preliminary estimates of the 2012 tax roll (for fiscal year 2013 purposes) are not yet available, but the Town is hopeful that the taxable property value for the upcoming year will be flat (at worst) or reflect a modest uptick, hopefully indicating that the large declines of recent years may be abating.
- While 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, 2011**

	<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	\$ 18,533,738	\$ -	\$ 18,533,738
Restricted cash and cash equivalents	1,918,317	-	1,918,317
Accounts receivable - net	3,377,820	158,851	3,536,671
Prepays	234,197	851	235,048
Other assets	1,115	-	1,115
Internal balances	(724,646)	724,646	-
Capital assets not being depreciated:			
Land	10,368,183	-	10,368,183
Construction in progress	7,310,975	-	7,310,975
Capital assets being depreciated:			
Building	8,154,216	-	8,154,216
Computer hardware and software	793,392	-	793,392
Furniture and equipment	999,112	29,383	1,028,495
Infrastructure	57,640,563	7,797,660	65,438,223
Improvements other than building	<u>5,438,662</u>	<u>-</u>	<u>5,438,662</u>
Total capital assets	90,705,103	7,827,043	98,532,146
Less accumulated depreciation	<u>(32,675,837)</u>	<u>(2,432,839)</u>	<u>(35,108,676)</u>
Total capital assets - net	<u>58,029,266</u>	<u>5,394,204</u>	<u>63,423,470</u>
Total assets	<u>81,369,807</u>	<u>6,278,552</u>	<u>87,648,359</u>
<b><u>LIABILITIES</u></b>			
Accounts payable	3,698,604	119,349	3,817,953
Other liabilities	82,814	-	82,814
Accrued interest	21,657	-	21,657
Noncurrent liabilities:			
The amount due in one year	298,729	90,702	389,431
The amount due in over one year	<u>16,137,236</u>	<u>2,200,395</u>	<u>18,337,631</u>
Total liabilities	<u>20,239,040</u>	<u>2,410,446</u>	<u>22,649,486</u>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	41,728,510	3,103,107	44,831,617
Restricted for:			
Capital projects	2,135,671	-	2,135,671
Public safety	225,606	-	225,606
Parks and recreation	640,026	-	640,026
Unrestricted	<u>16,400,954</u>	<u>764,999</u>	<u>17,165,953</u>
Total net assets	<u>\$ 61,130,767</u>	<u>\$ 3,868,106</u>	<u>\$ 64,998,873</u>

See notes to basic financial statements

**TOWN OF CUTLER BAY, FLORIDA**  
**STATEMENT OF ACTIVITIES**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2011**

<u>Functions/programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Assets</u>		<u>Total</u>
	<u>Expenses</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>	
Governmental activities:							
General government	\$ 4,604,808	\$ 868,797	\$ 7,005	\$ -	\$ (3,729,006)	\$ -	\$ (3,729,006)
Public safety	8,055,192	444,159	-	-	(7,611,033)	-	(7,611,033)
Community development	2,568,161	1,004,857	369,637	209,151	(984,516)	-	(984,516)
Parks and recreation	1,729,029	306,739	89,016	5,549,671	4,216,397	-	4,216,397
Interest on long-term debt	678,969	-	-	-	(678,969)	-	(678,969)
Total governmental activities	<u>17,636,160</u>	<u>2,624,552</u>	<u>465,658</u>	<u>5,758,822</u>	<u>(8,787,128)</u>	<u>-</u>	<u>(8,787,128)</u>
Business-type activities:							
Stormwater	<u>1,119,869</u>	<u>988,796</u>	<u>-</u>	<u>100,812</u>	<u>-</u>	<u>(30,261)</u>	<u>(30,261)</u>
Total business-type activities	<u>1,119,869</u>	<u>988,796</u>	<u>-</u>	<u>100,812</u>	<u>-</u>	<u>(30,261)</u>	<u>(30,261)</u>
Total	<u>\$ 18,756,029</u>	<u>\$ 3,613,348</u>	<u>\$ 465,658</u>	<u>\$ 5,859,634</u>	<u>(8,787,128)</u>	<u>(30,261)</u>	<u>(8,817,389)</u>
General revenues:							
Property taxes					4,215,773	-	4,215,773
Utility taxes					2,412,904	-	2,412,904
Franchise fees on gross receipts					1,419,636	-	1,419,636
Intergovernmental (unrestricted)					5,386,442	-	5,386,442
Investment income					63,707	1,514	65,221
Change in net assets before transfers and forgiveness of debt					<u>4,711,334</u>	<u>(28,747)</u>	<u>4,682,587</u>
Transfers					<u>(16,982)</u>	<u>16,982</u>	<u>-</u>
Forgiveness of debt					<u>271,010</u>	<u>-</u>	<u>271,010</u>
Change in net assets					<u>4,965,362</u>	<u>(11,765)</u>	<u>4,953,597</u>
Net assets, Beginning as restated (Note XII)					<u>56,165,405</u>	<u>3,879,871</u>	<u>60,045,276</u>
Net assets, Ending					<u>\$ 61,130,767</u>	<u>\$ 3,868,106</u>	<u>\$ 64,998,873</u>

See notes to basic financial statements

**TOWN OF CUTLER BAY, FLORIDA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2011**

	Major Funds		Other	Total
	General	Capital Projects Fund- LBTB Park	Governmental Funds	Governmental Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 18,533,738	\$ -	\$ -	\$ 18,533,738
Restricted cash and cash equivalents	92,172	804,446	1,021,699	1,918,317
Accounts receivable - net	1,000,837	1,279,890	1,097,093	3,377,820
Prepays	234,197	-	-	234,197
Other assets	319	-	796	1,115
Due from other funds	-	-	842,355	842,355
Total assets	\$ 19,861,263	\$ 2,084,336	\$ 2,961,943	\$ 24,907,542
<u>LIABILITIES AND FUND BALANCES</u>				
Accounts payable	\$ 2,632,820	\$ 962,492	\$ 103,292	\$ 3,698,604
Deferred revenues	40,059	-	-	40,059
Other liabilities	42,755	-	-	42,755
Due to other funds	587,809	16,762	962,430	1,567,001
Total liabilities	3,303,443	979,254	1,065,722	5,348,419
<u>FUND BALANCES</u>				
Nonspendable	234,197	-	-	234,197
Restricted	-	1,105,082	1,896,221	3,001,303
Committed	3,800,000	-	-	3,800,000
Unassigned	12,523,623	-	-	12,523,623
Total fund balances	16,557,820	1,105,082	1,896,221	19,559,123
Total liabilities and fund balances	\$ 19,861,263	\$ 2,084,336	\$ 2,961,943	\$ 24,907,542

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, 2011**

Fund balances - total government funds (Page 16) \$ 19,559,123

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

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

Governmental capital assets	90,705,103
Less accumulated depreciation	(32,675,837)

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

OPEB Liability	(27,000)
Long term debt	(16,300,756)
Compensated absences	(108,209)
Accrued interest payable	<u>(21,657)</u>

Net assets of governmental activities (Page 14) \$ 61,130,767

**TOWN OF CUTLER BAY, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General	Capital Projects Fund- LBTB Park		
<b>Revenues:</b>				
Property taxes	\$ 4,215,773	\$ -	\$ -	\$ 4,215,773
Franchise fees	1,419,636	-	-	1,419,636
Utility taxes	2,412,904	-	-	2,412,904
Charges for services	408,889	-	-	408,889
Intergovernmental	5,386,442	5,017,500	1,199,974	11,603,916
Licenses and permits	972,479	-	-	972,479
Impact fees	-	-	190,672	190,672
Fines and forfeitures	272,599	-	-	272,599
Interest	55,831	3,061	4,815	63,707
Rental income	752,571	-	-	752,571
Miscellaneous	34,348	-	-	34,348
Total revenues	<u>15,931,472</u>	<u>5,020,561</u>	<u>1,395,461</u>	<u>22,347,494</u>
<b>Expenditures:</b>				
Current:				
General government	3,211,254	-	394,793	3,606,047
Public safety	8,007,537	-	-	8,007,537
Community development	1,163,575	-	-	1,163,575
Parks and recreation	1,181,531	-	89,016	1,270,547
Debt service:				
Principal retirement	227,764	-	-	227,764
Interest	657,312	-	-	657,312
Capital outlay:				
General government	3,480,276	-	-	3,480,276
Public safety	8,039	-	-	8,039
Community development	2,180	-	205,908	208,088
Parks and recreation	31,537	6,431,673	672,426	7,135,636
Total expenditures	<u>17,971,005</u>	<u>6,431,673</u>	<u>1,362,143</u>	<u>25,764,821</u>
Excess (Deficiency) of revenues over expenditures and other financing sources (uses)	<u>(2,039,533)</u>	<u>(1,411,112)</u>	<u>33,318</u>	<u>(3,417,327)</u>
<b>Other financing sources (uses) :</b>				
Transfers in	5,390	-	371,320	376,710
Transfers out	(35,132)	-	(358,560)	(393,692)
Issuance of debt	3,605,122	-	-	3,605,122
Total other financing sources (uses)	<u>3,575,380</u>	<u>-</u>	<u>12,760</u>	<u>3,588,140</u>
Net change in fund balances	1,535,847	(1,411,112)	46,078	170,813
Fund balances - Beginning	<u>15,021,973</u>	<u>2,516,194</u>	<u>1,850,143</u>	<u>19,388,310</u>
Fund balances - Ending	<u>\$ 16,557,820</u>	<u>\$ 1,105,082</u>	<u>\$ 1,896,221</u>	<u>\$ 19,559,123</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, 2011**

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 18)	\$	170,813
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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	10,832,039	
Less current year depreciation	<u>(2,451,612)</u>	8,380,427

The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net assets.

