

# TOWN OF CUTLER BAY, FLORIDA



Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2012

**TOWN OF CUTLER BAY, FLORIDA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

PREPARED BY: ROBERT DADDARIO, CPA  
FINANCE DIRECTOR

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## TOWN OF CUTLER BAY, FLORIDA

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## INTRODUCTORY SECTION

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April 12, 2013

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, 2012, 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 Alberni, 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. The budget is legally enacted prior to October 1st by adoption of a Resolution with a vote that conforms to State guidelines. 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.

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 June 29, 2012, the certified taxable value of property within the Town decreased 39.4% 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 2012 certified tax roll issued by the County Property Appraiser in June 2012, used for ad valorem purposes for fiscal year 2013, reflected a decline of only 1.7% in the taxable value of property within the Town versus the certified tax roll for 2011 (used for ad valorem purposes in fiscal year 2012). The Town has seen encouraging signs in building activity and new development within the Town in fiscal years 2012 and 2013. While the area recovers from the economic downturn, 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 continues to pursue 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. Two roadway projects, pursuant to a "Joint Project Agreement" (i.e., JPA) with the County, in which the County agreed to provide funding (approximately \$18 million) to the Town for specified road improvement projects within the Town's boundaries, are currently ongoing.

The JPA project is divided into two roadway projects, one for Old Cutler Road (a designated historic road that passes through town) and one for Caribbean Boulevard which is a main roadway that runs through the heart of town. The planning and engineering phase related to the Old Cutler Road portion of the project was essentially completed in fiscal year 2010. In fiscal year 2012, substantial construction of the Old Cutler Road roadway improvement project took place and the project should be completed by December 2013. In addition, in fiscal year 2012 planning and engineering of the Caribbean Boulevard roadway project continued and construction is scheduled to commence in the summer of 2013. These two roadway projects will favorably impact the image of the Town and provide much needed roadway enhancements.

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 (also known as the "PTP surtax"). This PTP 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 PTP surtax, the County had not previously included the Town in the distribution of the funds raised by the PTP 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 between \$1.1 million to \$1.5 million annually), but it also received two lump sum payments for estimated revenues from the prior two years, totaling approximately \$2.5 million. On an annual basis, at least 20% of the PTP surtax proceeds must be spent on transit related items. The remaining portion may be spent on transportation related items.

In fiscal year 2012, the Town has begun to use these PTP surtax funds to provide enhancements in the Town. From the transportation portion of the PTP surtax funds, the Town spent approximately \$266,000 on roadway resurfacing projects on Town owned roads. These resurfacing projects are continuing in fiscal year 2013. In September 2012, the Town commenced operation of a municipal circulator bus service within the Town's boundaries using the transit portion of the PTP surtax. Pursuant to an Interlocal agreement with the County, the County acquired a dedicated circulator bus on the Town's behalf using Federal stimulus funds and the County is operating and maintaining the circulator bus on the Town's behalf on a contractual basis. The charge by the County is being paid with the transit portion of the PTP surtax. The circulator currently operates on a fixed route three times per week and the Town has the ability to revise the schedule and/or operation as needed (subject to available funds).





During fiscal year 2008, the Town commenced its stormwater utility operation after assuming that function from the County in the final quarter of that fiscal year. Since then, the Town has completed approximately \$1.1 million of stormwater drainage improvements. In fiscal year 2012, a developer contributed approximately \$291,000 to the Town for a drainage project on SW 97<sup>th</sup> Avenue. This project commenced, and will be completed in, fiscal year 2013. These drainage projects, which were funded by a combination of grants and Town match funds and private contributions, will benefit the local area homeowners as they will help alleviate some of the known flood drainage issues in the area.

The Town's recreation infrastructure and facilities are aging and need renovation and/or replacement. Following its parks master plan, the Town completed approximately \$2.5 million in park improvements in fiscal years 2009 through 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 \$9 million (including the cost of the aforementioned land parcel). 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 funds. In fiscal year 2012, the Town added playground equipment for children at this park which included safety surfacing and a shade structure.

The Town is currently in negotiation with the County for the transfer of additional, smaller, park land parcels. These could be transferred to the Town in fiscal year 2013 if negotiations are successful and would be passive park(s).

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 \$1.7 million through fiscal year 2012. It is anticipated that the building improvements will be completed in 2013.

In December 2010, the Town acquired the land parcel adjacent to the new Town Hall Building property for approximately \$1.9 million. This acquisition was financed by the same lender which provided the financing for the Town Hall building acquisition and improvements. In fiscal year 2012, the Town completed the improvements to this parcel, at a cost of approximately \$265,000, to enable it 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.

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 brought to the Town its first ever high school level curriculum. The programs are based on the Cambridge program and focus on an existing Environmental Sciences magnet program (COAST) that will be expanded through grade 12, an iPrep Academy program, and a Liberal Arts program.





The Town's contribution to the establishment of these programs was to provide funding to the School Board to assist in their creation and/or expansion. The upfront cost to the Town was \$2.75 million, \$2 million of which was a one-time initial capital investment for construction of facilities, \$450,000 was for the initial iPrep Academy cost, and \$300,000 was 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 of the program. After the third year, contributions of up to \$150,000 a year may be requested for replacement of equipment, subject to approval by the Town Council.

The Town is required to pay the County its pro rata share for the Public Service Tax Revenue Bonds (i.e., the QNIP bonds) issued or authorized prior to the Town's incorporation. The payments for the fiscal year ended September 30, 2012 and 2011 were approximately \$144,800 and \$381,500, respectively. As a result of the timing of the County's refinancing of the debt, the payment for fiscal year 2012 was lower than it normally would be, but is anticipated to approximate \$350,000 in the year thereafter. The Town's pro rata share of the debt was calculated and recorded in fiscal year 2010.

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

The Town Council and Town Manager of the Town are fully charged with the security of the Town's funds and assets with the goal of maximizing return on surplus or idle cash. Cash management policies are clearly identified in the adopted budget documents 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 qualified public depositories. 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 2012, the Town earned \$66,000 in investment income, as compared to \$65,000 earned in fiscal year 2011. The level of investment income is directly related to the sharp decline in interest rates during the past few years. The low interest rate environment is expected to continue into fiscal year 2013.

The Town Council and Town management closely monitor the resources available to the Town and its use. At September 30, 2012, the total fund balance of the General Fund is approximately \$18 million, an increase of approximately \$1.4 million from September 30, 2011. This total fund balance represents approximately 99% of total fiscal year 2012 general fund expenditures (and represents approximately 107% of fiscal year 2012 general fund expenditures excluding debt service and capital outlay).

Of that \$18 million total General Fund fund balance, approximately \$11.8 million is classified as "unassigned" fund balance which is available for future appropriation by the Town Council for purposes it deems appropriate. This unassigned fund balance level represents approximately 65% of total fiscal year 2012 general fund expenditures (and represents approximately 70% of fiscal year 2012 general fund expenditures excluding debt service and capital outlay). Approximately \$5.86 million, or 33%, of the





General Fund's total fund balance is classified as "assigned" fund balance as it is intended to be used for specified purposes. 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, 2011. 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, 2012 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,

Rafael Casals, Town Manager

Robert Daddario, Finance Director



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Cutler Bay,  
Florida

For its Comprehensive Annual  
Financial Report

for the Fiscal Year Ended  
September 30, 2011

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." followed by a long horizontal flourish.

President

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director

**TOWN OF CUTLER BAY, FLORIDA**

**List of Elected Town Officials**

**September 30, 2012**

**Council-Manager Form of Government**

**TOWN COUNCIL**

**Edward MacDougall, Mayor**

**Ernest Sochin, Vice Mayor**

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

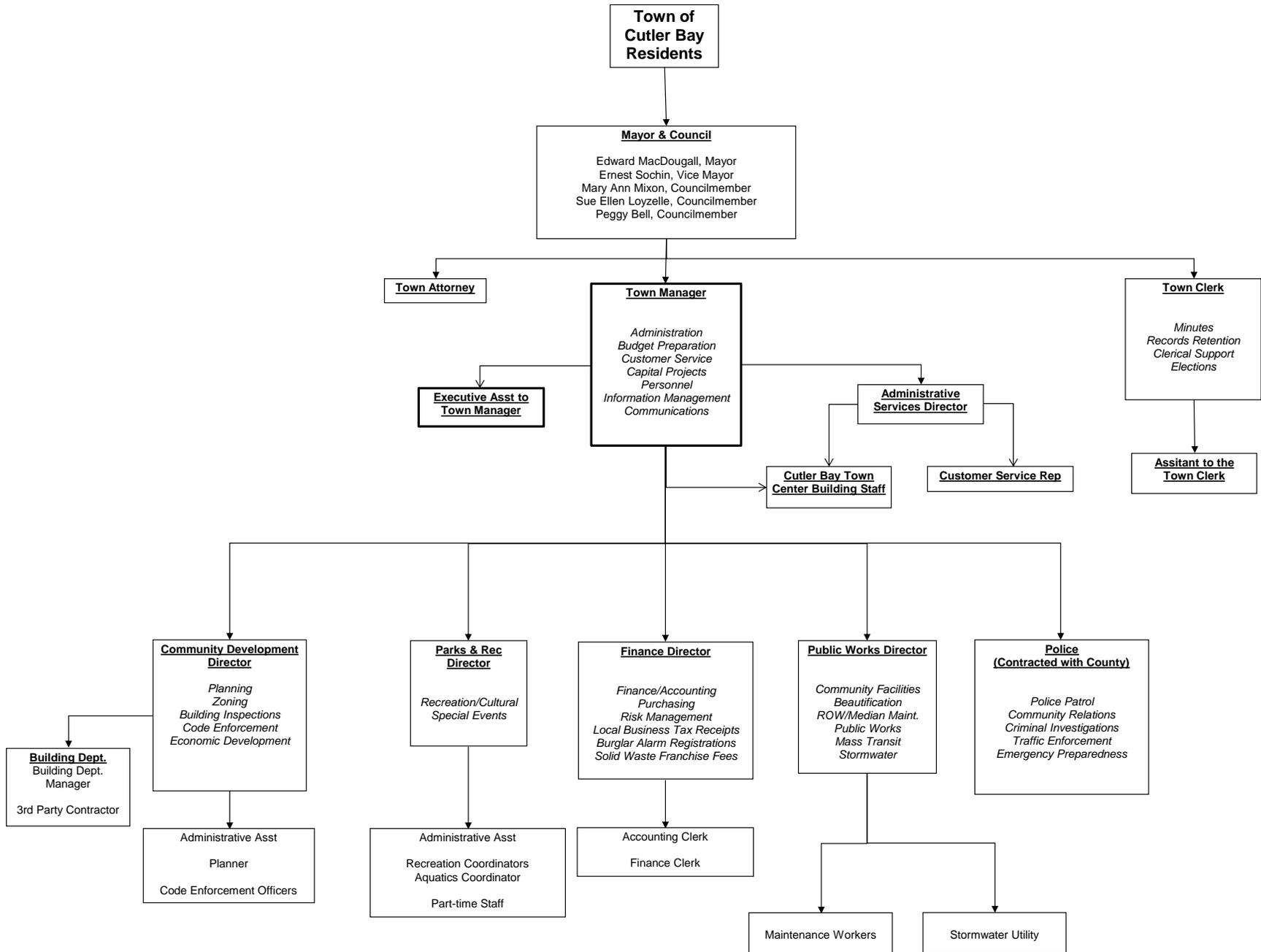
**Sue Ellen Loyzelle, Councilmember, Seat 2**

**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, 2012, 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, 2012, and the respective changes in financial position and cash flows 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 April 11, 2013 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 15 and 42 through 46 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  
April 11, 2013

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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, 2012 with a comparative analysis with the prior fiscal year.

### **Financial Highlights**

- The assets of the Town exceeded its liabilities at September 30, 2012 by approximately \$65.2 million (net assets). Of this amount, approximately \$18.9 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 approximately \$181,400 from the total net assets balance at September 30, 2011. The net increase results primarily from the Town's fiscal year 2012 operations.
- As of September 30, 2012, the Town's governmental funds reported combined ending fund balances of \$23.1 million, an increase of \$3.5 million from the September 30, 2011 balances, due primarily to the operating activity in the CITT Fund, a new special revenue fund for the fiscal year ended September 30, 2012, as well as from the Town's current operations during the fiscal year in the general fund, increased by proceeds from debt issuance and transfers in, and offset by capital expenditures, debt service and transfers out. This combined fund balance represents 116% of combined governmental fund operating expenditures (excluding debt service and capital outlay).
- At September 30, 2012, unassigned fund balance for the General Fund was \$11.8 million, or 65% of total General Fund expenditures, versus \$11 million and 61%, respectively, at September 30, 2011. The approximate \$800,000 increase in unassigned fund balance is a positive indicator of improved financial health of the Town.
- The Town records the activity of its stormwater utility (a business type activity) in the Stormwater Fund, an enterprise fund. In fiscal year 2012, the stormwater utility's net assets increased by approximately \$247,600, which resulted primarily from an operating loss of approximately \$46,100 generated from approximately \$986,500 in revenues against \$1,032,600 in expenses, including \$165,800 in depreciation. The other components of the fiscal 2012 increase in net assets include capital contributions of approximately \$291,500 relating to stormwater infrastructure under construction, as well as \$2,200 in interest income.
- At September 30, 2012, the General Fund's fund balance is comprised of approximately \$333,800 classified as "Nonspendable, approximately \$5,860,700 classified as "Assigned", and approximately \$11,781,200 classified as "Unassigned".

### **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, the CITT Fund, and the JPA (Old Cutler Road) Fund. 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 CITT Fund and JPA (Old Cutler Road) Fund. Budgetary comparison schedules have been provided for the General Fund, the CITT Fund and the JPA (Old Cutler Road) Fund to demonstrate compliance with their respective budgets.

**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 \$65.2 million and \$65 million, as adjusted, respectively, at September 30, 2012 and 2011, an increase of \$181,400 during fiscal year 2012, as shown in the table below.

