

BAL HARBOUR VILLAGE, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

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Prepared by the Finance Department

BAL HARBOUR VILLAGE, FLORIDA

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INTRODUCTORY SECTION



May 25, 2012

Honorable Mayor, Assistant Mayor, Council Members, Village Manager
and Citizens of Bal Harbour Village, Florida

We are pleased to present the Comprehensive Annual Financial Report (CAFR) as of and for the fiscal year ended September 30, 2011. We encourage you to thoroughly read this document and take the opportunity to discuss some of the important items it addresses.

While financial activities are never ends unto themselves, their recording and presentation can give the encouraged and knowing reader great insight into the operations of a community. They can highlight both strengths and weaknesses and can illustrate the issues that are, at any time, being addressed by the local government.

This report consists of management's representations concerning the finances of the Village. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Village has established a comprehensive internal control framework that is designed both to protect the Village assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Village's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the Village's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

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

The Village continues to have one of the lowest property tax rates and overall taxing efforts among South Florida municipalities. While the Village has experienced the same challenging economic conditions affecting everyone, it has maintained its service efforts and a stable and solid financial position. Property values have stabilized and there is some hope that they will start to rise again and we have been very successful in controlling our expenses.

This community has spent considerable sums maintaining the unique character of the Village. Our municipal boundaries are compactly defined and give the Village a true sense of place. The cachet that comes from being associated with the Village of Bal Harbour adds a premium to property tax values and the Village's marketing and branding efforts are thought to pay dividends not only to commercial property owners, but also to residential property owners who enjoy a higher value for their property than they would otherwise have seen.

Bal Harbour Village was incorporated in 1946, and the master planning of the community at that time largely defined how the Village would develop. The planning effort has proven over time to be largely successful, as few changes have been made since the original development occurred. The

Village continues to be a destination for the successful traveler and it is one of the most desirable places to live in South Florida.

Redevelopment of existing oceanfront properties has continued and the new properties have brought a more modern image to the Village while maintaining its original charm. In addition, the property values continue to be some of the highest in South Florida and the location is highly valued. The Village also enjoys the third lowest property tax rate in Miami-Dade County.

The Village's ocean front properties and public beaches, combined with the lush, tropical landscaping provided by the Village there and on its main roadways, help maintain its very favorable international image.

The world renowned and extremely chic Bal Harbour Shops attracts wealthy visitors from around the world while providing the Village with a substantial commercial property tax base. The Village also maintains control over the tourism taxes generated within the municipality and this has provided substantial revenue streams to maintain a very positive brand and image while also providing funds to maintain the community in a highly fashionable manner.

This financial report summarizes our current financial condition. It helps us to understand where we can go and what we can do in the future. Planning is the most important tool available to us and the Village's planning effort includes its finances as well. Our ability to tax is limited. The opportunities provided to municipalities under Florida law are limited, so we must work within the framework we are provided. For Bal Harbour to succeed, we must build and maintain value in what we have.

Significant Events and Achievements

It appears that our local economy has stabilized. Property tax values are poised to increase. Tourism, particularly from foreign countries, is up substantially. The St. Regis opened in January 2012 and will likely be on the tax rolls for fiscal year 2013. Our capital improvement program is well underway and construction costs are coming in less than expected while our financing that was issued subsequent to the end of the fiscal year carried the lowest rate the Village is likely to ever see. The money the Village set aside to stabilize the property tax rate while the St. Regis was offline has proven valuable. Though we have budgeted the reserves to help balance our budgets, we have not found it necessary to use very much of them. The Village has taken significant steps to reduce its costs by outsourcing solid waste, revising its pension plans, and reducing its workforce. Federal forfeiture funds have enabled the Village and its police department to be able to provide and keep current technological advances and also provides funding for police operations that the Village's taxpayers do not have to provide. The Village continues to remain financially solid and a highly desirable place to live and vacation.

GENERAL INFORMATION

The Village is a well-established community on Florida's southeast coast, located in northern Miami-Dade County, situated between the Atlantic Ocean and the Intracoastal Waterway. Home not just to seasonal residents or retirees; the Village is a family-oriented and tourist-friendly Mecca with strong appeal to affluent persons. It is a highly sought-after locale and attracts investments from around the world. The Village has slightly fewer than 2,513 full-time permanent residents, but many non-residents, as the Census Bureau would define that term, consider it home. The Village is located near Miami Beach, Miami, and Fort Lauderdale and the metropolitan area boasts two large cruise ship ports and two large international airports. It enjoys temperate subtropical weather year-round.

and the Village has a very low crime rate with a first class police department

REPORTING ENTITY

The activities included in our report are those over which the Village has the ultimate financial accountability. Any activity for which the Village, as a “primary” government, is ultimately financially accountable has been presented within this report. No activity has been excluded which would cause our financial statements to be misleading or incomplete. Certain activities are not included in this report because they do not meet the necessary criteria. For example, in Florida, school boards are independently elected and financially accountable for their finances. As such, the school board would present separate financial statements.

SERVICES PROVIDED BY THE VILLAGE

The Village provides its residents and businesses with the full range of municipal services contemplated by state law or local charter. Services include police, culture, recreation, licensing and permitting, general administration, water and sewer utilities, public works and maintenance, solid waste disposal and recycling, and code enforcement.