Capital outlay which did not meet the threshold for capitalization	<u>(445,547)</u>	(445,547)
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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	(3,605,122)	
Debt forgiveness	271,010	
Principal payments on long term debt	<u>227,764</u>	(3,106,348)

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	(3,326)	
Accrued interest payable	<u>(21,657)</u>	<u>(33,983)</u>

Change in net assets of governmental activities (Page 15)	\$	<u>4,965,362</u>
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**TOWN OF CUTLER BAY, FLORIDA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUND**  
**SEPTEMBER 30, 2011**

	<u>Stormwater</u>
<u>ASSETS</u>	
Current assets:	
Accounts receivables	\$ 158,851
Prepays	851
Due from other funds	<u>724,646</u>
Total current assets	<u>884,348</u>
Non-current assets:	
Capital assets, net	<u>5,394,204</u>
Total non-current assets	<u>5,394,204</u>
 Total assets	 <u>6,278,552</u>
<u>LIABILITIES AND NET ASSETS</u>	
Current liabilities:	
Accounts payable	\$ 119,349
Current portion of capital lease	7,444
Current portion of revenue bonds	<u>83,258</u>
Total current liabilities	<u>210,051</u>
Non-current liabilities:	
Revenue bonds	<u>2,200,395</u>
Total non-current liabilities	<u>2,200,395</u>
 Total liabilities	 <u>2,410,446</u>
Net assets:	
Invested in capital assets, net of related debt	3,103,107
Unrestricted	<u>764,999</u>
 Total net assets	 <u>\$ 3,868,106</u>

See notes to basic financial statements

**TOWN OF CUTLER BAY, FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUND**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	<u>Stormwater</u>
Operating revenues:	
Charges for services	\$ 988,796
Total revenues	<u>988,796</u>
Operating expenses:	
Operations and maintenance	956,479
Depreciation	<u>163,390</u>
Total operating expenses	<u>1,119,869</u>
Operating loss	<u>(131,073)</u>
Non-operating revenues:	
Interest income	<u>1,514</u>
Capital contributions	100,812
Transfers in	<u>16,982</u>
Changes in net assets	(11,765)
Net assets - Beginning as restated (Note XII)	<u>3,879,871</u>
Net assets - Ending	<u>\$ 3,868,106</u>

See notes to basic financial statements

**TOWN OF CUTLER BAY, FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	<u>Stormwater</u>
Cash Flows From Operating Activities:	
Cash received from customers	\$ 1,329,406
Cash paid to employees	(163,952)
Cash paid to suppliers	<u>(784,754)</u>
Net cash provided by operating activities	<u>380,700</u>
Cash Flows From Non-Capital Financing Activities	
Transfers from other funds	16,982
Collections on loans to other funds	<u>(283,244)</u>
Net cash used in non-capital financing activities	<u>(266,262)</u>
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	(129,358)
Capital contributions	100,812
Principal payments	<u>(87,406)</u>
Net cash used in non-capital financing activities	<u>(115,952)</u>
Cash Flows From Investing Activities	
Interest income	<u>1,514</u>
Net cash provided by investing activities	<u>1,514</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 Loss to Net Cash Provided By Operating Activities:	
Operating loss	\$ (131,073)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	163,390
Change in operating assets and liabilities:	
Accounts receivables	340,610
Prepays	(851)
Accounts payable	<u>8,624</u>
Net cash provided by operating activities	<u>\$ 380,700</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, 2011**

**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 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 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, 2011 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, including computers, 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	25-50
Improvements	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 five 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. The deferred items consist primarily of business license renewals received in advance.

### n. Net Assets

In accordance with GASB Statement No. 34, total net assets as of September 30, 2011, are classified into three components:

- 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. Fund Balance

As of September 30, 2011, fund balances of the governmental funds are classified as follows:

**Non-spendable** — Amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

**Restricted** — Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**Committed** — Amounts that can be used only for specific purposes determined by a formal action of the Town Council. The Town Council is the highest level of decision-making authority for the Town. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Town Council.

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

**o. Fund Balance (Continued)**

**Assigned** — Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

**Unassigned** — All other spendable amounts.

	<u>General</u>	<u>Capital Projects Fund- LBTB Park</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:				
Nonspendable:				
Prepays	\$ 234,197	\$ -	\$ -	\$ 234,197
Restricted:				
Capital projects	-	1,105,082	1,030,589	2,135,671
Parks and recreation	-	-	640,026	640,026
Public safety	-	-	225,606	225,606
Committed:				
Contingencies and emergencies	3,800,000	-	-	3,800,000
Unassigned:	<u>12,523,623</u>	<u>-</u>	<u>-</u>	<u>12,523,623</u>
Total Fund Balances	<u>\$ 16,557,820</u>	<u>\$ 1,105,082</u>	<u>\$ 1,896,221</u>	<u>\$19,559,123</u>
Fund Balances:				
Nonspendable	\$ 234,197	\$ -	\$ -	\$ 234,197
Restricted	-	1,105,082	1,896,221	3,001,303
Committed	3,800,000	-	-	3,800,000
Unassigned	<u>12,523,623</u>	<u>-</u>	<u>-</u>	<u>12,523,623</u>
Total Fund Balances	<u>\$ 16,557,820</u>	<u>\$ 1,105,082</u>	<u>\$ 1,896,221</u>	<u>\$19,559,123</u>

**p. 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 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. For governmental activities, the net other postemployment benefit obligation typically will be liquidated by the general fund. The OPEB plan does not issue separate financial statements.

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

**q. 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 collectability 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.

**r. New Accounting Pronouncement Adopted**

At October 1, 2010, the Town adopted the provision of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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.

**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, 2011, the Town complied, in all material respects, with these revenue restrictions.

**Excesses of expenditures over appropriations**

For the fiscal year ended September 30, 2011, expenditures exceeded appropriations in the Capital Projects Fund - LBTB Park by \$3,315,673, the Capital Projects Fund by \$179,926 and the Public Works Fund by \$85,908. These overexpenditures were funded with intergovernmental revenues and transfers from other funds. In all three funds, this resulted solely from the timing of construction of multi-year projects and in no case resulted from a given project being over budget.

### 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, 2011, the Town had no investments.

### IV. RECEIVABLES/PAYABLES

#### Receivables

The Town's receivables at September 30, 2011 were as follows:

	<u>Taxes</u>	<u>Grants</u>	<u>Fees</u>	<u>Others</u>	<u>Totals</u>
General fund	\$ 935,615	\$ -	\$ -	\$ 65,222	\$ 1,000,837
Capital Projects Fund- LBTB Park	-	1,279,890	-	-	1,279,890
Non-major governmental funds	-	1,097,093	-	-	1,097,093
Stormwater fund	-	-	158,851	-	158,851
	<u>\$ 935,615</u>	<u>\$ 2,376,983</u>	<u>\$ 158,851</u>	<u>\$ 65,222</u>	<u>\$ 3,536,671</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, 2011 were as follows:

	<u>Vendors</u>	<u>Miami Dade County</u>	<u>Total</u>
General fund	\$ 600,156	\$ 2,032,664	\$ 2,632,820
Capital Projects Fund- LBTB Park	962,492	-	962,492
Non-major governmental funds	103,292	-	103,292
Stormwater fund	119,349	-	119,349
	<u>\$ 1,785,289</u>	<u>\$ 2,032,664</u>	<u>\$ 3,817,953</u>

## V. CAPITAL ASSETS

Capital asset activities for the fiscal year ended September 30, 2011 was as follows:

	<u>Balance</u> <u>October 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>September 30, 2011</u>
<b>Governmental activities:</b>					
Capital assets not being depreciated:					
Land	\$ 8,533,053	\$1,835,130	\$ -	\$ -	\$ 10,368,183
Construction in progress	<u>2,089,012</u>	<u>6,010,111</u>	-	<u>(788,148)</u>	<u>7,310,975</u>
Total capital assets not being depreciated	<u>10,622,065</u>	<u>7,845,241</u>	-	<u>(788,148)</u>	<u>17,679,158</u>
Capital assets being depreciated:					
Building	8,046,516	107,700	-	-	8,154,216
Roads and sidewalks	57,205,800	205,908	-	228,855	57,640,563
Improvements	2,895,519	2,101,822	-	441,321	5,438,662
Computer hardware and software	634,085	84,049	-	75,258	793,392
Property under capital lease	318,379	-	-	-	318,379
Furniture and equipment	<u>596,247</u>	<u>41,772</u>	-	<u>42,714</u>	<u>680,733</u>
Total capital assets being depreciated	<u>69,696,546</u>	<u>2,541,251</u>	-	<u>788,148</u>	<u>73,025,945</u>
Less accumulated depreciation for:					
Building	(305,318)	(404,714)	-	-	(710,032)
Roads and sidewalks	(28,292,403)	(1,319,780)	-	-	(29,612,183)
Improvements	(757,450)	(402,555)	-	-	(1,160,005)
Computer hardware and software	(339,177)	(151,012)	-	-	(490,189)
Property under capital lease	(267,877)	(39,185)	-	-	(307,062)
Furniture and equipment	<u>(262,000)</u>	<u>(134,366)</u>	-	-	<u>(396,366)</u>
Total accumulated depreciation	<u>(30,224,225)</u>	<u>(2,451,612)</u>	-	-	<u>(32,675,837)</u>
Total capital assets being depreciated, net	<u>39,472,321</u>	<u>89,639</u>	-	<u>788,148</u>	<u>40,350,108</u>
Governmental activities capital assets, net	<u>\$ 50,094,386</u>	<u>\$7,934,880</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,029,266</u>

	<u>Balance</u> <u>October 1, 2010</u> <u>as restated</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>September 30, 2011</u>
<b>Business-type activities:</b>					
Capital assets not being depreciated:					
Construction in progress	\$ 820,412	\$ -	\$ -	\$ (820,412)	\$ -
Total capital assets not being depreciated	<u>820,412</u>	-	-	<u>(820,412)</u>	<u>-</u>
Capital assets being depreciated:					
Property under capital lease	29,383	-	-	-	29,383
Infrastructure	<u>6,847,890</u>	<u>129,358</u>	-	<u>820,412</u>	<u>7,797,660</u>
Total capital assets being depreciated	<u>6,877,273</u>	<u>129,358</u>	-	<u>820,412</u>	<u>7,827,043</u>
Less accumulated depreciation for:					
Property under capital lease	(13,314)	(9,641)	-	-	(22,955)
Infrastructure	<u>(2,256,135)</u>	<u>(153,749)</u>	-	-	<u>(2,409,884)</u>
Total accumulated depreciation	<u>(2,269,449)</u>	<u>(163,390)</u>	-	-	<u>(2,432,839)</u>
Total capital assets being depreciated, net	<u>4,607,824</u>	<u>(34,032)</u>	-	<u>820,412</u>	<u>5,394,204</u>
Business-type activities capital assets, net	<u>\$ 5,428,236</u>	<u>\$ (34,032)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,394,204</u>

**V. CAPITAL ASSETS (Continued)**

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

General government	\$542,741
Public Safety	47,635
Community development	1,403,149
Culture and Recreation	<u>458,087</u>
Total depreciation expense – governmental activities	<u>\$2,451,612</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.

During the fiscal year the County refinanced the Public Service Tax Revenue Bonds, Series 1999 and 2002 with the Public Service Tax Refunding Bonds (UMSA), Series 2011. This resulted in a savings to the Town of approximately \$675,000.

Debt service requirements to maturity for the fiscal year ending September 30, 2011 are summarized as follows:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 69,495	\$ 75,325	\$ 144,820
2013	204,180	144,235	348,415
2014	212,380	136,606	348,986
2015	222,425	126,499	348,924
2016	231,445	116,821	348,266
2017-2021	1,295,190	436,453	1,731,643
2022-2026	1,180,800	164,508	1,345,308
2027	<u>146,575</u>	<u>7,329</u>	<u>153,904</u>
	<u>\$ 3,562,490</u>	<u>\$ 1,207,776</u>	<u>\$ 4,770,266</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, 2011 are summarized as follows:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 155,562	\$ 492,277	\$ 647,839
2013	637,531	475,716	1,113,247
2014	662,710	448,434	1,111,144
2015	688,884	420,074	1,108,958
2016	716,092	390,593	1,106,685
2017-2021	3,683,621	1,475,227	5,158,848
2022-2026	3,328,105	770,674	4,098,779
2027-2030	<u>2,852,617</u>	<u>174,702</u>	<u>3,027,319</u>
	<u>\$ 12,725,122</u>	<u>\$ 4,647,697</u>	<u>\$ 17,372,819</u>

**Stormwater Utility Revenue Bonds**

The Town is required to pay the County its pro rata share for the Stormwater Utility Revenue Bonds, Series 1999 and 2004 issued prior to the Town's incorporation. The payment for the fiscal year ended September 30, 2011 was \$80,197 and the balance of the remaining principal payments range from \$83,258 to \$185,640 through September 2029.

Debt service requirements to maturity for the fiscal year ending September 30, 2011 are summarized as follows:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 83,258	\$ 111,069	\$ 194,327
2013	86,445	107,844	194,289
2014	90,015	104,361	194,376
2015	93,968	100,327	194,295
2016	98,430	95,802	194,232
2016-2021	571,455	400,044	971,499
2021-2026	729,172	242,174	971,346
2027-2029	<u>530,910</u>	<u>51,863</u>	<u>582,773</u>
	<u>\$2,283,653</u>	<u>\$1,213,484</u>	<u>\$3,497,137</u>

**Revolving Line of Credit**

On September 23, 2011, 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, 2012). Monthly payments of interest are due on the outstanding principal balance at the Wall Street Journal Prime rate, but at no time the interest rate will fall below 3.25%. There are also quarterly fees equal to .4% on the average quarterly unused balance. At September 30, 2011, there were no amounts due under this line of credit.

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

**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:

	Governmental <u>Activities</u>	Business Type <u>Activities</u>
Furniture and equipment	\$ 103,363	\$ -
Vehicles	<u>215,016</u>	<u>29,383</u>
	\$ 318,379	\$ 29,383
Less accumulated depreciation	<u>(307,062)</u>	<u>(22,955)</u>
	<u>\$ 11,317</u>	<u>\$ 6,428</u>

Future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2011 are as follows:

<u>September 30,</u>	Governmental <u>Activities</u>	Business Type <u>Activities</u>
2012	<u>\$13,720</u>	<u>\$7,800</u>
Total	13,720	7,800
Less amount representing interest	<u>(576)</u>	<u>(356)</u>
	<u>\$13,144</u>	<u>\$7,444</u>

The following is a summary of changes in the long-term debt for the fiscal year ended September 30, 2011:

	Balance October 1, 2010, <u>as restated *</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, 2011	Due Within <u>One year</u>
<b><u>Governmental activities:</u></b>					
QNIP Bonds	\$ 4,016,565	\$ -	\$454,075	\$3,562,490	\$69,495
Notes payable	9,120,000	3,605,122	-	12,725,122	155,562
Capital leases	57,843	-	44,699	13,144	13,144
Compensated absences	104,883	82,050	78,724	108,209	60,528
Net OPEB Obligation	<u>18,000</u>	<u>9,000</u>	<u>-</u>	<u>27,000</u>	<u>-</u>
Total Governmental activities	<u>\$13,317,291</u>	<u>\$3,696,172</u>	<u>\$577,498</u>	<u>\$16,435,965</u>	<u>\$298,729</u>
<b><u>Business type activities:</u></b>					
Stormwater Utility Revenue					
Bonds	\$2,363,850	\$ -	\$ 80,197	\$2,283,653	\$ 83,258
Capital leases	<u>14,653</u>	<u>-</u>	<u>7,209</u>	<u>7,444</u>	<u>7,444</u>
Total Business type activities	<u>\$2,378,503</u>	<u>\$ -</u>	<u>\$ 87,406</u>	<u>\$2,291,097</u>	<u>\$ 90,702</u>

\* The business type activities were restated to record Town's pro-rata share of the stormwater utility revenue bonds.

Compensated absences and the net OPEB obligation are typically liquidated by the general fund for the governmental activities.

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

Interfund balances as of September 30, 2011, were as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ -	\$ 587,809
Capital Projects Fund- LBTB Park	-	16,762
Non-major governmental funds	842,355	962,430
Stormwater fund	<u>724,646</u>	<u>-</u>
	<u>\$ 1,567,001</u>	<u>\$ 1,567,001</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, 2011 was as follows:

	<u>Transfers In*</u>	<u>Transfers Out*</u>
General Fund	\$ 5,390	\$ 35,132
Non-major governmental funds	371,320	358,560
Stormwater fund	<u>16,982</u>	<u>-</u>
	<u>\$ 393,692</u>	<u>\$ 393,692</u>

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

- \$8,150 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.
- \$10,000 was transferred from the General Fund to the Bicycle Path (Special Revenue) Fund for the Town's match portion on a grant for development of a bicycle path master plan through September 30, 2011.
- \$16,982 was transferred from the General Fund to the Stormwater (Proprietary) Fund to record the activity related to the construction of stormwater drainage assets in the Stormwater (Proprietary) Fund through September 30, 2011.
- \$5,390 was transferred from the Special Revenue Fund to the General Fund to transfer police impact fees for use on eligible equipment purchases.
- \$205,908 was transferred from the Special Revenue Fund to the Public Works (Capital Projects) Fund to transfer gas taxes used for a roadway improvement project.
- \$7,006 was transferred from the Special Revenue Fund to the JPA (Old Cutler Road) Fund (Special Revenue) to transfer gas taxes used for a roadway improvement project.
- \$140,256 was transferred from the Special Revenue Fund to the Capital Projects Fund to transfer impact fees used for various parks projects.