The largest portion of the Town's assets at September 30, 2012 consists of capital assets (approximately \$62.1 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 years 2010 and 2011 related to the Town Hall site. The primary contributors to the increase in capital assets in fiscal year 2012 include development of a passive park on the land parcel adjacent to Town Hall, improvements made to the Town Hall building, and the completion of the Lakes by the Bay Park ("LBTB Park") improvements.

Other significant assets at September 30, 2012 and 2011 include cash on hand and receivables due from the County, the State of Florida (the "State"), and from various grants. Cash, totaling approximately \$23.8 million at September 30, 2012, increased approximately \$3.35 million in fiscal 2012, primarily resulting from fiscal year 2012 operating activities, including operations from the new CITT Fund, adjusted for debt issuance and capital expenditures. Receivables decreased approximately \$378,000 primarily as a result of net decrease in receivables from various grants at September 30, 2012 versus the 2011 balance, offset by net increases in receivables from the County and State and other miscellaneous sources.

Receivables at September 30, 2012 and 2011 consist primarily of amounts due from the County (\$745,000 and \$636,000, respectively) as well as intergovernmental receivables due from the State (\$485,800 and \$483,000, respectively). Receivables from various grants at September 30, 2012 approximate \$1,833,500 versus \$2,360,000 at September 30, 2011.

The receivables due from the County at September 30, 2012 and 2011 related primarily to property and utility taxes and stormwater fees due the Town at that date. The increase in the fiscal year 2012 balance relative to the fiscal year 2011 balance relates primarily to the fact that there were approximately \$250,000 more outstanding from the County for CITT surtax charges, clerk of the court fees and stormwater fee remittances, offset by approximately \$139,000 in decreased amounts outstanding for property taxes and utility taxes, at September 30, 2012 versus the corresponding 2011 balance.

The decrease in grant receivables at September 30, 2012 over the September 30, 2011 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, 2012 as the project was completed during fiscal year 2012. Additional, there was approximately \$254,000 in receivables related to other park projects which were completed and had no corresponding balance at September 30, 2012. Receivables on Federal ARRA grant projects were approximately \$136,000 less at September 30, 2012 versus the corresponding September 30, 2011 balance. These decreases in receivable balances were offset by an approximate increase of \$1,145,000 in receivables at September 30, 2012 versus the corresponding September 30, 2011 balance related to the JPA projects (Old Cutler Road and Caribbean Boulevard roadway projects).

Long-term debt increased approximately \$2.5 million in fiscal year 2012 primarily resulting from the new loan obtained to fund the Town's high school initiative program with Miami-Dade County Schools. The decrease in other liabilities primarily reflects the timing of payment of accounts payable, with less accounts payable outstanding at September 30, 2012 versus the corresponding 2011 balance.

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

	Governmental Activities		Business-type Activities		Total		Total Percent Change
	2012	2011	2012	2011	2012	2011	
Current and other assets	\$ 26,105	\$ 23,341	\$ 1,190	\$ 885	\$ 27,295	\$ 24,226	12.7%
Capital assets	56,883	58,029	5,255	5,394	62,138	63,423	-2.0%
Total assets	82,988	81,370	6,445	6,279	89,433	87,649	2.0%
Long-term debt	18,698	16,137	2,114	2,200	20,812	18,337	13.5%
Other liabilities	3,225	4,102	216	210	3,441	4,312	-20.2%
Total liabilities	21,923	20,239	2,330	2,410	24,253	22,649	7.1%
Net assets							
Invested in capital assets, net of related debt	38,087	41,729	3,055	3,103	41,142	44,832	-8.2%
Restricted	5,155	3,001	-	-	5,155	3,001	71.8%
Unrestricted	17,822	16,401	1,061	765	18,883	17,166	10.0%
Total net assets	\$ 61,064	\$ 61,131	\$ 4,116	\$ 3,868	\$ 65,180	\$ 64,999	0.3%

The balance of unrestricted net assets (approximately \$18.9 million and \$17.2 million, respectively at September 30, 2012 and 2011) may be used to meet the government's ongoing obligations to citizens and creditors.

At September 30, 2012 and 2011, the Town of Cutler Bay is able to report positive balances in all three categories of net assets.

**Governmental activities.** Governmental activities decreased net assets by approximately \$67,000 for the year ended September 30, 2012 versus an increase of approximately \$4.97 million for fiscal year 2011, 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 increased net assets by approximately \$248,000 for the year ended September 30, 2012 versus an decrease in net assets of approximately \$12,000 for the year ended September 30, 2011, 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, 2012	September 30, 2011	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011	
<b>Revenues</b>							
Program revenues:							
Charges for services	\$ 3,003	\$ 2,625	\$ 987	\$ 989	\$ 3,990	\$ 3,614	10.4%
Operating grants and contributions	6,004	466	-	-	6,004	466	1188.4%
Capital grants and contributions	740	5,759	292	101	1,032	5,860	-82.4%
General revenues:							
Taxes and franchise fees	13,996	13,435	-	-	13,996	13,435	4.2%
Other	63	63	2	1	65	64	1.6%
<b>Total revenues</b>	<b>23,806</b>	<b>22,348</b>	<b>1,281</b>	<b>1,091</b>	<b>25,087</b>	<b>23,439</b>	<b>7.0%</b>
<b>Expenses</b>							
General government	9,892	4,605	1,033	1,120	10,925	5,725	90.8%
Public safety	8,093	8,055	-	-	8,093	8,055	0.5%
Parks and recreation	2,784	1,729	-	-	2,784	1,729	61.0%
Community development	2,535	2,568	-	-	2,535	2,568	-1.3%
Interest on long-term debt	569	679	-	-	569	679	-16.2%
<b>Total expenses</b>	<b>23,873</b>	<b>17,636</b>	<b>1,033</b>	<b>1,120</b>	<b>24,906</b>	<b>18,756</b>	<b>32.8%</b>
Change in net assets before transfers and forgiveness of debt							
	(67)	4,712	248	(29)	181	4,683	-96.1%
Transfers	0	(17)	0	17	-	-	N/A
Forgiveness of debt	0	271	-	-	-	271	N/A
Increase (decrease) in net assets	(67)	4,966	248	(12)	181	4,954	-96.3%
Net assets, beginning	61,131	56,165	3,868	3,880	64,999	60,045	8.3%
Net assets, ending	\$ 61,064	\$ 61,131	\$ 4,116	\$ 3,868	\$ 65,180	\$ 64,999	0.3%

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

**Governmental activities:**

- Taxes and franchise fees (\$14 million and \$13.4 million, respectively, for fiscal year 2012 and fiscal year 2011) comprised 59% and 60%, respectively, of total revenues of \$23.8 million and \$22.3 million for fiscal year 2012 and fiscal year 2011, respectively, with property taxes representing the largest single tax source (\$4.2 million in both fiscal 2012 and 2011). Total fiscal year 2012 revenues increased approximately 6.5%.

Charges for services increased approximately \$378,000 primarily as a result of fees generated from red light camera violations (an approximate \$294,000 increase), as well as increased park impact fees (an approximate \$103,000 increase) in fiscal year 2012 versus fiscal year 2011, offset by other small miscellaneous changes.

Operating and capital grants and contributions increased approximately \$519,000 primarily as a result of revenues related to the CITT Fund (i.e., the "PTP surtax" revenues of approximately \$3.75 million), collection of which began in fiscal year 2012, and increased revenues from the County related to the two JPA roadway projects in progress (an approximate increase of \$2.1 million), offset by reduced revenues relating to the Lakes by the Bay Park project which was completed in early fiscal year 2012 (an approximate \$4.8 million decrease) as well as an approximate \$500,000 decrease related to other active park projects in fiscal year 2011 that were not active in fiscal year 2012. The small remaining change results primarily from the change in activity in several small projects in fiscal year 2012 versus fiscal year 2011.

Taxes and franchise fees increased approximately \$561,000 resulting primarily to increased electric franchise fees received from the electric utility serving the Town (an approximate \$200,000 increase), increased utility taxes collected (an approximate \$60,000 increase), as well as increased intergovernmental revenues (approximately \$270,000) primarily related to communications services taxes, local government half-cent sales taxes and municipal revenue sharing. The remaining balance results from a combination of smaller changes in various accounts.

- Operating and capital grants and contributions (\$6,004,000 and \$740,000 at September 30, 2012 and \$466,000 and \$5,759,000 at September 30, 2011, respectively) account for 28% and 28% of total revenues at September 30, 2012 and 2011, respectively. The amounts in both the fiscal year 2012 and fiscal year 2011 periods are comprised primarily of local option gas tax receipts and capital project grant funds received by the Town. The fiscal year 2012 balance also includes collection of PTP surtax revenues which commenced in this fiscal year (recorded in the CITT Fund). Use of these funds is restricted to certain prescribed uses.
- Charges for services account for 12.6% and 11.7% of total revenues for fiscal years 2012 and 2011, 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 increase in these revenues in fiscal year 2012 resulted primarily from fees generated from red light camera violation citations, as well as from increased park impact fees collected in fiscal year 2012 versus fiscal year 2011.
- Expenses for governmental activities increased approximately \$6.2 million, resulting primarily from an approximate \$5.3 million increase in expenses related to general government and an approximate \$1 million increase in expenses related to parks and recreation, offset by an approximate \$110,000 decrease in interest on long-term debt as a result of the County's refinancing of the QNIP bonds that yielded a lower debt payment in fiscal year 2012. The increase in general government expenses results primarily from increased costs associated with the Town's high school initiative with the Miami-Dade School system (\$2.75 million) and increased spending on non-capital roadway related projects (approximately \$2.76 million), offset by decreased costs associated with debt principal retirements (approximately \$145,000) and decreased spending with assorted miscellaneous grants (approximately \$96,000). The increase in expenses related to parks and recreation results primarily to an approximate \$800,000 increase in depreciation expense related to significant assets placed in service.
- Transfers decreased approximately \$17,000 primarily due to decreased grant match and financial assistance provided for various drainage projects in the Stormwater Fund (a proprietary fund).
- 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. No such amount was applicable for fiscal year 2012.

**Business-type activities:**

- Charges for services for stormwater fees, which represent 77% and 91% of total revenues for fiscal years 2012 and 2011, respectively, in the proprietary fund, resulted from the Town's operation of the stormwater utility within the Town's boundaries which commenced in the fourth quarter of fiscal 2008. Capital grants and contributions also increased approximately \$190,000 in fiscal year 2012 versus the fiscal year 2011 period as a result of a contribution received from a private developer for a stormwater drainage construction project to be completed by the Town.

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

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

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

As of September 30, 2012 and 2011, the Town's governmental funds reported combined ending fund balances of \$23.1 million and \$19.6 million, respectively. The increase in the balance results primarily from normal current operating activities in fiscal 2011 (approximately \$3.8 million) increased by proceeds from debt issuance (approximately \$2.58 million) and transfers in (approximately \$1 million), and offset by capital expenditures (approximately \$2.2 million), debt service (approximately \$650,000) and transfers out (approximately \$1 million).

Total revenues for fiscal year 2012 increased approximately \$1.5 million from fiscal year 2011 levels, due primarily to several factors. Electric franchise fees from the electric utility serving the Town increased approximately \$200,000. Due to increased building activity in Town during fiscal 2012, building and zoning related fees increased approximately \$160,000 and impact fees increased approximately \$126,000. Fiscal year 2012 was also the first full year in which the Town operated its red light camera program and, as a result, violations generated approximately \$294,000 more revenue than in fiscal 2011. Ad valorem revenues increased slightly in fiscal 2012 (approximately \$40,000) as did utility taxes (approximately \$50,000). Also, during fiscal 2012 the Town received a contribution from a private developer (approximately \$205,000) for the Town to use to construct a traffic circle. Intergovernmental revenues increased approximately \$550,000 as a result of several factors. First, in fiscal year 2012 the Town began receiving funds from the CITT program (i.e., the PTP surtax). This amounted to \$3.75 million in revenue in fiscal 2012 that was not present in fiscal 2011. Second, the two ongoing JPA roadway projects generated approximately \$2 million more in intergovernmental revenue from the County than was received in fiscal 2011. Additionally, the Town received more pass-through revenue from the State for communications services tax (approximately \$100,000 more), local government half-cent sales tax (approximately \$90,000 more), and revenue sharing (approximately \$80,000 more) in fiscal 2012 than in fiscal 2011. These increases were offset by decreased revenues in fiscal 2012 versus fiscal 2011 from the County for the Lakes by the Bay Park project (approximate \$4.8 million decrease) and other park projects (approximate \$500,000 decrease). These park projects were substantially completed in fiscal 2011, or were completed very early in fiscal 2012. As a result, very little of the intergovernmental revenue related to these park projects were received in fiscal 2012. Intergovernmental revenues in fiscal 2012 from other smaller projects, primarily Federal ARRA Stimulus projects, decreased approximately \$170,000 versus fiscal 2011 levels. Other miscellaneous revenue increases in fiscal 2012 included approximately \$21,000 for an insurance reimbursement and approximately \$23,000 in small law enforcement grants that were not applicable in fiscal 2011. Also, in fiscal 2012 approximately \$32,000 more was received for code enforcement violations than was received in fiscal 2011. The foregoing revenue increases were offset somewhat by an approximate \$249,000 decrease in rental income, reflecting that the Town's main tenant vacated its space and was not fully re-leased to other parties, thereby causing a decrease in rental income in fiscal 2012.