GOVERNMENT STRUCTURE

The Village exists as a Council-Manager form of municipal government. Under Florida law, Bal Harbour is considered a municipal corporation. The Village is governed by a Council of five (5) qualified persons, each of whom must be a registered voter residing within the limits of the Village for a period of at least one year immediately prior to their qualification. The Charter allows, and the Village Council has enacted, legislation requiring the creation of five (5) districts of nearly equal area and population. To qualify as a candidate for election, the person must reside within the District that he or she proposes to represent on the Council. Village registered voters elect each of the five Council Members without regard to districts. The Council elects one of its members as Mayor. The Mayor presides at the meetings of the Council. The Council also elects one of its members as an Assistant Mayor who acts as Mayor during the absences or disability of the Mayor. The Council appoints the Village Manager, the Village Clerk, and establishes administrative departments. The Village Manager appoints Department Directors. The Department Directors have the primary responsibility to hire and fire employees, however, the final decision ultimately rests with the Village Manager. The Village is organized into various Departments as shown in the organization chart on Page vii.

VILLAGE MANAGER’S OFFICE. This Office is responsible for leadership and the overall management of the Village. Any policy that the Village Council wishes implemented becomes the responsibility of this Office.

FINANCE DEPARTMENT. This Department is responsible for Financial Administration, Business and Tourism Taxes, Payroll, and Utilities Customer Service.

BUILDING DEPARTMENT. This Department is responsible for Planning, Zoning, Land Use activities, Building Permits and Inspections.

POLICE DEPARTMENT. This Department is responsible for all aspects of Law Enforcement services.

PUBLIC WORKS. This Department is responsible for the Village’s facilities and infrastructure, beach maintenance, solid waste and recycling, and landscaping efforts.

PARKS AND RECREATION DEPARTMENT This Department is responsible for the recreational and cultural activities of the Village.

TOURISM DEPARTMENT This Department is responsible for the marketing and branding efforts of the Village and is the liaison for the Tourism Board.

Information Useful in Assessing the Government's Economic Condition

As per the 2010 Federal Census, the Village's average household is made up of 2.49 persons and the per capita income is \$61,925. There are 2,513 residents, 1,908 households, and 812 families residing in the Village. There are 3,150 housing units. Of the 1,908 households, 9.2% have children under the age of 18 living with them and 24.9% have someone living alone who is 65 years of age or older.

In the Village, the population is spread out with 10.2% under the age of 18, 3.7% from 18 to 24, 24.0% from 25 to 44, 24.7% from 45 to 64, and 37.5% who are 65 years of age or older. The median age is 55 years. The median income for a household in the village is \$47,148, and the median income for a family is \$83,570. The per capita income for the village is \$67,680. 9.2% of the population and 5.6% of families are below the poverty line. Out of the total population, 10.5% of those under the age of 18 and 6.7% of those 65 and older are living below the poverty line.

Major Initiatives

The Village Council reviews and updates the Village's Annual Budget and it is through this process that Village policies are implemented. Subsequent to year-end, the Village issued \$10 million in tax exempt financing to provide funds for various capital projects. The debt will be outstanding 15 years and carries an interest rate of 2.4995%. The majority of the debt will be used to pay for utility infrastructure projects.

Financial Policies

Budgeting and Accounting

Management of the Village is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Village are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of the financial statements in conformity with accounting principles generally accepted 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.

Budgetary Controls

The Village maintains budgetary controls for all of its funds except fiduciary and agency funds. The objective of these controls is to ensure compliance with legal provisions embodied in the annual budget adopted by the Village Council. Activities of the various funds are included in the annual budget. The legal level of control (such as, the level at which actual expenditures and transfers out cannot legally exceed the "budget" appropriations) is maintained at the department level. The Village does not maintain an encumbrance accounting system as one method of maintaining budgetary control.

As demonstrated by the statements and schedules included in the financial section of this report, the Village continues to meet its responsibility for sound financial management.

Risk Management

The goal of risk management is to qualify and quantify exposures that can weigh upon the Village's assets and to affect necessary action to eliminate and reduce losses within the Village. The Village 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. Coverage is provided for general and auto liability, workers' compensation, excess liability, and health insurance through government risk pools and commercial insurance.

Employees' Retirement and Other Post Employment Benefit Systems

The Village's retirement system includes three separate single-employer defined benefit plans included in the Pension Trust Funds, which separately cover the general employees, sworn police officers, and an excess benefit plan. At October 1, 2010, the Bal Harbour Employees' Pension Trust was funded at 81.8% of the actuarial accrued liability. At October 1, 2010, the Bal Harbour Police Officers' Pension Trust was funded at 54.3% of the actuarial accrued liability. The Bal Harbour Village Excess Benefit Plan is a qualified governmental excess benefit plan established in accordance with Section 415 of the Internal Revenue Code. The purpose of the Plan is to provide retirement benefits to employees covered by either or both of the Village's defined benefit plans whose benefits are otherwise limited by IRC §415 Contributions. By law, the plan cannot be advance funded. Contributions from all sources to both defined benefit plans were \$2,223,613 during the year. The Village also recorded a liability for retiree health care benefits, which include both an implied subsidy to health insurance premiums paid by retirees and monthly cash subsidies paid to sworn police officers that have retired. The accrued cost of this benefit was recorded at \$310,965.

Debt Administration

At September 30, 2011, The Village had \$2,223,267 in outstanding long-term obligations, of which \$357,807 is due during FY2012 and is entirely comprised of accrued compensated balances. All but \$8,721 of the total outstanding long-term obligations is owed by the Governmental Activities of the Village. The current portion of all debt was budgeted for in the FY2011 operating budgets of the Village and amounted to \$357,807. The Village does not have an underlying bond rating from any investor service but its credit would likely be very highly rated.