**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 employee retirement plan, which covers substantially all of its full-time and part-time employees. The FRS Pension Plan is a defined benefit plan, qualified under section 401(a) of the Internal Revenue Code, with defined contribution options.

### VIII. FLORIDA RETIREMENT SYSTEM (Continued)

The Florida Legislature created a new defined contribution program that was added to the menu of choices available to FRS members beginning in June 2002. Formally created as the Public Employee Optional Retirement Program (PEORP), the FRS Investment Plan is available as an option for all current and future FRS members, including renewed members (FRS retirees who have returned to FRS employment). The FRS Investment Plan is a defined contribution plan where the contribution amount is fixed by a set percentage determined by law and the contribution is made to an individual account in each participant's name. With a defined contribution plan, in which the monthly contribution rate is fixed, the final benefit will be the total account value (contributions plus investment earnings less expenses and losses) distributed during retirement.

The 2011 Florida Legislative session passed Senate Bill 2100, making substantive changes to the FRS. The bill was signed into law effective July 1, 2011. The bill requires all FRS Investment and Pension Plan members to make 3% employee contributions on a pretax basis. Employees who are in the Deferred Retirement Option Program (DROP) are not required to pay employee contributions. The bill changes the annual interest rate of the DROP from 6.5% to 1.3% per year. Furthermore, the bill eliminates the cost-of-living adjustment (COLA) on FRS services earned on or after July 1, 2011. However, a reduced COLA will be calculated if a member's retirement or DROP participation date is effective on or after August 1, 2011.

Under the new bill, the Pension Plan's vesting requirement changes from 6 years to 8 years. For new employees initially enrolled in the Pension Plan on or after July 1, 2011, those members will be vested upon completion of 8 years of creditable services. For existing employees, vesting will remain at 6 years of creditable service.

The bill also changes the Pension Plan's normal retirement date. For all classes except for special risk, the age increases from 62 to 65 years of age, and the years of creditable service increases from 30 to 33 years. Upon vesting, those members are entitled to an annual retirement benefit payable monthly for life. The FRS also provides for early retirement at reduced benefits and death and disability benefits. These benefit provisions and all other requirements are established by State statute. 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.

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.

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>
2011	\$192,377
2010	\$216,761
2009	\$215,066

## VIII. FLORIDA RETIREMENT SYSTEM (Continued)

The FRS funding policy provides for monthly employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due based upon plan assumptions. Employer contribution rates are established by state law as a level percentage of payroll (Chapter 121.70 Florida Statutes). Employer contribution rates are determined using the entry-age actuarial cost method. The consulting actuary recommends rates based on the annual valuation, but actual contribution rates are established by the Florida Legislature. Pension costs for the Town ranged from 10.77% to 18.64% from October 1, 2010 thru June 30, 2011 and 4.91% to 11.14% from July 1, 2011 thru September 30, 2011, of gross salaries during the fiscal year.

A copy of the FRS' latest annual report can be obtained by contacting the Division of Retirement, Research and Education Section toll-free (877) 377-1737, or by visiting their website at:

[http://www.dms.myflorida.com/human\\_resource\\_support/retirement/publications/system\\_information/annual\\_reports](http://www.dms.myflorida.com/human_resource_support/retirement/publications/system_information/annual_reports)

## 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, 2011, the Town was a defendant in two claims/lawsuits. Although the outcomes of these claims/lawsuits are not presently determinable, in the opinion of the Town's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Town.

### Agreement with Miami-Dade County for Stormwater Utility Billing

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.

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

On May 4, 2010, the Town executed an agreement with Miami-Dade County for local police patrol services. Services to the Town under the contract commenced on August 20, 2009. 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 2011, approximately \$7,914,022 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-ratio 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>18,000</u>
Net OPEB obligation – end of year	<u>\$ 27,000</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, 2011	\$9,000	\$ 0	\$9,000
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	Actuarial	Unfunded			UAAL as a
Actuarial	Value of	Accrued	AAL	Funded	Covered	Percentage
Valuation	Assets	Liability	(UAAL)	Ratio	Payroll	of Covered
<u>Date</u>	<u>( a )</u>	<u>( b )</u>	<u>( b - a )</u>	<u>( a / b )</u>	<u>( c )</u>	<u>((b - a) / c)</u>
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 business type activities, as of October 1, 2010, were restated to correct the adjustments noted below:

Net assets – beginning as previously reported	\$ 1,820,978
Correction of capital assets – Infrastructure, net of accumulated depreciation	4,422,743
Correction of long term debt – Stormwater Utility Revenue Bonds	<u>(2,363,850)</u>
Net assets – beginning as restated	<u>\$ 3,879,871</u>

Adjustments to the capital assets and long term debt for the business type activities were due to the reporting of the stormwater infrastructure transferred by the County and the Town's pro-rata share of long term debt related to those infrastructure assets.

**XIII. SUBSEQUENT EVENTS**

**PTP Funding Agreement**

In February 2012, the Town entered into an Interlocal agreement with Miami-Dade County (the "County") to allow the Town to receive funds from the County Charter Transit System Surtax (the "Surtax"). This Surtax was authorized in 2002 and is shared by the County (80%) and the incorporated municipalities (20%).

Municipalities incorporated after enactment of the Surtax, including the Town, were excluded from the revenue sharing. However, the County entered into this Interlocal agreement with the Town which will provide funding to the Town from the County's share of the revenues until such time as a new Interlocal agreement is executed between the County and all of the participating municipalities.

### **XIII. SUBSEQUENT EVENTS (Continued)**

#### **PTP Funding Agreement (Continued)**

Pursuant to a "most favored nation" clause in the Town's agreement with the County, and as a result of the County's settlement with two other municipalities who filed law suits which resulted in more favorable terms, the Town is to receive not only payments for fiscal year 2012 and going forward, but also will receive a lump sum payment for estimated revenues from the prior two years. The lump sum payment for the prior two years is estimated to be approximately \$2.5 million and should be received by the Town in fiscal 2012.

The Surtax is restricted as to use and will be accounted for in a special revenue fund. On an annual basis, at least 20% of the surtax proceeds must be spent on transit related items. The remaining portion may be spent on transportation related items.

#### **School Board Agreement**

In May 2012, the Town entered into an Interlocal agreement with the Miami-Dade County School Board (the "School Board") to provide for the establishment of three choice academies of study at existing Town schools which will bring to the Town its first ever high school level curriculum. The programs include newly created studies based on a Cambridge Curriculum and an iPrep Academy, as well as an expansion of an existing Environmental Sciences magnet program.

The Town's contribution to the establishment of these programs is to provide funding to the School Board to assist in their creation and/or expansion. The upfront cost to the Town is estimated at \$2.75 million, \$2 million of which is a one-time initial capital investment for construction of facilities, \$450,000 is for the initial iPrep Academy cost, and \$300,000 is the initial investment for the Cambridge Curriculum.

The costs of the Cambridge Curriculum are subject to annual renewal and could exceed the \$300,000 initial cost if requested by the School Board and approved by the Town Council. The iPrep Academy contribution noted above is the Town's maximum contribution for the first three years. After the third year, contributions of up to \$150,000 may be requested for replacement of equipment.