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. In conjunction therewith, the Town agreed to provide \$2.75 million to fund this initiative which was essentially funded by the issuance of debt (a \$2.578 million tax-exempt bank loan closed in September 2012) and other General Fund sources. 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 a combination of taxable and tax-exempt bank loans. Also during fiscal year 2010, the Town partially drew down on its separate \$2 million building improvement loans (a combination of taxable and tax-exempt bank loans) and on an approximate \$1.9 million tax-exempt loan to fund the purchase of a land parcel adjacent to the Town Hall building site. In fiscal year 2011, the Town completed the drawdown of the building improvement loans and the loan to fund the purchase of the adjacent land parcel, resulting in \$3.6 million of additional debt proceeds obtained in fiscal year 2011. As a result of the County's refinancing of the QNIP bonds, and as a result of the Town's refinancing of certain of the 2010 bank loans, debt service related to these borrowing resulted in lower principal and interest outlays in fiscal year 2012 versus the 2011 period (an approximate \$235,000 decrease in debt service payments).

Capital expenditures decreased approximately \$8.65 million in fiscal year 2012 versus the fiscal year 2011 period primarily as a result decreased expenditures (approximately \$5.6 million) for various parks projects, decreased expenditures related to a land parcel purchase, offset by land improvements (approximately \$1.6 million), decreased expenditures related to Town Hall building improvements (approximately \$1.25 million), and decreased expenditures related to a roadway project (approximately \$206,000).

Transfers out (approximately \$1 million) reflect transfers of PTP surtax funds from the CITT Fund to the JPA roadway projects (approximately \$463,100), grant match funds of approximately \$90,300 from the General Fund to the ARRA Lighting Fund, transfer of gas taxes (approximately \$149,000) from the Special Revenue

Fund to the General Fund for sidewalk repairs, transfer of law enforcement impact fees (approximately \$131,900) from the Special Revenue Fund to the General Fund for the purchase of police vehicles, and transfer of park impact fees (approximately \$188,400) from the Special Revenue Fund to various capital projects funds for use in park improvement projects. This represented an increase of approximately \$629,000 over the fiscal year 2011 transfers out, reflecting initial use of PTP surtax funds (receipt of which commenced in fiscal 2012) as well as increased use of impact fees and gas taxes on specified projects in Town. The fiscal year 2011 period also included an approximate \$17,000 transfer from the General Fund to the Stormwater Fund (a proprietary fund). No such transfer was made in fiscal year 2012.

Transfers in reflect inflows into various funds of amounts transferred out, as specified above. Transfers in for fiscal year 2012 increased approximately \$646,000 over fiscal year 2011 amounts due to increased projects in fiscal year 2012 accounted for in various special revenue and capital project funds.

Approximately 51% and 56% of the combined ending fund balance, or \$11.8 million and \$11 million, respectively, constitutes "Unassigned" fund balance at September 30, 2012 and 2011, respectively, which is available for spending at the Town's discretion. Approximately 25% and 27% of the combined ending fund balance, or \$5.86 million and \$5.3 million, respectively, constitutes "Assigned" fund balance at September 30, 2012 and 2011, respectively. Assigned fund balances are intended to be used for the specific purposes indicated. Approximately 22% and 15% of the combined ending fund balance, or \$5.1 million and \$3 million, respectively, are classified as "Restricted" fund balance as these amounts are legally restricted as to use. 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.

#### General Fund

The General Fund is the primary operating fund of the Town of Cutler Bay. At September 30, 2012 and 2011, unassigned fund balance of the General Fund was \$11.8 million and \$11 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, 2012 represents 65% of total General Fund expenditures (61% at September 30, 2011), while total fund balance of the General Fund represents 99% of that same total fund expenditure amount (92% at September 30, 2011). 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 \$1.4 million and \$1.6 million during fiscal years 2012 and 2011, respectively. The fiscal year 2012 increase primarily reflects the results of the Town's operating activity for the fiscal year (approximately \$58,000 loss), increased by proceeds from debt issuance (approximately \$2.578 million) and transfers in (approximately \$281,000), offset by capital expenditures (approximately \$642,000), debt service (approximately \$650,000) and transfers out (approximately \$90,000).

Revenues of the General Fund in fiscal year 2012 were approximately \$842,000 more than fiscal year 2011, primarily due to increased electrical franchise fees (approximately \$200,000), increased building activity in Town during fiscal 2012 which resulted in increased building and zoning related fees of approximately \$160,000, increased intergovernmental revenue from the State of approximately \$270,000 as a result of better than anticipated revenues from communications services tax (approximately \$100,000), local government half-cent sales tax (approximately \$90,000) and State revenue sharing (approximately \$80,000). Fiscal year 2012 was also the first full year in which the Town operated its red light camera program and, as a result, violations generated approximately \$294,000 more revenue than in fiscal 2011. Ad valorem revenues increased slightly in fiscal 2012 (approximately \$40,000) as did utility taxes (approximately \$50,000). Other miscellaneous revenue increases in fiscal 2012 included approximately \$21,000 for an insurance reimbursement and approximately \$23,000 in small law enforcement grants that were not applicable in fiscal 2011. Also, in fiscal 2012 approximately \$32,000 more was received for code enforcement violations than was received in fiscal 2011. The foregoing revenue increases were offset somewhat by an approximate \$249,000 decrease in rental income, reflecting that the Town's main tenant vacated its space and was not fully re-leased to other parties, thereby causing a decrease in rental income in fiscal 2012. The remaining difference in the change in revenue from fiscal year 2011 levels is a combination of other small net changes in other revenue categories.

Current expenditures of the General Fund in fiscal year 2012 increased approximately \$3.2 million, primarily resulting from an approximate \$2.75 million increase in general government expenditures due to an educational initiative the Town entered into with the Miami-Dade County School Board. Additionally, parks and recreation increased approximately \$275,000 reflecting increased staff salaries and benefits, increased contractual services and increased utility costs associated with a new park brought into service and other expansion of services. Public safety expenditures increased approximately \$50,000 primarily as a result of increased expenditures related to implementation of the red light camera program (approximately \$232,000) and approximately \$132,000 for police vehicles offset by reduced professional services for contracted police force staffing (approximately \$314,000). The balance of the increase in General Fund current expenditures is comprised of a combination of other small changes.

Also, as discussed above, the General Fund experienced a decrease in debt service of approximately \$235,000. This was primarily due to refinancing of certain of the Town's existing bank loans as well as from the County's refinancing of the QNIP bonds. The Town remains obligated to pay to the County for its pro-rata share of debt service on the QNIP bonds.

Capital outlay in the General Fund decreased approximately \$2.9 million, primarily reflecting decreased expenditures related to the land parcel purchase and improvements (approximately \$1.6 million) and Town Hall building improvements (approximately \$1.4 million), offset by approximately \$123,000 of increased expenditures related to tenant suite build outs. Other small changes constitute the balance of the difference.

Proceeds from debt issuance in the General Fund totaled \$2.578 million for fiscal year 2012 reflecting debt issued to support the Town's educational initiative with the Miami-Dade County School Board. \$3.6 million was borrowed in fiscal year 2011 for the aforementioned Town Hall building improvements and adjacent land parcel purchase and improvements.

Transfers out in the General Fund in fiscal year 2012 increased approximately \$55,000 over fiscal year 2011 as a result of increased grant match fund requirements. Transfers in to the General Fund increased approximately \$276,000, reflecting the transfer of police impact fees (an increase of approximately \$127,000) and gas taxes (an increase of approximately \$149,000) from Special Revenue Fund used for the purchase of police vehicles and for sidewalk repairs, respectively.

#### CITT Fund

The CITT Fund was established in fiscal year 2012 when the County entered into an Interlocal agreement with the Town to allow the Town to participate in the County Charter Transit System Surtax (also known as the "PTP surtax"). This PTP 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 PTP surtax, the County had not previously included the Town in the distribution of the funds raised by the PTP 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 began receiving payments in for fiscal year 2012. The Town not only received approximately \$1.2 million in current year PTP surtax funds, but it also received two lump sum payments for estimated revenues from the prior two years, totaling approximately \$2.5 million. On an annual basis, at least 20% of the PTP surtax proceeds must be spent on transit related items. The remaining portion may be spent on transportation related items.

In fiscal year 2012, the Town has begun to use these PTP surtax funds to provide enhancements in the Town. From the transportation portion of the PTP surtax funds, the Town spent approximately \$266,000 on roadway resurfacing projects on Town owned roads. In September 2012, the Town commenced operation of a municipal circulator bus service within the Town's boundaries using the transit portion of the PTP surtax. Pursuant to an Interlocal agreement with the County, the County acquired a dedicated circulator bus on the Town's behalf using Federal stimulus funds and the County is operating and maintaining the circulator bus on the Town's behalf on a contractual basis. The charge by the County is being paid with the transit portion of the PTP surtax, which amounted to approximately \$12,000 in fiscal 2012 (for the month of September).

Transfers out of the CITT Fund were approximately \$463,100 and were transferred to the JPA (Old Cutler Road) Fund to fund the Town's portion of roadway enhancements and project oversight costs related to the Old Cutler Road roadway improvement project.

Fund balance of the CITT Fund is approximately \$3 million at September 30, 2012 and is classified as restricted as it can only be used in accordance with prescribed purposes.

#### JPA (Old Cutler Road) Fund

The JPA (Old Cutler Road) Fund was established in fiscal year 2010 to account for the revenues derived from Miami Dade County, and other Town sources, to be used specifically for road improvements to Old Cutler Road within the Town. Expenditures increased approximately \$2.3 million over fiscal year 2011 levels reflecting the onset of the construction phase in fiscal year 2012. These expenditures were funded by increased intergovernmental revenues received from Miami-Dade County in fiscal year 2012 over the fiscal year 2011 amounts (approximate \$1.85 million increase) and by increased transfers in of approximately \$456,100 (primarily \$463,100 of PTP surtax funds from the CITT Fund in fiscal year 2012, as discussed above, versus approximately \$7,000 of gas taxes transferred from the Special Revenue Fund in fiscal year 2011). The JPA (Old Cutler Road) Fund reported no fund balances at September 30, 2012 or September 30, 2011.

**Proprietary funds.** The Town's proprietary fund was created to account for the Town's stormwater operations, which commenced in July 2008. Operations during fiscal year 2012 generated an increase in net assets of approximately \$247,600, versus a decrease in net assets of approximately \$11,800 during fiscal year 2011. The fiscal year 2012 increase in net assets resulted from an operating loss of approximately \$46,100, capital contributions of approximately \$291,500 relating to stormwater infrastructure under construction, and non-operating revenues (approximately \$2,200).

Of the total net assets at September 30, 2012 of approximately \$4.1 million, \$3.1 million are classified as invested in capital assets, net of related debt, and \$1 million are classified as unrestricted. At September 30, 2011, total net assets of \$3.9 million were classified as \$3.1 million invested in capital assets, net of related debt, and \$765,000 as unrestricted.

### **General Fund Budget Highlights**

During fiscal years 2012 and 2011, the actual "excess of revenues over expenditures" exceeded the corresponding budgetary amounts by approximately \$3.7 million and \$2.5 million, respectively. For fiscal year 2012, the results were achieved as actual revenues exceeded budgeted amounts by \$1.4 million while actual expenditures were \$2.3 million less than budgeted. In fiscal year 2011, actual revenues exceeded budgeted amounts by \$841,000 while actual expenditures were \$1.7 million less than budgeted. The favorable results in both fiscal periods result from close monitoring of operations by Town personnel.

In the fiscal year 2012 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 revenues from licensing activity. Given the economic climate in which the Town operated under while preparing its fiscal year 2012 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 June 2012, the Town Council passed a budget amendment by resolution (#12-50) to utilize \$2.75 million of its reserve for contingencies and emergencies to fund an educational initiative with the Miami-Dade School Board and to transfer \$50,000 from the Town Clerk's other contractual services budget to the Town Hall Building's capital outlay budget in anticipation of constructing a space to be used by Miami-Dade County within the Town's Town Hall building.

In November 2012, the Town Council passed a budget amendment by resolution (#12-60) to:

1. Increase the fiscal year 2012 budget for \$2.578 million of debt proceeds obtained via a bank loan to support the Town's education initiative with the Miami-Dade School Board. These proceeds were used to partially replenish the Town's reserve for contingencies and emergencies (see discussion in preceding paragraph regarding the June 2012 budget amendment).
2. Increase revenues for electric franchise fees (\$300,000), utility taxes-electricity (\$350,000), building permits (\$130,000), state revenue sharing (\$100,000), local government half-cent sales tax (\$150,000), and judgments and fines-red light camera violations (\$300,000), offset by a decrease to rental income from tenants (\$135,000) and to appropriation of prior year fund balance (\$1.195 million).
3. Increase General Government salaries (\$165,000) and machinery and equipment (\$340,000) and Town Attorney professional services (\$80,000), offset by decreases to QNIP debt service (\$255,000), Law Enforcement professional services (\$100,000) and Town Hall Building capital outlay (\$130,000), and debt service-principal (\$100,000).

### 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, 2012 and 2011, amounts to approximately \$56.9 million and \$5.3 million and \$58 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, including acquisition and development 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.

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

	Governmental Activities		Business-type Activities		Total		Total Percent Change
	2012	2011	2012	2011	2012	2011	
General Government	\$ 12,312	\$ 12,415	\$ -	\$ -	\$ 12,312	\$ 12,415	-0.8%
Community Development	26,329	27,673	-	-	26,329	27,673	-4.9%
Public Safety	27	47	-	-	27	47	-42.6%
Culture and Recreation	18,215	17,894	-	-	18,215	17,894	1.8%
Public Works-Stormwater	-	-	5,255	5,394	5,255	5,394	-2.6%
	<u>\$ 56,883</u>	<u>\$ 58,029</u>	<u>\$ 5,255</u>	<u>\$ 5,394</u>	<u>\$ 62,138</u>	<u>\$ 63,423</u>	-2.0%

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, 2012, the long-term portion of the Town's pro rata share of QNIP bonds (interlocal debt) was approximately \$3.3 million, representing a 5.8% 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. In fiscal year 2012, the Town borrowed an additional \$2.578 million from the same lender to fund its educational initiative with the Miami-Dade County School Board. At September 30, 2012, approximately \$15.3 million was outstanding on those notes payable, all 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, 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, 2012, approximately \$2.1 million, represents a 3.9% 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 \$39,000 and \$67,000, respectively, at September 30, 2012, versus \$27,000 and \$47,000, respectively, at September 30, 2011.