Cash Management

Cash temporarily idle during the year was invested in either the State Board of Administration of Florida Local Government Pooled Investment Account (now known as "Florida PRIME") or in deposits with qualified public depositories in the State of Florida. The average yield at year-end was 0.23%, stated net of fees and expenses.

Acknowledgements and Other Information

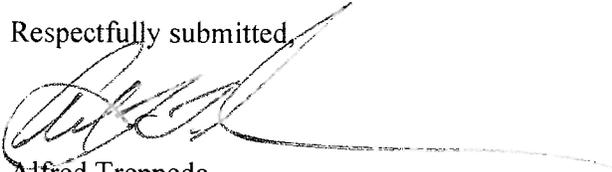
Independent Audit

State statutes require an annual audit by independent certified public accountants. The Village selected the accounting firm of Marcum LLP to conduct its annual audit. Auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* were used by the auditors in conducting their engagement. The auditors' report on the basic financial statements and combining fund statements and schedules is included in the financial section of this report. The auditors' reports on internal

controls and compliance with applicable laws and regulations are included in a separate section.

Acknowledgements. The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance department and the accounting firm of Marcum LLP. We would like to express our appreciation to everyone who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and Council members for their unfailing support for maintaining the highest standards of professionalism in the management of the Village.

Respectfully submitted,



Alfred Treppeda
Village Manager



Christopher Wallace
Finance Director

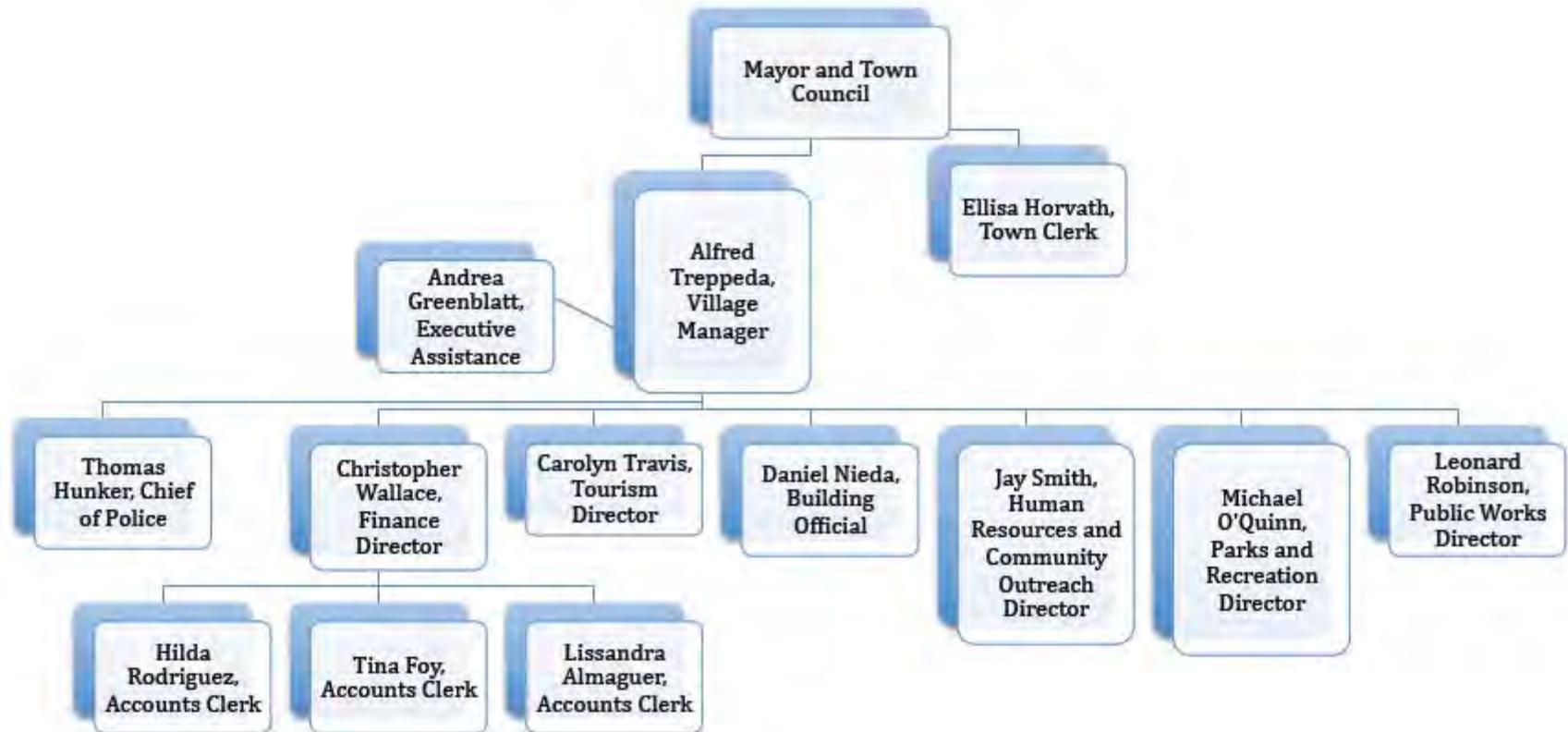
BAL HARBOUR VILLAGE, FLORIDA

VILLAGE OFFICIALS

SEPTEMBER 30, 2011

MAYOR	Jean Rosenfield
ASSISTANT MAYOR	Joni D. Blachar
COUNCILMEMBER	Patricia Cohen
COUNCILMEMBER	Martin Packer
COUNCILMEMBER	Jaime M. Sanz
VILLAGE MANAGER	Alfred J. Treppeda
VILLAGE CLERK	Ellisa Horvath
FINANCE DIRECTOR	Christopher Wallace Munilytics
VILLAGE ATTORNEY	Weiss Serota Helfman Pastoriza Cole & Boniske, P.A.
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	Marcum LLP