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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, 2011**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive/(Negative)
<b>Revenues:</b>				
Property taxes	\$ 4,292,819	\$ 4,292,819	\$ 4,215,773	\$ (77,046)
Franchise fees	1,350,000	1,220,000	1,419,636	199,636
Utility taxes	1,890,000	2,090,000	2,412,904	322,904
Charges for services	160,000	160,000	408,889	248,889
Intergovernmental	4,834,730	5,134,730	5,386,442	251,712
Licenses and permits	830,000	1,045,000	972,479	(72,521)
Fines and forfeitures	200,000	200,000	272,599	72,599
Interest	50,000	50,000	55,831	5,831
Rental income	990,000	720,000	752,571	32,571
Miscellaneous	178,000	178,000	34,348	(143,652)
Total revenues	<u>14,775,549</u>	<u>15,090,549</u>	<u>15,931,472</u>	<u>840,923</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	1,476,096	3,536,096	3,207,166	328,930
Legislative	155,935	155,935	152,885	3,050
Town clerk	274,674	274,674	208,907	65,767
Finance	468,022	443,022	382,541	60,481
Town attorney	450,000	450,000	440,857	9,143
Town Hall building	990,000	3,090,000	2,519,023	570,977
Community development	1,216,834	1,381,834	1,192,226	189,608
Public works	841,558	741,558	638,756	102,802
Culture and recreation	1,335,150	1,335,150	1,213,068	122,082
Police services	<u>8,453,395</u>	<u>8,253,395</u>	<u>8,015,576</u>	<u>237,819</u>
Total expenditures	<u>15,661,664</u>	<u>19,661,664</u>	<u>17,971,005</u>	<u>1,690,659</u>
(Deficiency) Excess of revenues under expenditures before other financing sources (uses)	<u>(886,115)</u>	<u>(4,571,115)</u>	<u>(2,039,533)</u>	<u>2,531,582</u>
<b>Other financing sources (uses):</b>				
Appropriation of prior year fund balance	12,046,476	11,731,476	-	(11,731,476)
Contingency reserve	(3,800,000)	(3,800,000)	-	3,800,000
Insurance contingencies	(1,000,000)	(1,000,000)	-	1,000,000
Grant match reserve	(250,000)	(250,000)	-	250,000
Building capital reserve	(1,000,000)	(1,000,000)	-	1,000,000
Building operating reserve	(1,500,000)	(1,500,000)	-	1,500,000
Restricted building loan reserve	(2,800,000)	(2,800,000)	-	2,800,000
Other reserves	(125,361)	(125,361)	-	125,361
Revenue stabilization reserve	(225,000)	(225,000)	-	225,000
Tax equalization reserve	(225,000)	(225,000)	-	225,000
Transfers in	754,000	754,000	5,390	(748,610)
Transfers out	(989,000)	(989,000)	(35,132)	953,868
Issuance of debt	<u>-</u>	<u>4,000,000</u>	<u>3,605,122</u>	<u>(394,878)</u>
Total other financing sources	<u>886,115</u>	<u>4,571,115</u>	<u>3,575,380</u>	<u>(995,735)</u>
Net change in fund balance	-	-	1,535,847	<u>1,535,847</u>
Fund balances - Beginning	<u>-</u>	<u>-</u>	<u>15,021,973</u>	
Fund balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,557,820</u>	

See notes to budgetary comparison schedule

**TOWN OF CUTLER BAY, FLORIDA**  
**NOTES TO BUDGETARY COMPARISON SCHEDULE**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2011**

**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 resolutions - 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, 2011 were as follows:

In November 2011, the Town Council passed a budget amendment by resolution to increase the fiscal year 2011 budget amount for debt proceeds and capital outlay related to the Town's improvement of its Town Hall building (\$2 million) and the acquisition of the land parcel adjacent to Town Hall (\$2 million), to increase revenues for building permit activities (\$215,000), utility taxes (\$200,000), and intergovernmental revenues (\$300,000), offset by decreases to revenues from rental income (\$270,000) and franchise fees (\$130,000) and to appropriation of prior year fund balance (\$315,000). Additionally, the budget amendment provided for an increase to other contractual services for community development (\$200,000) with a corresponding decrease to professional services for public safety, an increase in professional services for the Town Hall building operations (\$100,000) offset by a decrease in professional services for public works, and an increase in debt service-interest for general government (\$60,000) offset by decreases in professional services in community development (\$35,000) and in software outlays in finance (\$25,000).
- 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, Federal Stimulus Fund, JPA (Old Cutler Road) Fund, JPA (Caribbean Blvd) Fund, Bicycle/Pedestrian Path Fund, Capital Projects Fund – LBTB Park, Capital Projects Fund, Public Works Fund and the Stormwater Fund have legally adopted budgets. 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, expenditures and changes in fund balance- budget vs. actual (governmental funds) or a schedule of revenues, expenses and changes in net assets- budget vs. actual (proprietary fund) in the combining financial statements section.

**Excesses of expenditures over appropriations**

For the fiscal year ended September 30, 2011, expenditures exceeded appropriations in the Capital Projects Fund - LBTB Park by \$3,315,673, the Capital Projects Fund by \$179,926 and the Public Works Fund by \$85,908. These overexpenditures were funded with intergovernmental revenues and transfers from other funds. In all three funds, this resulted solely from the timing of construction of multi-year projects and in no case resulted from a given project being over budget.

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## **COMBINING FINANCIAL STATEMENTS**

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## NON-MAJOR 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.

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

**Bicycle/Pedestrian Path Fund** – This fund was established to account for the revenues derived from Miami Dade County to be used specifically for development of a bicycle path master plan 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**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2011**

	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	JPA (Caribbean Blvd) Fund	Bicycle/ Pedestrian Path Fund	Capital Projects Fund	Public Works Fund	Nonmajor Governmental Funds
<b><u>ASSETS</u></b>										
Restricted cash and cash equivalents	\$ 1,021,699	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,021,699
Receivables	16,891	18,279	1,250	246,447	475,500	67,826	16,500	254,400	-	1,097,093
Other assets	-	796	-	-	-	-	-	-	-	796
Due from other funds	842,355	-	-	-	-	-	-	-	-	842,355
<b>Total assets</b>	<b>\$ 1,880,945</b>	<b>\$ 19,075</b>	<b>\$ 1,250</b>	<b>\$ 246,447</b>	<b>\$ 475,500</b>	<b>\$ 67,826</b>	<b>\$ 16,500</b>	<b>\$ 254,400</b>	<b>\$ -</b>	<b>\$ 2,961,943</b>
<b><u>LIABILITIES</u></b>										
Accounts payable	\$ -	\$ 2,853	\$ -	\$ -	\$ 30,113	\$ 67,826	\$ 2,500	\$ -	\$ -	\$ 103,292
Due to other funds	-	16,222	1,250	246,447	445,387	-	14,000	239,124	-	962,430
<b>Total liabilities</b>	<b>-</b>	<b>19,075</b>	<b>1,250</b>	<b>246,447</b>	<b>475,500</b>	<b>67,826</b>	<b>16,500</b>	<b>239,124</b>	<b>-</b>	<b>1,065,722</b>
<b><u>FUND BALANCES</u></b>										
Restricted	1,880,945	-	-	-	-	-	-	15,276	-	1,896,221
<b>Total fund balances</b>	<b>1,880,945</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,276</b>	<b>-</b>	<b>1,896,221</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,880,945</b>	<b>\$ 19,075</b>	<b>\$ 1,250</b>	<b>\$ 246,447</b>	<b>\$ 475,500</b>	<b>\$ 67,826</b>	<b>\$ 16,500</b>	<b>\$ 254,400</b>	<b>\$ -</b>	<b>\$ 2,961,943</b>