Total long-term debt increased approximately \$2.47 million, or 13.5%, primarily as a result of the issuance of the bank loan to fund the Town's educational initiative, offset by principal pay downs.

	Governmental Activities		Business-type Activities		Total		Total Percent Change
	2012	2011	2012	2011	2012	2011	
QNIP bonds	\$ 3,289	\$ 3,493	\$ -	\$ -	\$ 3,289	\$ 3,493	-5.8%
Notes payable	15,303	12,570	-	-	15,303	12,570	21.7%
Stormwater Utility Revenue Bonds	-	-	2,114	2,200	2,114	2,200	-3.9%
Compensated absences	67	47	-	-	67	47	42.6%
Net OPEB obligation	39	27	-	-	39	27	44.4%
	<u>\$ 18,698</u>	<u>\$ 16,137</u>	<u>\$ 2,114</u>	<u>\$ 2,200</u>	<u>\$ 20,812</u>	<u>\$ 18,337</u>	13.5%

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, 2012 is approximately 8.7%, which is a decrease from a rate of 10.5% a year ago, and is below the national unemployment rate.
- Inflationary trends in the region are in line with national indices.
- In setting its fiscal year 2013 budget, the Town adopted a mil rate that was the same as the rate for fiscal year 2012. The mil rate adopted, however, was 0.4809% 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.
- The Town, 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 June 29, 2012, the certified taxable value of property within the Town reflected a decrease of 39.4% from the level at July 1, 2008. The 2012 certified tax roll issued by the County Property Appraiser in June 2012, used for ad valorem purposes for fiscal year 2013, gave some indications that property values within the Town may have stabilized as it reflected only an approximate 1.7% decline in the taxable value of property within the Town versus the certified tax roll for 2011 (used for ad valorem purposes in fiscal year 2012). It may take several years before building activity and growth return to the Town. Preliminary estimates of the 2013 tax roll (for fiscal year 2014 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. The Town has been experiencing an uptick in development within the Town in the first half of fiscal year 2013.
- 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, 2012**

	<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	\$ 22,632,747	\$ -	\$ 22,632,747
Restricted cash and cash equivalents	1,168,172	-	1,168,172
Accounts receivable - net	2,968,384	191,012	3,159,396
Prepays	333,852	671	334,523
Other assets	956	-	956
Internal balances	(998,538)	998,538	-
Capital assets not being depreciated:			
Land	10,368,183	-	10,368,183
Construction in progress	-	26,813	26,813
Capital assets being depreciated:			
Building	8,554,216	-	8,554,216
Computer hardware and software	879,305	-	879,305
Furniture and equipment	769,344	-	769,344
Infrastructure	57,640,563	7,797,660	65,438,223
Improvements	14,342,656	-	14,342,656
Property under capital lease	<u>292,512</u>	<u>29,383</u>	<u>321,895</u>
Total capital assets	92,846,779	7,853,856	100,700,635
Less accumulated depreciation	<u>(35,963,801)</u>	<u>(2,598,681)</u>	<u>(38,562,482)</u>
Total capital assets - net	<u>56,882,978</u>	<u>5,255,175</u>	<u>62,138,153</u>
Total assets	<u>82,988,551</u>	<u>6,445,396</u>	<u>89,433,947</u>
<b><u>LIABILITIES</u></b>			
Accounts payable	2,892,951	129,283	3,022,234
Other liabilities	81,329	-	81,329
Accrued interest	23,200	-	23,200
Noncurrent liabilities:			
The amount due in one year	228,893	86,445	315,338
The amount due in over one year	<u>18,697,593</u>	<u>2,113,950</u>	<u>20,811,543</u>
Total liabilities	<u>21,923,966</u>	<u>2,329,678</u>	<u>24,253,644</u>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	38,086,861	3,054,780	41,141,641
Restricted for:			
Capital projects	1,343,294	-	1,343,294
Public safety	108,332	-	108,332
Parks and recreation	686,838	-	686,838
Transportation	3,017,005	-	3,017,005
Unrestricted	<u>17,822,255</u>	<u>1,060,938</u>	<u>18,883,193</u>
Total net assets	<u>\$ 61,064,585</u>	<u>\$ 4,115,718</u>	<u>\$ 65,180,303</u>

See notes to basic financial statements

**TOWN OF CUTLER BAY, FLORIDA**  
**STATEMENT OF ACTIVITIES**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>		<u>Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
<u>Functions/programs</u>							
Governmental activities:							
General government	\$ 9,891,870	\$ 678,010	\$ 32,489	\$ -	\$ (9,181,371)	\$ -	\$ (9,181,371)
Public safety	8,093,112	746,851	-	-	(7,346,261)	-	(7,346,261)
Community development	2,534,614	1,165,854	5,879,043	515,758	5,026,041	-	5,026,041
Parks and recreation	2,784,113	412,148	92,210	225,000	(2,054,755)	-	(2,054,755)
Interest on long-term debt	569,292	-	-	-	(569,292)	-	(569,292)
Total governmental activities	<u>23,873,001</u>	<u>3,002,863</u>	<u>6,003,742</u>	<u>740,758</u>	<u>(14,125,638)</u>	<u>-</u>	<u>(14,125,638)</u>
Business-type activities:							
Stormwater	<u>1,032,644</u>	<u>986,525</u>	<u>-</u>	<u>291,494</u>	<u>-</u>	<u>245,375</u>	<u>245,375</u>
Total business-type activities	<u>1,032,644</u>	<u>986,525</u>	<u>-</u>	<u>291,494</u>	<u>-</u>	<u>245,375</u>	<u>245,375</u>
Total	<u>\$ 24,905,645</u>	<u>\$ 3,989,388</u>	<u>\$ 6,003,742</u>	<u>\$ 1,032,252</u>	<u>(14,125,638)</u>	<u>245,375</u>	<u>(13,880,263)</u>
General revenues:							
Property taxes					4,254,352	-	4,254,352
Utility taxes					2,472,062	-	2,472,062
Franchise fees on gross receipts					1,616,617	-	1,616,617
Intergovernmental (unrestricted)					5,653,427	-	5,653,427
Investment income					63,705	2,237	65,942
Miscellaneous loss on capital assets					(707)	-	(707)
Change in net assets					<u>(66,182)</u>	<u>247,612</u>	<u>181,430</u>
Net assets, Beginning					<u>61,130,767</u>	<u>3,868,106</u>	<u>64,998,873</u>
Net assets, Ending					<u>\$ 61,064,585</u>	<u>\$ 4,115,718</u>	<u>\$ 65,180,303</u>

See notes to basic financial statements

**TOWN OF CUTLER BAY, FLORIDA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2012**

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	CITT Fund	JPA (Old Cutler Road) Fund		
<u>ASSETS</u>					
Cash and cash equivalents	\$ 22,632,747	\$ -	\$ -	\$ -	\$ 22,632,747
Restricted cash and cash equivalents	2,540	-	-	1,165,632	1,168,172
Accounts receivable - net	933,542	199,676	1,373,550	461,616	2,968,384
Prepays	333,852	-	-	-	333,852
Other assets	319	-	-	637	956
Due from other funds	-	2,859,889	-	957,793	3,817,682
Total assets	<u>\$ 23,903,000</u>	<u>\$ 3,059,565</u>	<u>\$ 1,373,550</u>	<u>\$ 2,585,678</u>	<u>\$ 30,921,793</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Accounts payable	\$ 2,609,540	\$ 42,560	\$ 236,099	\$ 4,752	\$ 2,892,951
Deferred revenues	38,224	-	-	-	38,224
Other liabilities	43,105	-	-	-	43,105
Due to other funds	3,236,307	-	1,137,451	442,462	4,816,220
Total liabilities	<u>5,927,176</u>	<u>42,560</u>	<u>1,373,550</u>	<u>447,214</u>	<u>7,790,500</u>
<u>FUND BALANCES</u>					
Nonspendable	333,852	-	-	-	333,852
Restricted	-	3,017,005	-	2,138,464	5,155,469
Committed	-	-	-	-	-
Assigned	5,860,700	-	-	-	5,860,700
Unassigned	11,781,272	-	-	-	11,781,272
Total fund balances	<u>17,975,824</u>	<u>3,017,005</u>	<u>-</u>	<u>2,138,464</u>	<u>23,131,293</u>
Total liabilities and fund balances	<u>\$ 23,903,000</u>	<u>\$ 3,059,565</u>	<u>\$ 1,373,550</u>	<u>\$ 2,585,678</u>	<u>\$ 30,921,793</u>

See notes to basic financial statements

**TOWN OF CUTLER BAY, FLORIDA**  
**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2012**

Fund balances - total government funds (Page 18) \$ 23,131,293

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	92,846,779
Less accumulated depreciation	(35,963,801)

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

OPEB Liability	(39,000)
Long term debt	(18,796,117)
Compensated absences	(91,369)
Accrued interest payable	<u>(23,200)</u>

Net assets of governmental activities (Page 16) \$ 61,064,585

**TOWN OF CUTLER BAY, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	CITT Fund	JPA (Old Cutler Road) Fund		
<b>Revenues:</b>					
Property taxes	\$ 4,254,352	\$ -	\$ -	\$ -	\$ 4,254,352
Franchise fees	1,616,617	-	-	-	1,616,617
Utility taxes	2,472,062	-	-	-	2,472,062
Charges for services	417,966	-	-	-	417,966
Intergovernmental	5,653,427	3,758,867	1,872,826	875,833	12,160,953
Licenses and permits	1,125,494	-	-	-	1,125,494
Impact fees	-	-	-	316,072	316,072
Fines and forfeitures	568,696	-	-	-	568,696
Interest	57,623	-	-	6,082	63,705
Rental income	503,893	-	-	-	503,893
Contributions	-	-	-	204,486	204,486
Miscellaneous	103,230	-	-	-	103,230
Total revenues	<u>16,773,360</u>	<u>3,758,867</u>	<u>1,872,826</u>	<u>1,402,473</u>	<u>23,807,526</u>
<b>Expenditures:</b>					
Current:					
General government	6,112,555	278,742	2,335,946	448,142	9,175,385
Public safety	8,066,879	-	-	-	8,066,879
Community development	1,195,292	-	-	-	1,195,292
Parks and recreation	1,456,535	-	-	92,210	1,548,745
Debt service:					
Principal retirement	82,639	-	-	-	82,639
Interest	567,749	-	-	-	567,749
Capital outlay:					
General government	611,862	-	-	-	611,862
Public safety	7,071	-	-	-	7,071
Parks and recreation	23,358	-	-	1,534,376	1,557,734
Total expenditures	<u>18,123,940</u>	<u>278,742</u>	<u>2,335,946</u>	<u>2,074,728</u>	<u>22,813,356</u>
Excess (Deficiency) of revenues over expenditures and other financing sources (uses)	<u>(1,350,580)</u>	<u>3,480,125</u>	<u>(463,120)</u>	<u>(672,255)</u>	<u>994,170</u>
Other financing sources (uses) :					
Transfers in	280,940	-	463,120	278,729	1,022,789
Transfers out	(90,356)	(463,120)	-	(469,313)	(1,022,789)
Issuance of debt	2,578,000	-	-	-	2,578,000
Total other financing sources (uses)	<u>2,768,584</u>	<u>(463,120)</u>	<u>463,120</u>	<u>(190,584)</u>	<u>2,578,000</u>
Net change in fund balances	1,418,004	3,017,005	-	(862,839)	3,572,170
Fund balances - Beginning	<u>16,557,820</u>	<u>-</u>	<u>-</u>	<u>3,001,303</u>	<u>19,559,123</u>
Fund balances - Ending	<u>\$ 17,975,824</u>	<u>\$ 3,017,005</u>	<u>\$ -</u>	<u>\$ 2,138,464</u>	<u>\$ 23,131,293</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, 2012**

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 20)	\$	3,572,170
<p>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.</p>		
Expenditures for capital outlays	2,176,667	
Less current year depreciation	<u>(3,313,124)</u>	(1,136,457)
<p>The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net assets.</p>		
Miscellaneous loss on capital assets	(707)	
Capital outlay which did not meet the threshold for capitalization	<u>(9,124)</u>	(9,831)
<p>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.</p>		
Proceeds from issuance of debt	(2,578,000)	
Principal payments on long term debt	<u>82,639</u>	(2,495,361)
<p>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.</p>		
OPEB liability	(12,000)	
Compensated absences	16,840	
Accrued interest payable	<u>(1,543)</u>	<u>3,297</u>
Change in net assets of governmental activities (Page 17)	\$	<u>(66,182)</u>

**TOWN OF CUTLER BAY, FLORIDA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUND**  
**SEPTEMBER 30, 2012**

	<u>Stormwater</u>
<u>ASSETS</u>	
Current assets:	
Accounts receivables	\$ 191,012
Prepays	671
Due from other funds	<u>998,538</u>
Total current assets	<u>1,190,221</u>
Non-current assets:	
Capital assets, net	<u>5,255,175</u>
Total non-current assets	<u>5,255,175</u>
Total assets	<u>6,445,396</u>
<u>LIABILITIES AND NET ASSETS</u>	
Current liabilities:	
Accounts payable	\$ 129,283
Current portion of revenue bonds	<u>86,445</u>
Total current liabilities	<u>215,728</u>
Non-current liabilities:	
Revenue bonds	<u>2,113,950</u>
Total non-current liabilities	<u>2,113,950</u>
Total liabilities	<u>2,329,678</u>
Net assets:	
Invested in capital assets, net of related debt	3,054,780
Unrestricted	<u>1,060,938</u>
Total net assets	<u>\$ 4,115,718</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, 2012**

	<u>Stormwater</u>
Operating revenues:	
Charges for services	\$ 986,525
Total revenues	<u>986,525</u>
Operating expenses:	
Operations and maintenance	866,802
Depreciation	<u>165,842</u>
Total operating expenses	<u>1,032,644</u>
Operating loss	<u>(46,119)</u>
Non-operating revenues:	
Interest income	<u>2,237</u>
Capital contributions	<u>291,494</u>
Changes in net assets	247,612
Net assets - Beginning	<u>3,868,106</u>
Net assets - Ending	<u><u>\$ 4,115,718</u></u>

See notes to basic financial statements

**TOWN OF CUTLER BAY, FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	<u>Stormwater</u>
Cash Flows From Operating Activities:	
Cash received from customers	\$ 954,364
Cash paid to employees	(106,299)
Cash paid to suppliers	(750,389)
Net cash provided by operating activities	<u>97,676</u>
Cash Flows From Non-Capital Financing Activities	
Collections on loans to other funds	<u>(273,892)</u>
Net cash used in non-capital financing activities	<u>(273,892)</u>
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	(26,813)
Capital contributions	291,494
Principal payments	(90,702)
Net cash provided by non-capital financing activities	<u>173,979</u>
Cash Flows From Investing Activities	
Interest income	<u>2,237</u>
Net cash provided by investing activities	<u>2,237</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	\$ (46,119)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	165,842
Change in operating assets and liabilities:	
Accounts receivables	(32,161)
Prepays	180
Accounts payable	9,934
Net cash provided by operating activities	<u>\$ 97,676</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, 2012**

**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 **JPA (Old Cutler Road) 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.