Bal Harbour Village Organization Chart Fiscal Year 2011



FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

Honorable Mayor, Village Council and Village Manager
Bal Harbour Village, 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 Bal Harbour Village, Florida (the Village) as of September 30, 2011, and for the year then ended, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 Village's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, 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, the business-type activities, each major fund and the aggregate remaining fund information of Bal Harbour Village, Florida as of September 30, 2011, and the respective changes in the financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As more fully described in Note 1 to the financial statements, the Village implemented the requirements of Governmental Accounting Standards board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which significantly changed the classifications of fund balance of governmental funds.

Honorable Mayor, Village Council and Village Manager

Bal Harbour Village, Florida

Page Two

In accordance with Government Auditing Standards, we have also issued a report dated May 24, 2012, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the Required Supplementary Information on pages 3 through 12 and 56 through 62 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 on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bal Harbour Village's financial statements as a whole. The introductory section, combining fund financial statements and schedules, and the statistical tables are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining fund financial statements and schedules and the schedule of expenditures of federal awards 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 it.

Marcum LLP

Miami, FL

May 24, 2012

MANAGEMENT DISCUSSION AND ANALYSIS
MD&A

MANAGEMENT'S DISCUSSION AND ANALYSIS

Bal Harbour Village, Florida (the Village) discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Village's financial activity, (c) identify changes in the Village's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Village's financial statements (beginning on page 13).

Financial Highlights

Bal Harbour Village finished its fiscal year on mostly positive notes, which is particularly pleasing given the economic environment. Our unrestricted net assets declined, but not as great as had been expected and our total net assets increased, in part due to significant receipts of federal forfeiture funds and higher than expected profit in the water and sewer system. Tourism activity saw significant increases over the prior year therefore, our losses were not as great as we had anticipated. While we had anticipated using noticeable amounts of reserves in both the General and Tourism funds, the amount actually consumed was much less than we had envisioned and we are pleased with the final financial outcomes for fiscal year 2011. Some of our highlights for the year include:

- The *total net assets* of the Village exceeded its liabilities at the close of fiscal year 2011 by \$33.4 million (net assets), an increase of \$2.8 million from the prior year. Governmental activities accounted for \$1.6 million of this increase, while the water and sewer operations posted a net asset increase of \$1.2 million. Out of the total net assets, \$13.1 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors, a decrease of (\$585) thousand from the prior year. Additionally, the Village had \$15.1 million in capital assets, net of related debt and accumulated depreciation, or \$946 thousand more than the prior year. These assets are booked at historical cost. This resulted from new capital assets being placed into service. The Village is currently underway with capital improvements throughout the community and this trend will continue into the foreseeable future.
- The Village had more than \$20.5 million in *current assets* than it had in *current liabilities*. Current assets were about 8 times greater than current liabilities, demonstrating the Village's solid ability to meet its current obligations. The Village's long-term obligations consist of leave time owed current employees, an unfunded excess benefit plan owed employees, and other post employment benefits (entirely for retiree health care) owed employees. These total long-term liabilities totaled \$2.2 million and were about \$248 thousand more than the prior year, an increase of about 13%.
- The Village's General Fund had \$8.4 million in unassigned fund balance, which represents 80% of the General Fund expenditures for the same period, or about 10 months worth of operating reserves.

- General Fund revenues *decreased* by \$1.7 million or 14% from fiscal year (“FY”) 2010. Property taxes increased by \$116 thousand from FY2010, the combined result of increased rates offset by a decreased tax base. Licenses and permits were slightly up from the prior year by \$29 thousand. Fines and forfeitures were up \$235 thousand from the prior year, due to the expanded implementation of a “red light camera” ordinance that allowed the Village to levy fines utilizing video surveillance equipment. However, the Village, as well as other municipalities, has been sued for fines collected from the period of January 1, 2011, to June 30, 2011. During that period of time, the Village had adopted legislation that has been alleged to be counter to State law. The Village believes that it has set aside sufficient funds in the event the litigation is successful. Most significantly, the Village saw revenue from its developer’s contribution decline by \$2.1 million, as the agreement that had guaranteed those revenues expired. The project for which the contributions had been made was completed in January 2012. It is expected that the project will come onto the tax roll in time for FY2013 budget.
- General Fund expenditures were down \$874 thousand compared to FY2010, the second year in a row that expenditures decreased from the prior year.
- The Village’s Tourism Fund had revenues in excess of expenditures by \$149 thousand, but an operating transfer out of (\$193) thousand to help the Village continue operating its recreation programs resulted in a deficiency of about (\$44) thousand for the year. The Tourism fund still maintained a fund balance of \$3.1 million, with \$1 million of that amount restricted for beach re-nourishment in the event the Village’s beaches are eroded.
- The Village’s Police Department was again very successful in pursuing contraband forfeiture actions and received \$5.7 million during FY2011. Much of the awards go towards the payment of confidential informants and other participating law enforcement agencies, but significant funding remains available to our Department.
- Business-type activities (the Village’s Water and Sewer funds) operating revenues increased from the prior year by \$620 thousand, or a little over 22%, while operating expenses *decreased* again by (\$171) thousand, resulting in an overall net operating income of \$1.2 million, though the Village did anticipate having debt service costs for new debt that wasn’t issued until after the end of the fiscal year.