**TOWN OF CUTLER BAY, FLORIDA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	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	JPA (Caribbean Blvd) Fund	Bicycle/ Pedestrian Path Fund	Capital Projects Fund		Public Works Fund
Revenues:										
Intergovernmental	\$ 209,151	\$ 89,016	\$ -	\$ 238,705	\$ 23,106	\$ 67,826	\$ 40,000	\$ 532,170	\$ -	\$ 1,199,974
Impact fees	190,672	-	-	-	-	-	-	-	-	190,672
Interest	4,815	-	-	-	-	-	-	-	-	4,815
Total revenues	<u>404,638</u>	<u>89,016</u>	<u>-</u>	<u>238,705</u>	<u>23,106</u>	<u>67,826</u>	<u>40,000</u>	<u>532,170</u>	<u>-</u>	<u>1,395,461</u>
Expenditures:										
Current:										
General government	-	-	-	246,855	30,112	67,826	50,000	-	-	394,793
Parks and recreation	-	89,016	-	-	-	-	-	-	-	89,016
Capital outlay	-	-	-	-	-	-	-	672,426	205,908	878,334
Total expenditures	<u>-</u>	<u>89,016</u>	<u>-</u>	<u>246,855</u>	<u>30,112</u>	<u>67,826</u>	<u>50,000</u>	<u>672,426</u>	<u>205,908</u>	<u>1,362,143</u>
Excess (Deficiency) of revenues over expenditures and other financing sources (uses)	<u>404,638</u>	<u>-</u>	<u>-</u>	<u>(8,150)</u>	<u>(7,006)</u>	<u>-</u>	<u>(10,000)</u>	<u>(140,256)</u>	<u>(205,908)</u>	<u>33,318</u>
Other financing sources :										
Transfers in	-	-	-	8,150	7,006	-	10,000	140,256	205,908	371,320
Transfers out	(358,560)	-	-	-	-	-	-	-	-	(358,560)
Total other financing sources (uses)	<u>(358,560)</u>	<u>-</u>	<u>-</u>	<u>8,150</u>	<u>7,006</u>	<u>-</u>	<u>10,000</u>	<u>140,256</u>	<u>205,908</u>	<u>12,760</u>
Net change in fund balance	<u>46,078</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,078</u>
Fund balances, Beginning	<u>1,834,867</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,276</u>	<u>-</u>	<u>1,850,143</u>
Fund balances, Ending	<u>\$ 1,880,945</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,276</u>	<u>\$ -</u>	<u>\$ 1,896,221</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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 189,393	\$ 189,393	\$ 209,151	\$ 19,758
Impact fees	65,000	65,000	190,672	125,672
Interest	<u>3,300</u>	<u>3,300</u>	<u>4,815</u>	<u>1,515</u>
Total revenues	<u>257,693</u>	<u>257,693</u>	<u>404,638</u>	<u>146,945</u>
Other financing uses:				
Appropriation of prior year fund balance	1,435,603	1,435,603	-	(1,435,603)
Reserve for future police impact fees	(222,130)	(222,130)	-	222,130
Reserve for future park impact fees	(508,334)	(508,334)	-	508,334
Reserve for future public works projects	(20,332)	(20,332)	-	20,332
Reserve for future road impact fee projects	(45,000)	(45,000)	-	45,000
Reserve for future public buildings projects	(23,500)	(23,500)	-	23,500
Transfers out	<u>(874,000)</u>	<u>(874,000)</u>	<u>(358,560)</u>	<u>515,440</u>
Total other financing uses	<u>(257,693)</u>	<u>(257,693)</u>	<u>(358,560)</u>	<u>(100,867)</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>46,078</u>	<u>46,078</u>
Fund balances, Beginning	<u>-</u>	<u>-</u>	<u>1,834,867</u>	
Fund balances, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,880,945</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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 96,209	\$ 96,209	\$ 89,016	\$ (7,193)
Total revenues	<u>96,209</u>	<u>96,209</u>	<u>89,016</u>	<u>(7,193)</u>
Expenditures:				
Current:				
Parks and recreation	96,209	96,209	89,016	7,193
Total expenditures	<u>96,209</u>	<u>96,209</u>	<u>89,016</u>	<u>7,193</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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 418,028	\$ 418,028	\$ 238,705	\$ (179,323)
Total revenues	<u>418,028</u>	<u>418,028</u>	<u>238,705</u>	<u>(179,323)</u>
Expenditures:				
Current:				
General government	418,028	418,028	246,855	171,173
Total expenditures	<u>418,028</u>	<u>418,028</u>	<u>246,855</u>	<u>171,173</u>
Deficiency of revenues under expenditures and other financing sources	<u>-</u>	<u>-</u>	<u>(8,150)</u>	<u>(8,150)</u>
Other financing sources:				
Transfers in	<u>-</u>	<u>-</u>	<u>8,150</u>	<u>8,150</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>8,150</u>	<u>8,150</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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 4,250,000	\$ 4,250,000	\$ 23,106	\$ (4,226,894)
Total revenues	<u>4,250,000</u>	<u>4,250,000</u>	<u>23,106</u>	<u>(4,226,894)</u>
Expenditures:				
Current:				
General government	4,481,000	4,481,000	30,112	4,450,888
Total expenditures	<u>4,481,000</u>	<u>4,481,000</u>	<u>30,112</u>	<u>4,450,888</u>
Deficiency of revenues under expenditures and other financing sources	<u>(231,000)</u>	<u>(231,000)</u>	<u>(7,006)</u>	<u>223,994</u>
Other financing sources:				
Transfers in	<u>231,000</u>	<u>231,000</u>	<u>7,006</u>	<u>(223,994)</u>
Total other financing sources	<u>231,000</u>	<u>231,000</u>	<u>7,006</u>	<u>(223,994)</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 (Caribbean Blvd) FUND**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 2,695,546	\$ 2,695,546	\$ 67,826	\$ (2,627,720)
Total revenues	<u>2,695,546</u>	<u>2,695,546</u>	<u>67,826</u>	<u>(2,627,720)</u>
Expenditures:				
Current:				
General government	2,843,546	2,843,546	67,826	2,775,720
Total expenditures	<u>2,843,546</u>	<u>2,843,546</u>	<u>67,826</u>	<u>2,775,720</u>
Deficiency of revenues under expenditures and other financing sources	<u>(148,000)</u>	<u>(148,000)</u>	-	<u>148,000</u>
Other financing sources:				
Transfers in	148,000	148,000	-	(148,000)
Total other financing sources	<u>148,000</u>	<u>148,000</u>	-	<u>(148,000)</u>
Net change in fund balance	-	-	-	-
Fund balances, Beginning	-	-	-	
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 - BICYCLE/PEDESTRIAN PATH FUND**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 40,000	\$ 40,000	\$ 40,000	\$ -
Total revenues	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>-</u>
Expenditures:				
Current:				
General government	50,000	50,000	50,000	-
Total expenditures	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Deficiency of revenues under expenditures and other financing sources	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
Other financing sources:				
Transfers in	10,000	10,000	10,000	-
Total other financing sources	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</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 (LBTB PARK)**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 742,500	\$ 742,500	\$ 5,017,500	\$ 4,275,000
Interest	<u>9,000</u>	<u>9,000</u>	<u>3,061</u>	<u>(5,939)</u>
Total revenues	<u>751,500</u>	<u>751,500</u>	<u>5,020,561</u>	<u>4,269,061</u>
Expenditures:				
Current:				
Parks and recreation	<u>3,116,000</u>	<u>3,116,000</u>	<u>6,431,673</u>	<u>(3,315,673)</u>
Total expenditures	<u>3,116,000</u>	<u>3,116,000</u>	<u>6,431,673</u>	<u>(3,315,673)</u>
Deficiency of revenues under expenditures and other financing sources	<u>(2,364,500)</u>	<u>(2,364,500)</u>	<u>(1,411,112)</u>	<u>953,388</u>
Other financing sources:				
Appropriation of prior year fund balance	2,364,500	2,364,500	-	(2,364,500)
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>2,364,500</u>	<u>2,364,500</u>	<u>-</u>	<u>(2,364,500)</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>(1,411,112)</u>	<u>(1,411,112)</u>
Fund balances, Beginning	<u>-</u>	<u>-</u>	<u>2,516,194</u>	
Fund balances, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,105,082</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, 2011**

	<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	\$ 492,500	\$ 492,500	\$ 532,170	\$ 39,670
Total revenues	<u>492,500</u>	<u>492,500</u>	<u>532,170</u>	<u>39,670</u>
Expenditures:				
Current:				
Parks and recreation	<u>492,500</u>	<u>492,500</u>	<u>672,426</u>	<u>(179,926)</u>
Total expenditures	<u>492,500</u>	<u>492,500</u>	<u>672,426</u>	<u>(179,926)</u>
Deficiency of revenues under expenditures and other financing sources	<u>-</u>	<u>-</u>	<u>(140,256)</u>	<u>(140,256)</u>
Other financing sources:				
Appropriation of prior year fund balance	15,276	15,276	-	(15,276)
Reserve for future park projects	(15,276)	(15,276)	-	15,276
Transfers in	<u>-</u>	<u>-</u>	<u>140,256</u>	<u>140,256</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>140,256</u>	<u>140,256</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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Expenditures:				
Current:				
Community development	\$ 120,000	\$ 120,000	\$ 205,908	\$ (85,908)
Total expenditures	<u>120,000</u>	<u>120,000</u>	<u>205,908</u>	<u>(85,908)</u>
Deficiency of revenues under expenditures and other financing sources	<u>(120,000)</u>	<u>(120,000)</u>	<u>(205,908)</u>	<u>(85,908)</u>
Other financing sources:				
Transfers in	<u>120,000</u>	<u>120,000</u>	<u>205,908</u>	<u>85,908</u>
Total other financing sources	<u>120,000</u>	<u>120,000</u>	<u>205,908</u>	<u>85,908</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, 2011**