The **CITT fund** was established to account for the receipt and use of County Charter Transit System Surtax funds (i.e., "PTP surtax" funds). The PTP surtax is shared by Miami-Dade County with the incorporated municipalities and it is mandated that at least 20% of the PTP surtax proceeds be spent on transit related items. The balance may be spent on transportation related items. Transit and transportation related items are as prescribed by law.

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.

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

**c. Measurement focus, basis of accounting, and financial statement presentation (Continued)**

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.

**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, PTP surtax and local option gas taxes are classified as restricted in various special revenue funds 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, 2012 was 2.5702 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.

**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.

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

### I. 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, 2012, 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, 2012, 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 approved by the Town Council.

**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.

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

**o. Fund Balance (Continued)**

	<u>General</u>	<u>CITT</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:				
Nonspendable:				
Prepays	\$ 333,852	\$ -	\$ -	\$ 333,852
Restricted:				
Transportation	-	3,017,005	-	3,017,005
Parks and recreation	-	-	686,838	686,838
Public safety	-	-	108,332	108,332
Capital projects	-	-	1,343,294	1,343,294
Committed:				
Assigned:				
Building: capital reserve	1,500,000	-	-	1,500,000
Building: operating reserve	1,000,000	-	-	1,000,000
Lender depository requirement	3,060,700	-	-	3,060,700
Education initiative reserve	300,000	-	-	300,000
Unassigned	<u>11,781,272</u>	<u>-</u>	<u>-</u>	<u>11,781,272</u>
Total Fund Balances	<u>\$ 17,975,824</u>	<u>\$ 3,017,005</u>	<u>\$ 2,138,464</u>	<u>\$ 23,131,293</u>
Fund Balances:				
Nonspendable	\$ 333,852	-	-	\$ 333,852
Restricted	-	3,017,005	2,138,464	5,155,469
Committed	-	-	-	-
Assigned	5,860,700	-	-	5,860,700
Unassigned	<u>11,781,272</u>	<u>-</u>	<u>-</u>	<u>11,781,272</u>
Total Fund Balances	<u>\$ 17,975,824</u>	<u>\$ 3,017,005</u>	<u>\$ 2,138,464</u>	<u>\$ 23,131,293</u>

The Town considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this ,such as in grant agreements requiring dollar for dollar spending. Additionally, the Town would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

**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.

**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 government, 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, 2012, the Town complied, in all material respects, with these revenue restrictions.

**III. DEPOSITS AND INVESTMENTS**

**Deposits**

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

**Investments**

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

As of September 30, 2012, the Town had no investments.

**IV. RECEIVABLES/PAYABLES**

**Receivables**

The Town's receivables at September 30, 2012 were as follows:

	<u>Taxes</u>	<u>Grants</u>	<u>Fees</u>	<u>Others</u>	<u>Totals</u>
General Fund	\$ 762,577	\$ 22,507	\$ -	\$ 148,458	\$ 933,542
CITT Fund	199,676	-	-	-	199,676
JPA (Old Cutler Road) Fund	-	1,373,550	-	-	1,373,550
Non-major governmental funds	17,891	443,725	-	-	461,616
Stormwater Fund	<u>-</u>	<u>-</u>	<u>191,012</u>	<u>-</u>	<u>191,012</u>
	<u>\$ 980,144</u>	<u>\$ 1,839,782</u>	<u>\$ 191,012</u>	<u>\$ 148,458</u>	<u>\$ 3,159,396</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, 2012 were as follows:

	<u>Vendors</u>	<u>Miami Dade County</u>	<u>Total</u>
General Fund	\$ 416,899	\$ 2,192,641	\$ 2,609,540
CITT Fund	31,101	11,459	42,560
JPA (Old Cutler Road) Fund	236,099	-	236,099
Non-major governmental funds	4,752	-	4,752
Stormwater Fund	<u>54,283</u>	<u>75,000</u>	<u>129,283</u>
	<u>\$ 743,134</u>	<u>\$ 2,279,100</u>	<u>\$ 3,022,234</u>

## V. CAPITAL ASSETS

Capital asset activities for the fiscal year ended September 30, 2012 was as follows:

	<u>Balance</u> October 1, 2011	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> September 30, 2012
<b>Governmental activities:</b>					
Capital assets not being depreciated:					
Land	\$ 10,368,183	\$ -	\$ -	\$ -	\$ 10,368,183
Construction in progress	7,310,975	-	-	(7,310,975)	-
Total capital assets not being depreciated	<u>17,679,158</u>	<u>-</u>	<u>-</u>	<u>(7,310,975)</u>	<u>10,368,183</u>
Capital assets being depreciated:					
Building	8,154,216	-	-	400,000	8,554,216
Roads and sidewalks	57,640,563	-	-	-	57,640,563
Improvements	5,438,662	1,993,019	-	6,910,975	14,342,656
Computer hardware and software	793,392	85,913	-	-	879,305
Property under capital lease	318,379	-	(25,867)	-	292,512
Furniture and equipment	680,733	88,611	-	-	769,344
Total capital assets being depreciated	<u>73,025,945</u>	<u>2,167,543</u>	<u>(25,867)</u>	<u>7,310,975</u>	<u>82,478,596</u>
Less accumulated depreciation for:					
Building	(710,032)	(424,521)	-	-	(1,134,553)
Roads and sidewalks	(29,612,183)	(1,313,272)	-	-	(30,925,455)
Improvements	(1,160,005)	(1,284,076)	-	-	(2,444,081)
Computer hardware and software	(490,189)	(162,075)	-	-	(652,264)
Property under capital lease	(307,062)	(10,610)	25,160	-	(292,512)
Furniture and equipment	(396,366)	(118,570)	-	-	(514,936)
Total accumulated depreciation	<u>(32,675,837)</u>	<u>(3,313,124)</u>	<u>25,160</u>	<u>-</u>	<u>(35,963,801)</u>
Total capital assets being depreciated, net	<u>40,350,108</u>	<u>(1,145,581)</u>	<u>(707)</u>	<u>7,310,975</u>	<u>46,514,795</u>
Governmental activities capital assets, net	<u>\$ 58,029,266</u>	<u>\$ (1,145,581)</u>	<u>\$ (707)</u>	<u>\$ -</u>	<u>\$ 56,882,978</u>
<b>Business-type activities:</b>					
Capital assets not being depreciated:					
Construction in progress	\$ -	\$ 26,813	\$ -	\$ -	\$ 26,813
Total capital assets not being depreciated	<u>-</u>	<u>26,813</u>	<u>-</u>	<u>-</u>	<u>26,813</u>
Capital assets being depreciated:					
Property under capital lease	29,383	-	-	-	29,383
Infrastructure	7,797,660	-	-	-	7,797,660
Total capital assets being depreciated	<u>7,827,043</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,827,043</u>
Less accumulated depreciation for:					
Property under capital lease	(22,955)	(6,428)	-	-	(29,383)
Infrastructure	(2,409,884)	(159,414)	-	-	(2,569,298)
Total accumulated depreciation	<u>(2,432,839)</u>	<u>(165,842)</u>	<u>-</u>	<u>-</u>	<u>(2,598,681)</u>
Total capital assets being depreciated, net	<u>5,394,204</u>	<u>(165,842)</u>	<u>-</u>	<u>-</u>	<u>5,228,362</u>
Business-type activities capital assets, net	<u>\$ 5,394,204</u>	<u>\$ (139,029)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,255,175</u>

**V. CAPITAL ASSETS (Continued)**

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

General government	\$702,821
Public Safety	26,336
Community development	1,346,598
Culture and Recreation	<u>1,237,369</u>
Total depreciation expense – governmental activities	<u>\$3,313,124</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.

Debt service requirements to maturity for the fiscal year ending September 30, 2012 are summarized as follows:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	240,055	107,461	347,516
2018-2022	1,346,030	384,027	1,730,057
2023-2027	<u>1,036,480</u>	<u>116,803</u>	<u>1,153,283</u>
	<u>\$ 3,492,995</u>	<u>\$ 1,132,452</u>	<u>\$ 4,625,447</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. Certain of these loans were modified on September 20, 2012, to provide for a revised amortization structure. Also on September 20, 2012, the Town executed a loan agreement with a local bank to borrow \$2,578,000 for the purpose of financing certain costs for the establishment of a high school level curriculum within the Town pursuant to an educational initiative with the Miami-Dade County School Board. 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 2.18% to 4.42%.

Debt service requirements to maturity for the fiscal year ending September 30, 2012 are summarized as follows:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ -	\$ 548,477	\$ 548,477
2014	-	548,477	548,477
2015	1,134,473	532,922	1,667,395
2016	1,176,911	490,484	1,667,395
2017	1,221,036	446,358	1,667,394
2018-2022	5,865,008	1,545,678	7,410,686
2023-2027	3,789,244	657,862	4,447,106
2028-2030	<u>2,116,450</u>	<u>96,048</u>	<u>2,212,498</u>
	<u>\$ 15,303,122</u>	<u>\$ 4,866,306</u>	<u>\$ 20,169,428</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 principal payment for the fiscal year ended September 30, 2012 was \$83,258 and the balance of the remaining principal payments range from \$86,445 to \$185,640 through September 2029.

Debt service requirements to maturity for the fiscal year ending September 30, 2012 are summarized as follows:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2017	103,403	90,881	194,284
2018-2022	600,015	371,471	971,486
2023-2027	765,637	205,715	971,352
2028-2029	<u>362,482</u>	<u>26,014</u>	<u>388,496</u>
	<u>\$2,200,395</u>	<u>\$1,102,415</u>	<u>\$3,302,810</u>

**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 was recorded at the net present value of the future minimum lease payments, as of the inception date. The remaining balances on the capital leases were paid off during the fiscal year ended September 30, 2012.

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 disposal	(25,867)	-
Less accumulated depreciation	<u>(292,512)</u>	<u>(29,383)</u>
	<u>\$ -</u>	<u>\$ -</u>

The following is a summary of changes in the long-term debt for the fiscal year ended September 30, 2012:

	Balance October 1, 2011	<u>Additions</u>	<u>Deletions</u>	Balance September 30, 2012	Due Within One year
<u>Governmental activities:</u>					
QNIP Bonds	\$ 3,562,490	\$ -	\$ 69,495	\$3,492,995	\$ 204,180
Notes payable	12,725,122	2,578,000	-	15,303,122	-
Capital leases	13,144	-	13,144	-	-
Compensated absences	108,209	87,386	104,226	91,369	24,713
Net OPEB Obligation	<u>27,000</u>	<u>12,000</u>	<u>-</u>	<u>39,000</u>	<u>-</u>
Total Governmental activities	<u>\$16,435,965</u>	<u>\$2,677,386</u>	<u>\$186,865</u>	<u>\$18,926,486</u>	<u>\$228,893</u>
<u>Business type activities:</u>					
Stormwater Utility Revenue Bonds	\$2,283,653	\$ -	\$ 83,258	\$2,200,395	\$ 86,445
Capital leases	<u>7,444</u>	<u>-</u>	<u>7,444</u>	<u>-</u>	<u>-</u>
Total Business type activities	<u>\$2,291,097</u>	<u>\$ -</u>	<u>\$ 90,702</u>	<u>\$2,200,395</u>	<u>\$ 86,445</u>

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, 2012, were as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ -	\$ 3,236,307
CITT Fund	2,859,889	-
JPA (Old Cutler Road) Fund		1,137,451
Non-major governmental funds	957,793	442,462
Stormwater Fund	<u>998,538</u>	<u>-</u>
	<u>\$ 4,816,220</u>	<u>\$ 4,816,220</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, 2012 was as follows:

	<u>Transfers In*</u>	<u>Transfers Out*</u>
General Fund	\$ 280,940	\$ 90,356
CITT Fund	-	463,120
JPA (Old Cutler Road) Fund	463,120	-
Non-major governmental funds	<u>278,729</u>	<u>469,313</u>
	<u>\$ 1,022,789</u>	<u>\$ 1,022,789</u>

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

- \$463,120 was transferred from the CITT Fund to the JPA (Old Cutler Road) Fund to fund the Town's portion of roadway enhancements and project oversight costs related to the Old Cutler Road roadway improvement project.
- \$90,356 was transferred from the General Fund to the ARRA Lighting Fund (a non-major governmental fund) for the Town's match portion on a grant for energy efficient lighting improvements at Town Hall.
- \$131,947 was transferred from the Special Revenue Fund (a non-major governmental fund) to the General Fund to transfer police impact fees for the purchase of police vehicles.
- \$148,993 was transferred from the Special Revenue Fund (a non-major governmental fund) to the General Fund to transfer gas taxes used for sidewalk repairs.
- \$188,373 of park impact fees were transferred from the Special Revenue Fund (a non-major governmental fund) to the Capital Projects Fund (\$101,294) and to the Capital Projects – LBTB Park Fund (\$87,079), both non-major governmental funds, used to complete various park projects in Town.