Village Highlights

- Though the Village’s property tax base declined slightly once again, it now seems that the worst is behind us and that new additions will be added during FY2013.
- The developer’s agreement for the new St. Regis project expired, and, as noted above, the Village will no longer receive this guaranteed revenue stream. However, the St. Regis opened in January 2012, slightly earlier than expected, and we believe the Village will begin receiving the property taxes and resort taxes on the improved property soon.
- We continued with our water, sewer, and drainage improvements within the Village and were substantially complete at year-end with our new force main that replaces infrastructure that is very aged and in less than optimal condition. An interlocal agreement with a neighboring municipality allowed the Village to share the costs of construction and resulted in savings of about \$1.2 million. In addition, construction costs are coming in less than programmed and we’re very pleased with the financial progress to date.

- At fiscal year end, the Village had let request for proposals for financing its infrastructure improvement program. Subsequent to year-end, the Village closed on a \$10 million, 15-year obligation with a fixed rate of 2.4995% to provide funding for the projects.

Overview of the Financial Statements

The financial statements focus is on both the Village as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the Village's accountability.

Government-wide Financial Statements

The Government-wide financial statements (see pages 13 and 14) are designed to be corporate-like in that all governmental and business-type activities are consolidated into columns that add up to a total for the Primary Government. The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed to be similar to bottom line results for the Village and its governmental and business-type activities. This statement combines and consolidates government funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations.

The Statement of Activities (see page 14) is focused on both the gross and net cost of various activities (including governmental, including component units and business-type) which are supported by the government's general tax and other revenues. This is intended to summarize and simplify the user's analysis of the cost of various governmental services and/or subsidy to various business-type activities and/or components.

The Government Activities reflect the Village's basic services, including general government, police, solid waste, roads and streets, parks and recreation, and tourism. Property taxes, franchise and utility taxes, intergovernmental revenue, special assessments, and tourism revenue finance the majority of these services. The Business-type Activities reflect private sector type operations (Water and Sewer) where the fees for service typically cover all or most of the cost of operation, including depreciation.

Fund Financial Statements

Traditional users of government financial statements will find the Fund Financial Statement presentations more familiar. The focus is on Major Funds, rather than the previous model's fund types.

The Government's Major Fund (see pages 15 to 16) presentation is presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan (the budget) is typically developed. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. Funds are established for various purposes and the Fund Financial Statements allow the demonstration of sources and uses and/or budgeting compliance associated therewith (beginning on page 15).

The Fund Financial Statements also allow the government to address its Fiduciary (or Trust) and Agency Funds (see pages 21 and 22) by type (employee retirement funds and pending forfeiture funds). While these Funds represent trust or agency responsibilities of the government, these assets are restricted in purpose and do not represent discretionary assets of the government. Therefore, these assets are not presented as part of the Government-wide Financial Statements and are not considered generally available to the Village to use for any other purpose.

While the Business-type Activity – Enterprise column on the Business-type Fund Financial Statements (see pages 18 to 20) is the same as the Business-type Activities column on the Government-wide Financial Statement, the Government Major Funds Total (page 13) column requires a reconciliation because of the different measurement focus (current financial resources versus total economic resources) which is reflected on the page following each statement (see pages 15 and 17). The flow of current financial resources will reflect interfund transfers and other financial sources, as well as capital expenditures. The reconciliation will eliminate these transactions and incorporate the capital asset and long-term obligations into the Government Activities column (in the Government-wide statements).

GOVERNMENT-WIDE STATEMENTS

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets:

	Governmental		Business-type		Total		Percent Change
	Activities		Activities				
	2011	2010	2011	2010	2011	2010	
Current and other assets	\$ 17,632	\$ 15,569	\$ 5,762	\$ 5,216	\$ 23,394	\$ 20,785	12.55%
Capital assets	10,811	11,221	4,276	2,919	15,087	14,140	6.70%
Total assets	<u>28,443</u>	<u>26,790</u>	<u>10,038</u>	<u>8,135</u>	<u>38,481</u>	<u>34,925</u>	<u>10.18%</u>
Current and other liabilities	1,005	1,243	1,877	1,175	2,882	2,418	19.19%
Non-current liabilities	2,214	1,966	9	9	2,223	1,975	12.56%
Total liabilities	<u>3,219</u>	<u>3,209</u>	<u>1,886</u>	<u>1,184</u>	<u>5,105</u>	<u>4,393</u>	<u>16.21%</u>
Net assets	<u>\$ 25,224</u>	<u>\$ 23,581</u>	<u>\$ 8,152</u>	<u>\$ 6,951</u>	<u>\$ 33,376</u>	<u>\$ 30,532</u>	<u>9.31%</u>
Invested in capital assets	\$ 10,810	\$ 11,221	\$ 4,276	\$ 2,919	\$ 15,086	\$ 14,140	6.69%
Restricted	6,191	3,708	-	-	6,191	3,708	66.96%
Unrestricted	8,223	8,652	3,876	4,032	12,099	12,684	-4.61%
Total net assets	<u>\$ 25,224</u>	<u>\$ 23,581</u>	<u>\$ 8,152</u>	<u>\$ 6,951</u>	<u>\$ 33,376</u>	<u>\$ 30,532</u>	<u>9.31%</u>

As noted previously, the largest portion of the Village's net assets reflect its investment in capital assets (e.g., land, buildings, and equipment). The Village uses these capital assets to provide services to the citizens; consequently, these assets are not available for future spending. An additional, but relatively minor, portion of the Village's net assets represents resources that are subject to external restrictions on how they may be used (restricted assets).