	<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	\$ 1,000,000	\$ 1,000,000	\$ 988,796	\$ (11,204)
Total operating revenues	<u>1,000,000</u>	<u>1,000,000</u>	<u>988,796</u>	<u>(11,204)</u>
Operating expenses:				
Operations and maintenance	1,226,418	1,226,418	1,119,869	106,549
Total operating expenses	<u>1,226,418</u>	<u>1,226,418</u>	<u>1,119,869</u>	<u>106,549</u>
Operating loss	<u>(226,418)</u>	<u>(226,418)</u>	<u>(131,073)</u>	<u>95,345</u>
Non-operating revenues:				
Interest income	-	-	1,514	1,514
Capital contributions	-	-	100,812	100,812
Transfers in	-	-	16,982	16,982
Changes in net assets	<u>(226,418)</u>	<u>(226,418)</u>	<u>(11,765)</u>	<u>214,653</u>
Net assets- Beginning	<u>722,324</u>	<u>722,324</u>	<u>3,879,871</u>	
Net assets- Ending	<u>\$ 495,906</u>	<u>\$ 495,906</u>	<u>\$ 3,868,106</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>Contents</u>	<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>55-58</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>59-63</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>64-65</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>66-67</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>68-70</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	2011
Governmental activities:						
Invested in capital assets, net of related debt	\$ 73,058	\$ 9,479,324	\$ 40,987,278	\$ 36,283,066	36,899,978	41,728,510
Restricted	994,197	1,355,365	2,030,550	1,887,878	4,366,337	3,001,303
Unrestricted	1,374,021	4,603,866	8,890,979	12,283,344	14,899,090	16,400,954
Total governmental activities net assets	<u>\$ 2,441,276</u>	<u>\$ 15,438,555</u>	<u>\$ 51,908,807</u>	<u>\$ 50,454,288</u>	<u>\$ 56,165,405</u>	<u>\$ 61,130,767</u>
Business-type activities:						
Invested in capital assets, net of related debt	\$ -	-	\$ -	\$ 235,923	3,049,733	3,103,107
Restricted	-	-	-	-	-	-
Unrestricted	-	-	84,567	486,401	830,138	764,999
Total business-type activities net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,567</u>	<u>\$ 722,324</u>	<u>\$ 3,879,871</u>	<u>\$ 3,868,106</u>
Primary government:						
Invested in capital assets, net of related debt	\$ 73,058	\$ 9,479,324	\$ 40,987,278	\$ 36,518,989	\$ 39,949,711	\$ 44,831,617
Restricted	994,197	1,355,365	2,030,550	1,887,878	4,366,337	3,001,303
Unrestricted	1,374,021	4,603,866	8,975,546	12,769,745	15,729,228	17,165,953
Total primary government net assets	<u>\$ 2,441,276</u>	<u>\$ 15,438,555</u>	<u>\$ 51,993,374</u>	<u>\$ 51,176,612</u>	<u>\$ 60,045,276</u>	<u>\$ 64,998,873</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 Net Assets  
Last Ten Fiscal Years (1)  
(accrual basis of accounting)

	Fiscal Year					
	2006	2007	2008	2009	2010	2011
<b>EXPENSES</b>						
Governmental activities:						
General government	\$ 2,266,246	\$ 2,852,271	\$ 3,436,645	\$ 3,565,748	\$ 4,256,359	\$ 4,604,808
Public safety	5,363,660	6,249,705	6,871,073	7,890,206	7,490,653	8,055,192
Community development	70,757	1,211,490	1,957,968	2,898,067	2,859,147	2,568,161
Parks and recreation	652,494	931,051	1,438,346	1,576,740	1,624,291	1,729,029
Interest on long-term debt	906	4,570	7,199	6,087	300,708	678,969
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>	<u>17,636,160</u>
Business-type activities:						
Stormwater	-	-	67,384	584,976	659,486	1,119,869
Total business-type activities	<u>-</u>	<u>-</u>	<u>67,384</u>	<u>584,976</u>	<u>659,486</u>	<u>1,119,869</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>	<u>18,756,029</u>
<b>PROGRAM REVENUES</b>						
Governmental activities:						
Charges for services:						
General government	140,310	10,914	39,737	139,451	548,152	868,797
Public safety	144,735	348,726	443,701	395,610	519,974	444,159
Community development	-	833,563	792,172	723,271	1,050,184	1,004,857
Parks and recreation	555,857	221,865	136,593	140,853	3,631,061	306,739
Operating grants and contributions	349,393	586,295	249,051	384,452	1,238,145	465,658
Capital grants and contributions	137,881	9,319,655	32,573,921	715,331	787,789	5,758,822
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>	<u>8,849,032</u>
Business-type activities:						
Charges for services:						
Stormwater	-	-	150,693	986,119	981,683	988,796
Capital grants and contributions	-	-	-	150,456	364,570	100,812
Total business-type activities program revenues	<u>-</u>	<u>-</u>	<u>150,693</u>	<u>1,136,575</u>	<u>1,346,253</u>	<u>1,089,608</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>	<u>9,938,640</u>
Net revenue (expense):						
Governmental activities	(7,025,887)	71,931	20,523,944	(13,437,880)	(8,755,854)	(8,787,128)
Business-type activities	-	-	83,309	551,599	686,767	(30,261)
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>	<u>(8,817,389)</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	4,215,773
Utility taxes	1,288,432	1,836,054	2,155,040	2,186,688	2,379,305	2,412,904
Franchise fees based on gross receipts	960,000	1,373,216	1,636,231	1,791,088	1,864,675	1,419,636
Unrestricted intergovernmental revenue	3,581,552	4,118,670	5,123,456	5,463,037	5,074,418	5,386,442
Unrestricted interest earnings	43,806	237,033	305,716	197,380	108,463	63,707
Miscellaneous revenues	2,014	24,597	58,801	19,194	-	271,010
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>	<u>13,769,472</u>
Business-type activities:						
Interest earnings	-	-	1,258	4,820	3,227	1,514
Total business-type activities	<u>-</u>	<u>-</u>	<u>1,258</u>	<u>4,820</u>	<u>3,227</u>	<u>1,514</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>	<u>13,770,986</u>
<b>Transfers</b>						
Governmental activities	-	-	-	(81,338)	(408,660)	(16,982)
Business-type activities	-	-	-	81,338	408,660	16,982
Total primary government	<u>-</u>	<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>	<u>\$ 4,965,362</u>
Business-type activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,567</u>	<u>\$ 637,757</u>	<u>\$ 1,098,654</u>	<u>\$ (11,765)</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>	<u>\$ 4,953,597</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	2011
General Fund						
Nonspendable	\$ 38,033	\$ 257,118	\$ 289,207	\$ 271,536	\$ 318,729	\$ 234,197
Restricted	-	-	-	-	-	-
Committed	-	1,000,000	3,000,000	3,690,000	3,800,000	3,800,000
Unassigned	1,326,292	3,406,217	5,669,213	8,423,267	10,903,244	12,523,623
Total general fund	<u>\$ 1,364,325</u>	<u>\$ 4,663,335</u>	<u>\$ 8,958,420</u>	<u>\$ 12,384,803</u>	<u>\$ 15,021,973</u>	<u>\$ 16,557,820</u>
All other governmental funds						
Restricted	\$ 994,197	\$ 1,353,855	\$ 2,030,550	\$ 1,887,878	\$ 4,366,337	\$ 3,001,303
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>	<u>\$ 3,001,303</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) - The fiscal years prior to September 30, 2011 have been restated for comparative purposes to reflect the presentation mandated by GASB Statement No. 54 that was adopted in 2011.

**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	2011
<b>REVENUES</b>						
Ad valorem taxes	\$ 3,591,359	\$ 5,335,778	\$ 6,667,064	\$ 6,599,152	\$ 5,448,770	4,215,773
Licenses, permits and fines	127,260	1,065,638	1,117,357	1,023,098	1,308,923	972,479
Utility taxes	1,288,432	1,836,054	2,155,040	2,186,688	2,379,305	2,412,904
Franchise fees	960,000	1,373,216	1,636,231	1,791,088	1,864,675	1,419,636
Intergovernmental revenue	4,058,570	4,915,333	5,980,712	6,516,513	6,751,576	11,603,916
Charges for services	700,592	349,430	311,519	376,087	3,987,314	408,889
Interest and other	44,826	261,630	364,517	262,881	565,096	1,313,897
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>	<u>22,347,494</u>
<b>EXPENDITURES</b>						
Current:						
General government	2,245,553	2,748,244	3,294,772	3,415,710	4,463,461	3,606,047
Public safety	5,363,617	6,224,741	6,815,994	7,837,236	7,440,693	8,007,537
Community development	70,757	1,185,763	1,509,035	1,448,464	1,418,418	1,163,575
Parks and recreation	652,494	915,464	1,181,067	1,292,713	1,246,524	1,270,547
Capital outlay	141,934	494,454	438,337	1,364,026	10,797,042	10,832,039
Debt service:						
Principal	7,384	44,835	71,113	77,956	234,524	227,764
Interest	906	4,570	7,199	6,087	300,708	657,312
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>	<u>25,764,821</u>
Excess (deficiency) of revenues over expenditures	2,288,394	3,519,008	4,914,923	3,313,315	(3,595,711)	(3,417,327)
Other financing sources (uses):						
Capital lease proceeds	70,128	121,537	74,980	51,734	-	-
Transfers	-	-	-	(81,338)	(408,660)	(16,982)
Debt proceeds	-	-	-	-	9,120,000	3,605,122
Total other financing sources (uses)	<u>70,128</u>	<u>121,537</u>	<u>74,980</u>	<u>(29,604)</u>	<u>8,711,340</u>	<u>3,588,140</u>
<b>Net change in fund balances</b>	<u>2,358,522</u>	<u>3,640,545</u>	<u>4,989,903</u>	<u>3,283,711</u>	<u>5,115,629</u>	<u>170,813</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>	<u>5.9%</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
2011	\$ 4,215,773	\$ 2,412,904	\$ 11,603,916	\$ 1,419,636	\$ 19,652,229

(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%
2011	\$ 1,220,537	\$ 446,953	\$ 67,175	\$ 1,734,665	2.5888	\$ 2,532,903	68.49%