**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.

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>
2012	\$109,295
2011	\$192,377
2010	\$216,761

## 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 contributions 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 4.98% to 10.91% 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, 2012, 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 \$0.81 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 2012, approximately \$7,600,211 was paid by the Town for such services. The agreement expires on August 20, 2014.

**X. COMMITMENTS AND CONTINGENCIES (Continued)**

**Agreement with Miami-Dade County School Board**

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 brought to the Town its first ever high school level curriculum. The upfront cost to the Town was \$2.75 million, \$2 million of which was a one-time initial capital investment for construction of facilities, \$450,000 was for the initial iPrep Academy cost, and \$300,000 was 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 of the program. After the third year, contributions of up to \$150,000 a year may be requested for replacement of equipment, subject to approval by the Town Council.

**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, 2012 to determine the net OPEB obligation. The plan is not funded. The valuation used the projected unit cost method, with linear pro-ration to assumed benefit commencement.

*Annual OPEB Cost and Net OPEB Obligation.* The Town's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortization of 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	\$	12,000
Interest on net OPEB obligation		1,000
Adjustment to annual required contribution		<u>1,000</u>
Annual OPEB cost (expense)		12,000
Contributions made		<u>0</u>
Increase in net OPEB obligation		12,000
Net OPEB obligation – beginning of year		<u>27,000</u>
Net OPEB obligation – end of year	\$	<u>39,000</u>

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

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, 2012	\$12,000	\$ 0	\$12,000
September 30, 2011	\$9,000	\$ 0	\$9,000
September 30, 2010	\$9,000	\$ 0	\$9,000

*Funded Status and Funding Progress.* As of September 30, 2012, the most recent actuarial valuation date, the plan was 0% funded. The unfunded actuarial accrued liability (UAAL) is \$39,000. The covered payroll (annual payroll of active employees covered by the plan) was \$1.5 million and the ratio of the UAAL to the covered payroll was 2.6 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.

*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, 2012 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 7.0% initially, gradually decreasing over time. By 2030 the rate of increase is 5.1%, and by 2050 4.6%. The rates included a 3.8% 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**

<u>Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b - a) / c)</u>
September 30, 2009	-	\$ 21,000	\$ 21,000	0.0%	\$1,200,000	1.8%
September 30, 2012	-	\$ 39,000	\$ 39,000	0.0%	\$1,500,000	2.6%

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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, 2012**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive/(Negative)
<b>Revenues:</b>				
Property taxes	\$ 4,235,862	\$ 4,235,862	\$ 4,254,352	\$ 18,490
Franchise fees	1,100,000	1,400,000	1,616,617	216,617
Utility taxes	1,800,000	2,150,000	2,472,062	322,062
Charges for services	140,000	140,000	417,966	277,966
Intergovernmental	4,910,071	5,160,071	5,653,427	493,356
Licenses and permits	1,015,000	1,145,000	1,125,494	(19,506)
Fines and forfeitures	200,000	500,000	568,696	68,696
Interest	50,000	50,000	57,623	7,623
Rental income	620,000	485,000	503,893	18,893
Miscellaneous	150,000	150,000	103,230	(46,770)
Total revenues	<u>14,220,933</u>	<u>15,415,933</u>	<u>16,773,360</u>	<u>1,357,427</u>
<b>Expenditures:</b>				
General government	1,566,536	4,566,536	4,361,951	204,585
Legislative	160,530	160,530	143,528	17,002
Town clerk	358,669	308,669	171,835	136,834
Finance	457,433	457,433	351,387	106,046
Town attorney	450,000	530,000	494,104	35,896
Town Hall building	1,897,407	1,717,407	1,244,875	472,532
Community development	1,347,179	1,347,179	1,195,292	151,887
Public works	781,042	781,042	607,125	173,917
Culture and recreation	1,746,335	1,746,335	1,479,893	266,442
Police services	<u>8,923,845</u>	<u>8,823,845</u>	<u>8,073,950</u>	<u>749,895</u>
Total expenditures	<u>17,688,976</u>	<u>20,438,976</u>	<u>18,123,940</u>	<u>2,315,036</u>
(Deficiency) Excess of revenues under expenditures before other financing sources (uses)	<u>(3,468,043)</u>	<u>(5,023,043)</u>	<u>(1,350,580)</u>	<u>3,672,463</u>
<b>Other financing sources (uses):</b>				
Appropriation of prior year fund balance	13,323,157	12,128,157	-	(12,128,157)
Contingency reserve	(3,800,000)	(3,628,000)	-	3,628,000
Insurance contingencies	(1,000,000)	(1,000,000)	-	1,000,000
Grant match reserve	(280,000)	(280,000)	-	280,000
Building capital reserve	(750,000)	(750,000)	-	750,000
Building operating reserve	(1,000,000)	(1,000,000)	-	1,000,000
Restricted building loan reserve	(2,550,000)	(2,550,000)	-	2,550,000
Education initiative reserve	(231,000)	(231,000)	-	231,000
Other reserves	(259)	(259)	-	259
Revenue stabilization reserve	(225,000)	(225,000)	-	225,000
Tax equalization reserve	(225,000)	(225,000)	-	225,000
Transfers in	320,000	320,000	280,940	(39,060)
Transfers out	(113,855)	(113,855)	(90,356)	23,499
Issuance of debt	<u>-</u>	<u>2,578,000</u>	<u>2,578,000</u>	<u>-</u>
Total other financing sources	<u>3,468,043</u>	<u>5,023,043</u>	<u>2,768,584</u>	<u>(2,254,459)</u>
Net change in fund balance	-	-	1,418,004	<u>1,418,004</u>
Fund balances - Beginning	<u>-</u>	<u>-</u>	<u>16,557,820</u>	
Fund balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,975,824</u>	

See notes to budgetary comparison schedule

**TOWN OF CUTLER BAY, FLORIDA**  
**BUDGETARY COMPARISON SCHEDULE - CITT FUND**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ -	\$ 1,200,000	\$ 3,758,867	\$ 2,558,867
Total revenues	<u>-</u>	<u>1,200,000</u>	<u>3,758,867</u>	<u>2,558,867</u>
Expenditures:				
Current:				
General government	-	1,200,000	741,862	458,138
Total expenditures	<u>-</u>	<u>1,200,000</u>	<u>741,862</u>	<u>458,138</u>
Excess of revenues under expenditures and other financing sources	<u>-</u>	<u>-</u>	<u>3,017,005</u>	<u>3,017,005</u>
Other financing sources:				
Transfers out	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>3,017,005</u>	<u>3,017,005</u>
Fund balances, Beginning	<u>-</u>	<u>-</u>	<u>-</u>	
Fund balances, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,017,005</u>	

See notes to budgetary comparison schedule

**TOWN OF CUTLER BAY, FLORIDA**  
 BUDGETARY COMPARISON SCHEDULE - JPA (OLD CUTLER ROAD) FUND  
 FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 4,250,000	\$ 4,250,000	\$ 1,872,826	\$ (2,377,174)
Total revenues	4,250,000	4,250,000	1,872,826	(2,377,174)
Expenditures:				
Current:				
General government	4,481,000	4,481,000	2,335,946	2,145,054
Total expenditures	4,481,000	4,481,000	2,335,946	2,145,054
Deficiency of revenues under expenditures and other financing sources	(231,000)	(231,000)	(463,120)	(232,120)
Other financing sources:				
Transfers in	231,000	231,000	463,120	232,120
Total other financing sources	231,000	231,000	463,120	232,120
Net change in fund balance	-	-	-	-
Fund balances, Beginning	-	-	-	-
Fund balances, Ending	\$ -	\$ -	\$ -	-

See notes to budgetary comparison schedule

**TOWN OF CUTLER BAY, FLORIDA**  
**NOTES TO BUDGETARY COMPARISON SCHEDULE**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2012**

**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 for all other funds known as of the October 1 fiscal year start date. 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, 2012 were as follows:

In June 2012, the Town Council passed a budget amendment by resolution (#12-50) to utilize \$2,750,000 of contingency reserves to fund an educational initiative with the Miami-Dade School Board and to transfer \$50,000 from the Town Clerk's other contractual services budget to the Town Hall Building's capital outlay budget in anticipation of constructing a space to be used by Miami-Dade County within the Town's Town Hall building.

In November 2012, the Town Council passed a budget amendment by resolution (#12-60) to:

1. Increase the fiscal year 2012 budget for \$2,578,000 of debt proceeds obtained via a bank loan to support the Town's education initiative with the Miami-Dade School Board. These proceeds were used to partially replenish the Town's contingency reserves (see preceding paragraph).
2. Increase revenues for electric franchise fees (\$300,000), utility taxes-electricity (\$350,000), building permits (\$130,000), state revenue sharing (\$100,000), local government half-cent sales tax (\$150,000), and judgments and fines-red light camera violations (\$300,000), offset by a decrease to rental income from tenants (\$135,000) and to appropriation of prior year fund balance (\$1,195,000).
3. Increase salaries (\$165,000) and machinery and equipment (\$340,000) for General Government and professional services (\$80,000) for the Town Attorney, offset by decreases to QNIP debt service (\$255,000), law enforcement professional services (\$100,000) and capital outlay (\$130,000) and debt service-principal (\$100,000) for Town Hall Building.
4. Establish the Green Traffic Circle Fund reflecting \$204,000 received from a private source contribution for the construction of a traffic circle at a Town intersection.
5. Establish the CITT Fund reflecting the Town's new participation in this surtax program run through Miami-Dade County. The initial annual budget established was \$1.2 million.
6. Adjust the adopted budget for the Capital Projects – LBTB Park Fund to reflect completion of the project in fiscal 2012. Revenues were increased by a net amount of \$558,000, reflecting a decrease in Local Grant-GOB revenues (\$635,000) and increases in interfund transfers (\$86,000) and appropriation of prior year fund balance (\$1,107,000). Expenditures were adjusted by the corresponding net amount of the revenue changes.
7. The Stormwater Fund (a proprietary fund) budget was increased by \$291,000 to reflect a contribution from a private source for the completion of a drainage project in town. Contractual services expenditures were increased by a corresponding amount.

**TOWN OF CUTLER BAY, FLORIDA**  
**NOTES TO BUDGETARY COMPARISON SCHEDULE**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2012**

**Notes to Budgetary Comparison Schedule (Continued)**

- 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, JPA (Old Cutler Road) Fund, JPA (Caribbean Blvd) Fund, ARRA Lighting Fund, Capital Projects Fund – LBTB Park, Capital Projects Fund, and the Stormwater Fund have legally adopted budgets which were passed prior to the October 1, 2011 fiscal year start date. The budgets for the CITT Fund and the Green Traffic Circle Fund were passed by supplemental appropriation resolution in November 2012 as these funds were not known at the time of original adoption of the budget prior to the October 1, 2011 fiscal year start date. 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.

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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.

**ARRA Lighting Fund** – This fund was established to account for the revenues derived from the Federal ARRA Stimulus grant to be used specifically for energy efficient lighting improvements at the Town’s Town Hall building.

**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.

**Green Traffic Circle Fund** – This fund was established to account for the revenues derived from a contribution from a private source to be used specifically for constructing a traffic circle 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.

**Capital Projects Fund – LBTB Park** – This fund was established to account for the use of various intergovernmental revenues received from Miami-Dade County for the development of a park within the Town known as Lakes by the Bay Park (“LBTB Park”).

**TOWN OF CUTLER BAY, FLORIDA**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2012**

	Special Revenue Funds					Capital Projects Funds		Total Nonmajor Governmental Funds
	Special Revenue Fund	The Children's Trust Fund	ARRA Lighting Fund	JPA (Caribbean Blvd) Fund	Green Traffic Circle Fund	Capital Projects Fund	Capital Projects Fund- LBTB Park	
<u>ASSETS</u>								
Restricted cash and cash equivalents	\$ 1,162,780	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,852	\$ 1,165,632
Receivables	17,891	18,113	110,435	315,177	-	-	-	461,616
Other assets	-	637	-	-	-	-	-	637
Due from other funds	753,307	-	-	-	204,486	-	-	957,793
Total assets	<u>\$ 1,933,978</u>	<u>\$ 18,750</u>	<u>\$ 110,435</u>	<u>\$ 315,177</u>	<u>\$ 204,486</u>	<u>\$ -</u>	<u>\$ 2,852</u>	<u>\$ 2,585,678</u>
<u>LIABILITIES</u>								
Accounts payable	\$ -	\$ 4,752	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,752
Due to other funds	-	13,998	110,435	315,177	-	-	2,852	442,462
Total liabilities	<u>-</u>	<u>18,750</u>	<u>110,435</u>	<u>315,177</u>	<u>-</u>	<u>-</u>	<u>2,852</u>	<u>447,214</u>
<u>FUND BALANCES</u>								
Restricted	<u>1,933,978</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>204,486</u>	<u>-</u>	<u>-</u>	<u>2,138,464</u>
Total fund balances	<u>1,933,978</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>204,486</u>	<u>-</u>	<u>-</u>	<u>2,138,464</u>
Total liabilities and fund balances	<u>\$ 1,933,978</u>	<u>\$ 18,750</u>	<u>\$ 110,435</u>	<u>\$ 315,177</u>	<u>\$ 204,486</u>	<u>\$ -</u>	<u>\$ 2,852</u>	<u>\$ 2,585,678</u>