The Unrestricted Net Asset balance is intended to be a corporate-style measurement of well being (or a bottom line) for the Village and its related governmental and business-type activities.

Current Year Impacts

Statement of Activities

The following schedule presents the revenues and expenses for the current year:

	Governmental		Business-type		Total		Percent Change
	Activities		Activities		2011	2010	
	2011	2010	2011	2010	2011	2010	
Revenues:							
Program revenues:							
Charges for services	\$ 2,079	\$ 2,985	\$ 3,486	\$ 2,866	\$ 5,565	\$ 5,851	-4.9%
Operating grants and contributions	5,696	-	-	-	5,696	-	0.0%
Capital grants and contributions	169	253	-	-	169	253	-33.2%
General revenue:							
Taxes	8,576	8,136	-	-	8,576	8,136	5.4%
Other	2,566	4,665	18	37	2,584	4,702	-45.0%
Total revenues	<u>19,086</u>	<u>16,039</u>	<u>3,504</u>	<u>2,903</u>	<u>22,590</u>	<u>18,942</u>	<u>19.3%</u>
Expenses:							
General government	4,628	4,516	-	-	4,628	4,516	2.5%
Public safety	8,909	7,854	-	-	8,909	7,854	13.4%
Solid waste and open space	977	997	-	-	977	997	-2.0%
Tourism	2,102	2,423	-	-	2,102	2,423	-13.2%
Roads, streets and parks	887	1,002	-	-	887	1,002	-11.5%
Water and sewer	-	-	2,244	2,074	2,244	2,074	8.2%
Total expenses	<u>17,503</u>	<u>16,792</u>	<u>2,244</u>	<u>2,074</u>	<u>19,747</u>	<u>18,866</u>	<u>4.7%</u>
Changes in net assets before transfers	1,583	(753)	1,260	829	2,843	76	14.6%
Transfers	60	60	(60)	(60)	-	-	
Changes in net assets after transfers	<u>\$ 1,643</u>	<u>\$ (693)</u>	<u>\$ 1,200</u>	<u>\$ 769</u>	<u>\$ 2,843</u>	<u>\$ 76</u>	<u>3640.8%</u>

Normal Impacts

There are several basic (normal) impacts on revenues and expenses as described below:

Revenues

- Overall Economic Condition.** This can reflect a declining, stable or growing economic environment and has a substantial impact on property, tourism, and other tax revenue as well as redevelopment efforts made by the development community. The Village is exposed to risks associated with tourism. Declines in tourism can adversely affect dollars available to the Village for marketing and parks, roads, and streets. Declines in tourism can result in reduced property values to the Village, which would result in lower property tax dollars. Likewise, a poor economy can also negatively impact the Village's property tax base. The Village has a handful of large properties that could stagnate or decline under certain economic conditions. The effect on the Village would be disproportionately leveraged. Management believes the Village can weather most short-term economic scenarios.

- Increase/Decrease in Council Approved or State-Mandated Tax Rates and Assessments.** The Village Council can raise or lower its various tax rates and special assessment levels. These rates have a direct relationship to the Village's revenue streams. Volatility in tax rates can be detrimental to business owners and homeowners, making their properties less attractive to own. The Village has a stable taxation policy. The State Legislature continues to compel local governments throughout the state to lower their millage rates or otherwise reduce property taxes.
- Reliance upon Intergovernmental Revenue.** The Village received approximately \$450 thousand dollars in recurring revenue from other governments during FY2011, plus an additional \$5.7 million in funds from federal forfeitures. Since the Village does not directly control the levy or collection of these revenues, it is exposed to the risk that those revenues will not grow or even be available in future years. The loss of these revenues would likely require the Village to raise more money through higher local taxing efforts. The Village has the capacity to raise its tax rates to more than offset the loss of these other governmental revenues.
- Undiversified Tourism Tax Base.** The Village receives about 52% of its Tourism funding from one hotel, currently through a developer's contribution paid in lieu of tourism taxes. The loss of the hotel would significantly and adversely affect the operations of the Village's marketing and tourism efforts. The Village's finances are not dependent upon tourism, but anything that materially affects tourism, such as a severe recession or natural disaster, could adversely affect the Village's revenues and put pressure on to levy higher tax rates.
- Limits on Annual Assessments for Homestead Properties.** Florida's Constitution restricts residential homestead assessment growth to 3% per year, or less, on each home that has a homestead exemption. Commercial properties are limited to a maximum 10% annual increase on their assessment and they are not generally provided any exemptions from assessment. The Village is overwhelmingly residential in nature, but is fortunate to have a number of residential units that are not subject to this annual limitation. Further, the value of the homes that are subject to the annual assessment cap is substantial and the Village does not suffer from a limited tax base growth to the extent other Florida municipalities might. However, the Village may be exposed to changes in the manner with which annual assessments are valued or the limit to which they may be taxed. Taxable values declined during the year and were further reduced in FY2012 due to market conditions.