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	2.6510	0.4860	8.1050	1.1578	20.7468
2008	2.4470	2.4470	4.5796	0.2850	2.2487	0.3842	7.9480	1.0808	18.9733
2009	2.4470	2.4470	4.8379	0.2850	2.2271	0.3822	7.7970	1.0797	19.0559
2010	2.5888	2.5888	4.8379	0.2850	2.2271	0.3822	7.9950	1.1585	19.4745
2011	2.5888	2.5888	5.4275	0.4450	2.5953	0.2840	8.2490	1.1585	20.7481

(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)

2011			2007		
Taxpayer	Assessed Valuation	Percentage Total Assessed Valuation	Taxpayer	Assessed Valuation	Percentage Total Assessed Valuation
SOUTHLAND MALL PROPERTIES LLC	\$ 79,822	4.6%	SOUTHLAND MALL PROPERTIES LLC	40,283	1.8%
WRI TC S DADE SHOPPING CENTER LLC	29,728	1.7%	WRI TC S DADE SHOPPING CENTER LLC	22,400	1.0%
BILL USSERY MOTORS OF CUTLER BAY	22,766	1.3%	FLORIDA POWER AND LIGHT	14,172	0.6%
FLORIDA POWER AND LIGHT	22,464	1.3%	EQUITY ONE INC	13,038	0.6%
EQUITY ONE INC	17,301	1.0%	LENNAR HOMES INC	12,468	0.6%
PRIDE HOMES	15,491	0.9%	A&E PARTNERS HOLDING LLC	10,320	0.5%
OLD CUTLER TOWNE CENTER	12,012	0.7%	HEALTH CARE FUND	9,222	0.4%
A&E PARTNERS HOLDING LLC	11,000	0.6%	SEARS ROEBUCK & CO	9,900	0.4%
HEALTHSOUTH CORPORATION	10,867	0.6%	HOMESTAR AT CUTLER BAY PALMS LLC	8,755	0.4%
QUAIL ROOST INVESTORS JOINT VENTURE	10,423	0.6%	ALL STORES REALTY CORP	8,200	0.4%
	<u>\$ 231,874</u>	<u>13.4%</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 Collections  
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	\$ 5,282,098	90.9%	\$ 166,672	\$ 5,448,770	93.8%
2011	\$ 4,490,701	\$ 4,139,724	92.2%	\$ 76,049	\$ 4,215,773	93.9%

(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					Total Primary Government	Percentage of Personal Income (2)	Per Capita (2)
	Interlocal Debt	Notes Payable	Capital Leases	Interlocal Debt	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	\$ 2,363,850	\$ 14,653	\$ 15,572,911	1.803%	\$ 378.04
2011	\$ 3,562,490	\$ 12,725,122	\$ 13,144	\$ 2,283,653	\$ 7,444	\$ 18,591,853	n/a	\$ 461.50

(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, 2011  
(amounts expressed in thousands)

Jurisdiction	Net Debt Outstanding	Estimated Percentage Applicable (1)	Amount Applicable to Cutler Bay
Miami-Dade County Schools (2)	\$ 563,056	0.90%	\$ 5,075
Miami-Dade County (3)	<u>1,000,133</u>	0.90%	<u>9,014</u>
Subtotal overlapping debt	1,563,189		14,089
Town of Cutler Bay direct debt	<u>16,301</u>	100.00%	<u>16,301</u>
Total direct and overlapping debt	<u>\$ 1,579,490</u>		<u>\$ 30,390</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	4.3%
2007	40,468	\$ 1,431,272	\$ 35,368	4.5%
2008	41,300	\$ 1,482,133	\$ 35,887	7.2%
2009	41,579	\$ 1,511,687	\$ 36,357	11.9%
2010	41,194	\$ 863,838	\$ 20,970	12.6%
2011	40,286	n/a	n/a	10.8%

(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) Bureau of Labor Statistics, Miami-Miami Beach-Kendall, FL Metropolitan Division.

n/a Data not available.

**TOWN OF CUTLER BAY, FLORIDA**

Principal Employers  
Current Year and Five Years Ago (1)

2011			2007		
Employer	Employees	Percentage of Total	Employer	Employees	Percentage of Total
PRC, INC	1,537	45.6%	PRC, INC	1,537	54.4%
PUBLIX SUPERMARKETS	306	9.1%	PUBLIX SUPERMARKETS	291	10.3%
EAST RIDGE RETIREMENT VILLAGE	267	7.9%	SEARS ROEBUCK & CO	265	9.4%
HEALTH SOUTH	180	5.3%	SOUTHLAND MALL	16	0.6%
JC PENNEY	121	3.6%	JC PENNEY	114	4.0%
BEST BUY	103	3.1%	MACY'S	99	3.5%
SEARS ROEBUCK & CO	101	3.0%	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	97	2.9%	TOWN OF CUTLER BAY	42	1.5%
SOUTHLAND MALL 16	80	2.4%	WILLIAMSON SATURN	40	1.4%
CAC FLORIDA MEDICAL	59	1.7%	OLD NAVY	35	1.2%
TOWN OF CUTLER BAY	49	1.5%	HAIR EGO	14	0.5%
PETERSON'S HARLEY-DAVIDSON	43	1.3%	BED, BATH & BEYOND	24	0.9%
TOYS R US	42	1.2%	JO ANN FABRIC & CRAFTS	30	1.1%
ROSS STORES	40	1.2%	CHARLOTTE RUSSE	21	0.7%
OLD NAVY	40	1.2%	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	25	0.7%	BERLO INDUSTRY	13	0.5%
PETCO	15	0.4%			
BED, BATH & BEYOND	13	0.4%			
CHARLOTTE RUSSE	3	0.1%			
	<u>3,373</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	2011
Legislative	5	5	5	5	5	5
Clerk	1	1	1	2	1	2
General government	3	6	7	7	7	7
Community Development	-	5	9	9	8	7
Public Works	-	5	5	4	5	5
Parks	-	13	14	14	16	14
Public Safety:						
Police	n/a (2)	n/a (2)	n/a (2)	n/a (2)	n/a (2)	n/a (2)
Civilian administrative staff	-	1	1	1	1	1
	<u>9</u>	<u>36</u>	<u>42</u>	<u>42</u>	<u>43</u>	<u>41</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	2011
<b>Public Safety</b>						
Police:						
Number of emergency calls for service	708	1,157	1,285	1,195	1,162	991
Number of priority calls for service	n/a	1,120	1,195	1,031	933	874
Number of non-emergency calls for service	7,381	21,118	23,922	16,744	23,775	15,942
Number of arrests	455	1324	1,212	1,063	1,141	1,081
Number of sworn personnel	36	44	46	51	50	51
Building and Zoning:						
Number of building permits issued	n/a (2)	2297	2,176	1,854	3,121	2,669
Number of certificates of use issued	n/a (2)	185	152	147	57	124
Number of occupational licenses issued	n/a (2)	605	787	812	813	794
<b>Culture and Recreation</b>						
Number of parks	n/a (2)	7	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	2011
<b>Culture and Recreation</b>						
Parks	n/a (2)	7	7	7	7	7
Swimming pools	n/a (2)	1	1	1	1	1
Tennis courts	n/a (2)	3	3	3	3	5
Playgrounds	n/a (2)	3	3	3	3	4
Soccer/Football/Lacrosse fields	n/a (2)	2	2	3	3	3
Baseball fields	n/a (2)	3	3	3	3	3
Picnic shelters	n/a (2)	1	1	2	2	3
<b>Public Works</b>						
Streets (length in feet)	n/a (3)	n/a (3)	472,102	472,102	472,102	472,102
Sidewalks (area in square feet)	n/a (3)	n/a (3)	267,325	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 and Public Works departments.

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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, 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, 2011, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated May 29, 2012. 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 opinions 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 Council and management, the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

*Alberni Caballero & Company, LLP*

Alberni Caballero & Company, LLP  
Coral Gables, Florida  
May 29, 2012



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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, 2011, and have issued our report thereon dated May 29, 2012.

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. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters and the Schedule of Findings and Responses. Disclosures in that report and schedule, which are dated May 29, 2012, 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 auditor's 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. Corrective actions have been taken to address the recommendation 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. In connection with our audit, we have no recommendations for the fiscal year ended September 30, 2011.
- ❖ 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 occurred, or are likely to have occurred, 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, 2011, was filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2011. In connection with our audit, we determined that these two reports were in agreement.
- ❖ Pursuant to Sections 10.554(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial assessment procedures. It is management's responsibility to monitor the Town of Cutler Bay'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 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*

Alberni Caballero & Company, LLP  
Coral Gables, Florida  
May 29, 2012

**TOWN OF CUTLER BAY, FLORIDA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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

NONE

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

NONE

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

NONE

**SECTION IV – PRIOR 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.

**Current Year Status:**

During 2011 the Town implemented GASB 54. **This recommendation has been addressed and will not be repeated**