**TOWN OF CUTLER BAY, FLORIDA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	Special Revenue Funds					Capital Projects Funds		Total Nonmajor Governmental Funds
	Special Revenue Fund	The Children's Trust Fund	ARRA Lighting Fund	JPA (Caribbean Blvd) Fund	Green Traffic Circle Fund	Capital Projects Fund	Capital Projects Fund- LBTB Park	
Revenues:								
Intergovernmental	\$ 200,837	\$ 92,210	\$ 110,435	\$ 247,351	\$ -	\$ -	\$ 225,000	\$ 875,833
Impact fees	316,072	-	-	-	-	-	-	316,072
Interest	5,437	-	-	-	-	-	645	6,082
Contributions	-	-	-	-	204,486	-	-	204,486
Total revenues	<u>522,346</u>	<u>92,210</u>	<u>110,435</u>	<u>247,351</u>	<u>204,486</u>	<u>-</u>	<u>225,645</u>	<u>1,402,473</u>
Expenditures:								
Current:								
General government	-	-	200,791	247,351	-	-	-	448,142
Parks and recreation	-	92,210	-	-	-	-	-	92,210
Capital outlay	-	-	-	-	-	116,570	1,417,806	1,534,376
Total expenditures	<u>-</u>	<u>92,210</u>	<u>200,791</u>	<u>247,351</u>	<u>-</u>	<u>116,570</u>	<u>1,417,806</u>	<u>2,074,728</u>
Excess (Deficiency) of revenues over expenditures and other financing sources (uses)	<u>522,346</u>	<u>-</u>	<u>(90,356)</u>	<u>-</u>	<u>204,486</u>	<u>(116,570)</u>	<u>(1,192,161)</u>	<u>(672,255)</u>
Other financing sources :								
Transfers in	-	-	90,356	-	-	101,294	87,079	278,729
Transfers out	(469,313)	-	-	-	-	-	-	(469,313)
Total other financing sources (uses)	<u>(469,313)</u>	<u>-</u>	<u>90,356</u>	<u>-</u>	<u>-</u>	<u>101,294</u>	<u>87,079</u>	<u>(190,584)</u>
Net change in fund balance	<u>53,033</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>204,486</u>	<u>(15,276)</u>	<u>(1,105,082)</u>	<u>(862,839)</u>
Fund balances, Beginning	<u>1,880,945</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,276</u>	<u>1,105,082</u>	<u>3,001,303</u>
Fund balances, Ending	<u>\$ 1,933,978</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 204,486</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,138,464</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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental	\$ 181,952	\$ 181,952	\$ 200,837	\$ 18,885
Impact fees	65,000	65,000	316,072	251,072
Interest	<u>3,000</u>	<u>3,000</u>	<u>5,437</u>	<u>2,437</u>
Total revenues	<u>249,952</u>	<u>249,952</u>	<u>522,346</u>	<u>272,394</u>
<b>Other financing uses:</b>				
Appropriation of prior year fund balance	1,727,335	1,727,335	-	(1,727,335)
Reserve for future police impact fees	(60,416)	(60,416)	-	60,416
Reserve for future park impact fees	(434,831)	(434,831)	-	434,831
Reserve for future public works projects	(471,759)	(471,759)	-	471,759
Reserve for future road impact fee projects	(80,602)	(80,602)	-	80,602
Reserve for future public buildings projects	(38,679)	(38,679)	-	38,679
Transfers out	<u>(891,000)</u>	<u>(891,000)</u>	<u>(469,313)</u>	<u>421,687</u>
Total other financing uses	<u>(249,952)</u>	<u>(249,952)</u>	<u>(469,313)</u>	<u>(219,361)</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>53,033</u>	<u>53,033</u>
Fund balances, Beginning	<u>-</u>	<u>-</u>	<u>1,880,945</u>	
Fund balances, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,933,978</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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 111,761	\$ 111,761	\$ 92,210	\$ (19,551)
Total revenues	<u>111,761</u>	<u>111,761</u>	<u>92,210</u>	<u>(19,551)</u>
Expenditures:				
Current:				
Parks and recreation	<u>111,761</u>	<u>111,761</u>	<u>92,210</u>	<u>19,551</u>
Total expenditures	<u>111,761</u>	<u>111,761</u>	<u>92,210</u>	<u>19,551</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 - ARRA LIGHTING FUND**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 152,800	\$ 152,800	\$ 110,435	\$ (42,365)
Total revenues	<u>152,800</u>	<u>152,800</u>	<u>110,435</u>	<u>(42,365)</u>
Expenditures:				
Current:				
General government	<u>266,655</u>	<u>266,655</u>	<u>200,791</u>	<u>65,864</u>
Total expenditures	<u>266,655</u>	<u>266,655</u>	<u>200,791</u>	<u>65,864</u>
Deficiency of revenues under expenditures and other financing sources	<u>(113,855)</u>	<u>(113,855)</u>	<u>(90,356)</u>	<u>23,499</u>
Other financing sources:				
Transfers in	<u>113,855</u>	<u>113,855</u>	<u>90,356</u>	<u>(23,499)</u>
Total other financing sources	<u>113,855</u>	<u>113,855</u>	<u>90,356</u>	<u>(23,499)</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, 2012**

	<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	\$ 247,351	\$ (2,448,195)
Total revenues	<u>2,695,546</u>	<u>2,695,546</u>	<u>247,351</u>	<u>(2,448,195)</u>
Expenditures:				
Current:				
General government	<u>2,843,546</u>	<u>2,843,546</u>	<u>247,351</u>	<u>2,596,195</u>
Total expenditures	<u>2,843,546</u>	<u>2,843,546</u>	<u>247,351</u>	<u>2,596,195</u>
Deficiency of revenues under expenditures and other financing sources	<u>(148,000)</u>	<u>(148,000)</u>	<u>-</u>	<u>148,000</u>
Other financing sources:				
Transfers in	<u>148,000</u>	<u>148,000</u>	<u>-</u>	<u>(148,000)</u>
Total other financing sources	<u>148,000</u>	<u>148,000</u>	<u>-</u>	<u>(148,000)</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 - GREEN TRAFFIC CIRCLE FUND**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Contributions	\$ -	\$ 204,000	\$ 204,486	\$ 486
Total revenues	<u>-</u>	<u>204,000</u>	<u>204,486</u>	<u>486</u>
Expenditures:				
Current:				
General government	-	204,000	-	204,000
Total expenditures	<u>-</u>	<u>204,000</u>	<u>-</u>	<u>204,000</u>
Deficiency of revenues under expenditures and other financing sources	<u>-</u>	<u>-</u>	<u>204,486</u>	<u>204,486</u>
Other financing sources:				
Transfers in	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>204,486</u>	<u>204,486</u>
Fund balances, Beginning	<u>-</u>	<u>-</u>	<u>-</u>	
Fund balances, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 204,486</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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental	\$ 75,000	\$ 75,000	\$ -	\$ (75,000)
Contributions	<u>15,000</u>	<u>\$ 15,000</u>	<u>-</u>	<u>(15,000)</u>
Total revenues	<u>90,000</u>	<u>90,000</u>	<u>-</u>	<u>(90,000)</u>
<b>Expenditures:</b>				
Current:				
Parks and recreation	<u>282,000</u>	<u>282,000</u>	<u>116,570</u>	<u>165,430</u>
Total expenditures	<u>282,000</u>	<u>282,000</u>	<u>116,570</u>	<u>165,430</u>
Deficiency of revenues under expenditures and other financing sources	<u>(192,000)</u>	<u>(192,000)</u>	<u>(116,570)</u>	<u>75,430</u>
<b>Other financing sources:</b>				
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>192,000</u>	<u>192,000</u>	<u>101,294</u>	<u>(90,706)</u>
Total other financing sources	<u>192,000</u>	<u>192,000</u>	<u>101,294</u>	<u>(90,706)</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>(15,276)</u>	<u>(15,276)</u>
Fund balances, Beginning	<u>-</u>	<u>-</u>	<u>15,276</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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 860,000	\$ 225,000	\$ 225,000	\$ -
Interest	<u>-</u>	<u>-</u>	<u>645</u>	<u>645</u>
Total revenues	<u>860,000</u>	<u>225,000</u>	<u>225,645</u>	<u>645</u>
Expenditures:				
Current:				
Parks and recreation	<u>860,000</u>	<u>1,418,000</u>	<u>1,417,806</u>	<u>194</u>
Total expenditures	<u>860,000</u>	<u>1,418,000</u>	<u>1,417,806</u>	<u>194</u>
Deficiency of revenues under expenditures and other financing sources	<u>-</u>	<u>(1,193,000)</u>	<u>(1,192,161)</u>	<u>839</u>
Other financing sources:				
Appropriation of prior year fund balance	-	1,107,000	-	(1,107,000)
Transfers in	<u>-</u>	<u>86,000</u>	<u>87,079</u>	<u>1,079</u>
Total other financing sources	<u>-</u>	<u>1,193,000</u>	<u>87,079</u>	<u>(1,105,921)</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>(1,105,082)</u>	<u>(1,105,082)</u>
Fund balances, Beginning	<u>-</u>	<u>-</u>	<u>1,105,082</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, 2012**

	<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	\$ 990,000	\$ 990,000	\$ 986,525	\$ (3,475)
Total operating revenues	<u>990,000</u>	<u>990,000</u>	<u>986,525</u>	<u>(3,475)</u>
Operating expenses:				
Operations and maintenance	<u>1,572,412</u>	<u>1,863,412</u>	<u>1,032,644</u>	<u>830,768</u>
Total operating expenses	<u>1,572,412</u>	<u>1,863,412</u>	<u>1,032,644</u>	<u>830,768</u>
Operating loss	<u>(582,412)</u>	<u>(873,412)</u>	<u>(46,119)</u>	<u>827,293</u>
Non-operating revenues:				
Interest income	<u>-</u>	<u>-</u>	<u>2,237</u>	<u>2,237</u>
Capital contributions	<u>-</u>	<u>291,000</u>	<u>291,494</u>	<u>494</u>
Changes in net assets	<u>(582,412)</u>	<u>(582,412)</u>	<u>247,612</u>	<u>830,024</u>
Net assets- Beginning	<u>1,675,000</u>	<u>1,675,000</u>	<u>3,868,106</u>	
Net assets- Ending	<u>\$ 1,092,588</u>	<u>\$ 1,092,588</u>	<u>\$ 4,115,718</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>57-60</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>61-65</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>66-67</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>68-69</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>70-72</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	2012
<b>Governmental activities:</b>							
Invested in capital assets, net of related debt	\$ 73,058	\$ 9,479,324	\$ 40,987,278	\$ 36,283,066	36,899,978	41,728,510	38,086,861
Restricted	994,197	1,355,365	2,030,550	1,887,878	4,366,337	3,001,303	5,155,469
Unrestricted	1,374,021	4,603,866	8,890,979	12,283,344	14,899,090	16,400,954	17,822,255
<b>Total governmental activities net assets</b>	<b>\$ 2,441,276</b>	<b>\$ 15,438,555</b>	<b>\$ 51,908,807</b>	<b>\$ 50,454,288</b>	<b>\$ 56,165,405</b>	<b>\$ 61,130,767</b>	<b>\$ 61,064,585</b>
<b>Business-type activities:</b>							
Invested in capital assets, net of related debt	\$ -	-	\$ -	\$ 235,923	3,049,733	3,103,107	3,054,780
Restricted	-	-	-	-	-	-	-
Unrestricted	-	-	84,567	486,401	830,138	764,999	1,060,938
<b>Total business-type activities net assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 84,567</b>	<b>\$ 722,324</b>	<b>\$ 3,879,871</b>	<b>\$ 3,868,106</b>	<b>\$ 4,115,718</b>
<b>Primary government:</b>							
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	\$ 41,141,641
Restricted	994,197	1,355,365	2,030,550	1,887,878	4,366,337	3,001,303	5,155,469
Unrestricted	1,374,021	4,603,866	8,975,546	12,769,745	15,729,228	17,165,953	18,883,193
<b>Total primary government net assets</b>	<b>\$ 2,441,276</b>	<b>\$ 15,438,555</b>	<b>\$ 51,993,374</b>	<b>\$ 51,176,612</b>	<b>\$ 60,045,276</b>	<b>\$ 64,998,873</b>	<b>\$ 65,180,303</b>