Expenses

- Public Safety expenses account for about half of the Village's General Fund expenditures. South Florida municipalities face constant pressure to remain competitive with the salary and benefits paid to sworn police personnel. The costs of maintaining competitive pay packages have a growth rate that exceeds that of the revenue growth rate. This will continue to place pressure on the Village's budget. Additionally, the Village traditionally affords all employees benefits similar to those provided to Police employees. During the year, the Village Council directed the Manager to study changing the types of retirement plans the Village offers to its employees.

- The Village provides water and sewer services to its residents and businesses. The Village buys water and transmits wastewater for further treatment under large-user agreements with other units of government. The Village cannot negotiate from a position of strength for these services and is largely at the mercy of the service provider. Increased operating costs and temporary disconnection from the system attributed to redevelopment make additional rate increases likely.
- Solid Waste Disposal. The Village collects money from its property tax levy to help pay for the cost of collection and disposal of solid waste from its residents and businesses. The disposal costs are charged by Miami-Dade County to the Village based upon the volume of waste dumped at landfills and resource recovery sites. The costs of operating those sites are charged back, in part, to the Village, without any real negotiations as to cost. The Village is not in direct control of a large component of its solid waste costs. Also, fuel costs continue to increase in this operation and this will put pressure on the Village's operating budget. The Village adopted a solid waste special assessment to fund the cost of residential solid waste costs. Subsequent to year-end, the Village required commercial properties to contract with private haulers for solid waste services. On May 1, 2012, the Village outsourced its solid waste operation, which resulted in a significant savings that will be reflected in lower assessments for future years.
- Environmental Risks. The Village is located between an intracoastal waterway and the Atlantic Ocean and is exposed to significant risks caused by weather, particularly hurricanes. In addition to the potential damage to structures and infrastructure, substantial loss of beach can occur during hurricane strikes. Because a significant portion of the Village's attraction is its beachfront area, the loss of the beach, even if only temporary, would result in significant loss of revenue to the Village.

Current Year Impacts

Revenues

The Village stopped receiving guaranteed developer contributions from the St. Regis developer as the term of the agreement requiring those payments ended during FY2010. The Village had anticipated the loss of this revenue and had earmarked \$2 million of reserves to help balance the budget over the remaining two fiscal years while the new project came onto the tax rolls. The Village expects the property to be substantially complete and on the property tax roll for its 2013 fiscal year.

The police department received nearly \$6 million in forfeiture funds related to its agreement with the U.S. Department of Justice and the U.S. Department of the Treasury. Nearly half of this will be paid out to other agencies and informants, but significant amounts will remain that will provide funding for most of the equipment the department will need over the next few years.

As of September 30, 2011, the fair market value of pension assets in both of the Village's pension plans had temporarily declined. Though the market value rebounded within the next 45 days, the temporary reduction in plan assets at fiscal year end will result in higher Village contributions to both of its pension plans over the next couple of years.

Expenses

The Village continued to experience increases in existing retirement costs, but has taken action to reduce or eliminate those costs by changing the retirement plans of both the police and general employees. Other Post Employment Benefits, which, for the Village, are limited to healthcare costs, continue to increase. Under state law, the Village is required to allow its retirees to continue their health care coverage provided the retirees pay the full premium. This results in an “implied subsidy” to older, and generally sicker, participants. The Village also allows (through a collective bargaining agreement with its police officers) police retirees to receive a monthly health insurance stipend of \$350. The expense represents a cost of about 6% of payroll.

THE VILLAGE FUNDS

Governmental Funds

As of the year-end, the Governmental Funds (as presented on the balance sheet) reported a combined fund balance of \$15.9 million, which was a 17% increase or \$2.3 million over the previous year, all of which was attributed to the forfeiture fund activity of the Village.

The General Fund ended the year with \$9.7 million of fund balance which was (\$60) thousand less than FY2010, or a decline of less than 1%.

The Tourism Fund ended the year with an approximate \$3.1 million fund balance, a decrease of (\$44) thousand or down less than 1% from the prior year.

The Village maintains other government funds for forfeitures and security district operations, but those operations are not considered core to the Village’s financial operations. The State Law Enforcement Trust and Federal Law Enforcement Trust were classified as Major Funds for FY2011; however, the activity in this fund is unpredictable and volatile.

Enterprise Fund

The Water and Sewer Fund ended the year with about \$8.2 million in Net Assets, an increase of \$1.2 million or 17% greater than the FY2010 amount. Capital Assets saw improvements made to its underground systems and net income increased appreciably, though much of that resulted from debt service payments that did not have to be made during the year as long term debt issued to pay for the improvements was closed subsequent to fiscal year end.

Budgetary Highlights

The Village did not amend its initially adopted budgets during the year and we note that the following notable budgetary highlights occurred during FY2011:

The Village received slightly more from property taxes than it had levied, mostly resulting from forfeited discounts and levied penalties on late payment of property tax bills. Licenses and permit revenues were \$265 thousand more than anticipated due to an under budgeting of business tax receipts. Intergovernmental revenues were (\$483) thousand less than budgeted, but most of that shortfall came from grants for capital improvements that largely had not begun by year end,

resulting in favorable variances in various expenditure categories. Fines and forfeitures in the General fund were \$(77) thousand less than anticipated, most of which came from the recent deployment of a “red light camera” program. Since this is a new program, revenues have no historical basis for projection. The Village also received \$140 thousand that it had not anticipated from developer contributions required when property values declined. The Village also had anticipated using over a million in accumulated reserves to help balance the budget; however, most of that was not required as the year unfolded, so a very positive variance in Miscellaneous Revenue resulted.