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

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

	Fiscal Year						
	2006	2007	2008	2009	2010	2011	2012
<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	9,891,870
Public safety	5,363,660	6,249,705	6,871,073	7,890,206	7,490,653	8,055,192	8,093,112
Community development	70,757	1,211,490	1,957,968	2,898,067	2,859,147	2,568,161	2,534,614
Parks and recreation	652,494	931,051	1,438,346	1,576,740	1,624,291	1,729,029	2,784,113
Interest on long-term debt	906	4,570	7,199	6,087	300,708	678,969	569,292
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>	<u>23,873,001</u>
Business-type activities:							
Stormwater	-	-	67,384	584,976	659,486	1,119,869	1,032,644
Total business-type activities	-	-	<u>67,384</u>	<u>584,976</u>	<u>659,486</u>	<u>1,119,869</u>	<u>1,032,644</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>	<u>24,905,645</u>
<b>PROGRAM REVENUES</b>							
Governmental activities:							
Charges for services:							
General government	140,310	10,914	39,737	139,451	548,152	868,797	678,010
Public safety	144,735	348,726	443,701	395,610	519,974	444,159	746,851
Community development	-	833,563	792,172	723,271	1,050,184	1,004,857	1,165,854
Parks and recreation	555,857	221,865	136,593	140,853	3,631,061	306,739	412,148
Operating grants and contributions	349,393	586,295	249,051	384,452	1,238,145	465,658	6,003,742
Capital grants and contributions	137,881	9,319,655	32,573,921	715,331	787,789	5,758,822	740,758
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>	<u>9,747,363</u>
Business-type activities:							
Charges for services:							
Stormwater	-	-	150,693	986,119	981,683	988,796	986,525
Capital grants and contributions	-	-	-	150,456	364,570	100,812	291,494
Total business-type activities program revenues	-	-	<u>150,693</u>	<u>1,136,575</u>	<u>1,346,253</u>	<u>1,089,608</u>	<u>1,278,019</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>	<u>11,025,382</u>
Net revenue (expense):							
Governmental activities	(7,025,887)	71,931	20,523,944	(13,437,880)	(8,755,854)	(8,787,128)	(14,125,638)
Business-type activities	-	-	83,309	551,599	686,767	(30,261)	245,375
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>	<u>(13,880,263)</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	4,254,352
Utility taxes	1,288,432	1,836,054	2,155,040	2,186,688	2,379,305	2,412,904	2,472,062
Franchise fees based on gross receipts	960,000	1,373,216	1,636,231	1,791,088	1,864,675	1,419,636	1,616,617
Unrestricted intergovernmental revenue	3,581,552	4,118,670	5,123,456	5,463,037	5,074,418	5,386,442	5,653,427
Unrestricted interest earnings	43,806	237,033	305,716	197,380	108,463	63,707	63,705
Miscellaneous revenues	2,014	24,597	58,801	19,194	-	271,010	-
Gains (losses) on disposal of capital assets	-	-	-	-	-	-	(707)
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>	<u>14,059,456</u>
Business-type activities:							
Interest earnings	-	-	1,258	4,820	3,227	1,514	2,237
Total business-type activities	-	-	<u>1,258</u>	<u>4,820</u>	<u>3,227</u>	<u>1,514</u>	<u>2,237</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>	<u>14,061,693</u>
<b>Transfers</b>							
Governmental activities	-	-	-	(81,338)	(408,660)	(16,982)	-
Business-type activities	-	-	-	81,338	408,660	16,982	-
Total primary government	-	-	-	-	-	-	-
<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>	<u>\$ (66,182)</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>	<u>\$ 247,612</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>	<u>\$ 181,430</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	2012
General Fund							
Nonspendable	\$ 38,033	\$ 257,118	\$ 289,207	\$ 271,536	\$ 318,729	\$ 234,197	333,852
Restricted	-	-	-	-	-	-	-
Assigned	-	1,000,000	3,000,000	3,690,000	3,800,000	5,300,000	5,860,700
Unassigned	1,326,292	3,406,217	5,669,213	8,423,267	10,903,244	11,023,623	11,781,272
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>	<u>\$ 17,975,824</u>
All other governmental funds							
Restricted	\$ 994,197	\$ 1,353,855	\$ 2,030,550	\$ 1,887,878	\$ 4,366,337	\$ 3,001,303	\$ 5,155,469
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>	<u>\$ 5,155,469</u>

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

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

	Fiscal Year						
	2006	2007	2008	2009	2010	2011	2012
<b>REVENUES</b>							
Ad valorem taxes	\$ 3,591,359	\$ 5,335,778	\$ 6,667,064	\$ 6,599,152	\$ 5,448,770	4,215,773	4,254,352
Licenses, permits and fines	127,260	1,065,638	1,117,357	1,023,098	1,308,923	972,479	1,125,494
Utility taxes	1,288,432	1,836,054	2,155,040	2,186,688	2,379,305	2,412,904	2,472,062
Franchise fees	960,000	1,373,216	1,636,231	1,791,088	1,864,675	1,419,636	1,616,617
Intergovernmental revenue	4,058,570	4,915,333	5,980,712	6,516,513	6,751,576	11,603,916	12,160,953
Charges for services	700,592	349,430	311,519	376,087	3,987,314	408,889	417,966
Interest and other	44,826	261,630	364,517	262,881	565,096	1,313,897	1,760,082
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>	<u>23,807,526</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	9,175,385
Public safety	5,363,617	6,224,741	6,815,994	7,837,236	7,440,693	8,007,537	8,066,879
Community development	70,757	1,185,763	1,509,035	1,448,464	1,418,418	1,163,575	1,195,292
Parks and recreation	652,494	915,464	1,181,067	1,292,713	1,246,524	1,270,547	1,548,745
Capital outlay	141,934	494,454	438,337	1,364,026	10,797,042	10,832,039	2,176,667
Debt service:							
Principal	7,384	44,835	71,113	77,956	234,524	227,764	82,639
Interest	906	4,570	7,199	6,087	300,708	657,312	567,749
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>	<u>22,813,356</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)	994,170
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	2,578,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,711,340</u>	<u>3,588,139</u>	<u>2,578,000</u>
<b>Net change in fund balances</b>	<u><u>2,358,522</u></u>	<u><u>3,640,545</u></u>	<u><u>4,989,903</u></u>	<u><u>3,283,711</u></u>	<u><u>5,115,629</u></u>	<u><u>170,813</u></u>	<u><u>3,572,170</u></u>
Debt service as a percentage of noncapital expenditures	<u>0.1%</u>	<u>0.4%</u>	<u>0.6%</u>	<u>0.6%</u>	<u>3.5%</u>	<u>5.9%</u>	<u>3.2%</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
2012	\$ 4,254,352	\$ 2,472,062	\$ 12,160,953	\$ 1,616,617	\$ 20,503,984

(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%
2012	\$ 1,232,081	\$ 430,445	\$ 65,033	\$ 1,727,559	2.5702	\$ 2,537,919	68.07%

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
2012	2.5702	2.5702	4.8050	0.2850	2.4627	0.1795	8.0050	0.9708	19.2782

(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)

2012			2007		
Taxpayer	Assessed Valuation	Percentage Total Assessed Valuation	Taxpayer	Assessed Valuation	Percentage Total Assessed Valuation
SOUTHLAND MALL PROPERTIES LLC	72,777	4.2%	SOUTHLAND MALL PROPERTIES LLC	40,283	1.8%
WRI TC S DADE SHOPPING CENTER LLC	27,320	1.6%	WRI TC S DADE SHOPPING CENTER LLC	22,400	1.0%
FLORIDA POWER & LIGHT COMPANY	24,137	1.4%	FLORIDA POWER & LIGHT COMPANY	14,172	0.6%
EQUITY ONE FL PORTFOLIO INC	18,832	1.1%	EQUITY ONE INC	13,038	0.6%
THE REALTY ASSOCIATES FUND IX L P	16,100	0.9%	LENNAR HOMES INC	12,468	0.6%
BILL USSERY MOTORS OF CUTLER BAY	15,327	0.9%	A&E PARTNERS HOLDING LLC	10,320	0.5%
A & E PARTNERS HOLDING LLC	11,000	0.6%	HEALTH CARE FUND	9,222	0.4%
QUAIL ROOST INVESTORS JOINT	10,377	0.6%	SEARS ROEBUCK & CO	9,900	0.4%
HEALTHSOUTH REHAB HOSP OF MIA LLC	10,064	0.6%	HOMESTAR AT CUTLER BAY PALMS LLC	8,755	0.4%
SEARS ROEBUCK & CO	8,902	0.5%	ALL STORES REALTY CORP	8,200	0.4%
	<u>\$ 214,836</u>	<u>12.4%</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)

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%
2012	\$ 4,440,172	\$ 4,211,235	94.8%	\$ 43,117	\$ 4,254,352	95.8%

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

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

Discounts Allowed:

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

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

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

Fiscal Year	Governmental Activities			Business-type Activities			Total Primary Government	Percentage of Personal Income (2)	Per Capita (2)
	Interlocal Debt	Notes Payable	Capital Leases	Interlocal Debt	Notes Payable	Capital Leases			
2006	\$ -	\$ -	\$ 62,744	\$ -	\$ -	\$ -	\$ 62,744	0.005%	\$ 1.69
2007	\$ -	\$ -	\$ 139,447	\$ -	\$ -	\$ -	\$ 139,447	0.010%	\$ 3.45
2008	\$ -	\$ -	\$ 143,314	\$ -	\$ -	\$ -	\$ 143,314	0.010%	\$ 3.47
2009	\$ -	\$ -	\$ 117,092	\$ -	\$ -	\$ 21,583	\$ 138,675	0.009%	\$ 3.34
2010	\$ 4,016,565	\$ 9,120,000	\$ 57,843	\$ 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	1.209%	\$ 457.43
2012	\$ 3,492,995	\$ 15,303,122	\$ -	\$ 2,200,395	\$ -	\$ -	\$ 20,996,512	n/a	\$ 516.60

(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, 2012  
(amounts expressed in thousands)

Jurisdiction	Net Debt Outstanding	Estimated Percentage Applicable (1)	Amount Applicable to Cutler Bay
Miami-Dade County Schools (2)	\$ 484,771	0.92%	\$ 4,470
Miami-Dade County (3)	<u>1,043,496</u>	0.92%	<u>9,622</u>
Subtotal overlapping debt	1,528,267		14,092
Town of Cutler Bay direct debt	<u>18,796</u>	100.00%	<u>18,796</u>
Total direct and overlapping debt	<u><u>\$ 1,547,063</u></u>		<u><u>\$ 32,888</u></u>

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

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

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

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

<u>Fiscal Year</u>	<u>Population (2)</u>	<u>Personal Income (in thousands) (3)</u>	<u>Per Capita Personal Income (4)</u>	<u>Unemployment Rate (5)</u>
2006	37,103	\$ 1,296,156	\$ 34,934	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	40,644	\$ 1,537,725	\$ 37,834	10.5%
2012	40,644	n/a	n/a	8.7%

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

(2) 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)

2012			2007		
Employer	Employees	Percentage of Total	Employer	Employees	Percentage of Total
PRC, INC	1,537	42.5%	PRC, INC	1,537	54.4%
EAST RIDGE RETIREMENT VILLAGE	306	8.5%	PUBLIX SUPERMARKETS	291	10.3%
PUBLIX SUPERMARKETS	267	7.4%	SEARS ROEBUCK & CO	265	9.4%
SEARS ROEBUCK & CO	180	5.0%	JC PENNEY	114	4.0%
HEALTH SOUTH	145	4.0%	MACY'S	99	3.5%
JC PENNEY	121	3.3%	LA QUINTA INNS	97	3.4%
BEST BUY	103	2.8%	WINN DIXIE STORES	69	2.4%
MACY'S	101	2.8%	TOWN OF CUTLER BAY	46	1.6%
MERCEDES BENZ	100	2.8%	PETERSON'S HARLEY-DAVIDSON	41	1.5%
WINN DIXIE STORES	99	2.7%	ROSS STORES	40	1.4%
SOUTHLAND MALL 16	99	2.7%	WILLIAMSON SATURN	40	1.4%
CAC FLORIDA MEDICAL	97	2.7%	OLD NAVY	35	1.2%
TOYS R US	80	2.2%	JO ANN FABRIC & CRAFTS	30	1.1%
TOWN OF CUTLER BAY	79	2.2%	BED, BATH & BEYOND	24	0.8%
PETERSON'S HARLEY-DAVIDSON	59	1.6%	CHARLOTTE RUSSE	21	0.7%
ROSS STORES	55	1.5%	CAC FLORIDA MEDICAL	19	0.7%
OLD NAVY	55	1.5%	SOUTHLAND MALL	16	0.6%
JO ANN FABRIC & CRAFTS	48	1.3%	PETCO	16	0.6%
LA QUINTA INNS	45	1.2%	HAIR EGO	14	0.5%
HAIR EGO	43	1.2%	BERLO INDUSTRY	13	0.5%
	<u>3,619</u>	<u>100.0%</u>		<u>2,827</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	2012
Legislative	5	5	5	5	5	5	5
Clerk	1	1	1	2	1	2	1
General government	3	6	7	7	7	7	8
Community Development	-	5	9	9	8	7	6
Public Works	-	5	5	4	5	5	4
Parks	-	13	14	14	16	14	17
Public Safety:							
Police	n/a (2)	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	1
	<u>9</u>	<u>36</u>	<u>42</u>	<u>42</u>	<u>43</u>	<u>41</u>	<u>42</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	2012
<b>Public Safety</b>							
Police:							
Number of emergency calls for service	708	1,157	1,285	1,195	1,162	991	945
Number of priority calls for service	n/a	1,120	1,195	1,031	933	874	832
Number of non-emergency calls for service	7,381	21,118	23,922	16,744	23,775	15,942	14,991
Number of arrests	455	1324	1,212	1,063	1,141	1,081	1,188
Number of sworn personnel	36	44	46	51	50	51	50
Building and Zoning:							
Number of building permits issued	n/a (2)	2297	2,176	1,854	3,121	2,669	2,684
Number of certificates of use issued	n/a (2)	185	152	147	57	124	127
Number of occupational licenses issued	n/a (2)	605	787	812	813	794	898
<b>Culture and Recreation</b>							
Number of parks	n/a (2)	7	7	7	7	7	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) - 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	2012
<b>Culture and Recreation</b>							
Parks	n/a (2)	7	7	7	7	7	8
Swimming pools	n/a (2)	1	1	1	1	1	1
Tennis courts	n/a (2)	3	3	3	3	5	5
Playgrounds	n/a (2)	3	3	3	3	4	5
Soccer/Football/Lacrosse fields	n/a (2)	2	2	3	3	3	5
Baseball fields	n/a (2)	3	3	3	3	3	6
Picnic shelters	n/a (2)	1	1	2	2	2	2
<b>Public Works</b>							
Streets (length in feet)	n/a (3)	n/a (3)	472,102	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	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, 2012, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated April 11, 2013. 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**

Management of the Town, is responsible for establishing and maintaining effective 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.

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

**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 and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

*Alberni Caballero & Company, LLP*

Alberni Caballero & Company, LLP  
Coral Gables, Florida  
April 11, 2013



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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, 2012, and have issued our report thereon dated April 11, 2013.

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 Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, and the Schedule of Findings and Responses. Disclosures in that report and schedule, which are dated April 11, 2013, 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 report 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 findings and recommendations made in the preceding annual financial report. There were no findings or recommendations made in the preceding annual financial report.
- ❖ Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Town of Cutler Bay, Florida complied with Section 218.415, Florida Statutes.
- ❖ Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
- ❖ 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 this 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, requires that we determine whether the annual financial report for the Town of Cutler Bay, Florida for the fiscal year ended September 30, 2012, 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, 2012. 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 condition 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 a 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, 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  
April 11, 2013

**TOWN OF CUTLER BAY, FLORIDA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2012**

**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**