The Village’s General Fund operating expenses under budget across all departments. Legal expenses and professional fees were well under the projected amounts in the Legislative department, accounting for almost all of the \$141 thousand positive variance. The Executive department had a \$39 thousand favorable variance because of reductions in operating expenditures. Finance and Administration had an unfavorable variance of (\$30) thousand, due to ongoing expenses related to its computer program conversions. General Government had a significant \$363 thousand favorable variance because the various contingent budget accounts and some capital projects did not require funds as had been originally contemplated, while the Tourism (or Beautification) department had a favorable variance of \$167 thousand because of avoided operating and capital outlay costs. The Public Safety department (Police) had an unfavorable variance of (\$147) thousand because of additional personnel expenditures. The Roads and Streets department’s positive variance of \$690 thousand was the result of projects and equipment, some funded through grants, that were not constructed or acquired as had been originally anticipated.

The Village’s General Fund had (\$60) thousand more in expenditures than revenues, which is effectively a break-even amount for the General Fund. Given the economic environment, the budgetary performance is considered exceptional by management.

The Tourism Fund finished the year with (\$64) thousand more in expenditures than revenues, which also is essentially a break-even performance for that fund. An increase in year-over-year sales in almost all venues was anticipated, but we are nonetheless impressed with the increase in tourism in the Village.

Overall, the Village’s budgetary performance was very positive.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year-end, the City had \$15 million invested in a variety of capital assets, an increase of \$946 thousand. Of the total capital assets, \$1.4 million represents work in progress at year-end. This amount will not be depreciated until the assets are placed into service. Except for \$7,000 in historical land costs, the remaining assets are or will be depreciated over time on the government-wide and proprietary financial statements.

For additional information on the Village’s capital assets, see Note 6 on Pages 37-38.

Debt Outstanding

The Village had \$2.2 million in outstanding long-term obligations, of which \$358 thousand is due during FY2012 and is entirely comprised of accrued compensated balances. Total outstanding long-term obligations increased by \$248 thousand. Most of the increase came from the increase in the obligation owed under the Excess Benefit Plan and the first-time accrual of Other Post Employment Benefits, entirely comprised of retiree health care costs. All but \$9 thousand of the total outstanding long-term obligations is owed by the Governmental Activities of the Village. The current portion of all debt was budgeted for in the FY2012 operating budgets of the Village and amounted to \$358 thousand.

For additional information on the Village's long-term debt, see Note 8 on Page 39.

Economic Factors and Next Year's Budget and Rates

The Village's FY2012 budget was adopted in an environment of flat property tax base growth, stable but slightly improving local economic conditions, and a significant restructuring of Village operations. The Village appropriated \$718,000 of General Fund reserves that had been earmarked to stabilize the Village's property tax rate during a redevelopment era. The St. Regis Bal Harbour redevelopment of the prior Sheraton Bal Harbour property provided certain developer payments that were in part intended to cover the Village's loss of revenue as the old structures were removed and the new structures were added. Because there would be a delay between the time the developer payments ended and the property tax rolls were added to by the new development, the Village had set aside \$2 million of those developer contributions. These earmarked reserves were to be used to keep the property tax rate constant during this period of time. The Village had also appropriated \$1 million in FY2011 but did not use all of that appropriation. Similarly, the Village used \$317,110 of its Tourism Fund reserves to continue its marketing and branding efforts during the economic recession and a period where required developer payments in lieu of resort taxes were also terminating. The Village lowered its property tax rate from 2.5567 mills to 2.4468 mills. This reduction resulted from a structural change in the Village's budget. For the first time, the Village implemented a solid waste special assessment charge to cover its solid waste costs of nearly \$700 thousand. Additionally, the Village increased its annual residential area assessments in its Security District Fund to pay for physical property maintenance in the area of the Village covered by that fund. The Village reduced its labor force by four positions as it contracted out the maintenance in that special assessment district. Water and Sewer rates were held steady for the FY2012. The Water and Sewer budget included debt service costs for a \$10 million bond issue that closed in November 2011. The adopted rates for water and sewer included the amounts required to service the debt.

FINANCIAL CONTACT

The Village's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the Village's finances and to demonstrate the Village's accountability. If you have any questions about the report or need additional financial information, contact the Village's Finance Director at City Hall 655 96th Street, Bal Harbour Village, Florida 33154, telephone (305) 866-4633.

BASIC FINANCIAL STATEMENTS

BAL HARBOUR VILLAGE, FLORIDA

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2011

	<u>Governmental</u> <u>Activities</u>	<u>Business-</u> <u>type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 16,196,403	\$ 3,503,523	\$ 19,699,926
Investments	126,920	58,266	185,186
Receivables, net	315,617	491,024	806,641
Prepays	60,569	-	60,569
Due from other governments	226,048	1,597,637	1,823,685
Net pension asset - defined benefit plans	706,763	-	706,763
Restricted assets:			
Cash and cash equivalents	-	111,952	111,952
Capital assets not being depreciated	1,691,798	2,836,234	4,528,032
Capital assets being depreciated, net	<u>9,118,677</u>	<u>1,439,601</u>	<u>10,558,278</u>
Total assets	<u>28,442,795</u>	<u>10,038,237</u>	<u>38,481,032</u>
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	691,861	1,764,950	2,456,811
Payable from restricted assets:			
Customer deposits	-	111,952	111,952
Unearned revenue	313,309	-	313,309
Non-current liabilities:			
Due within one year	351,969	5,838	357,807
Due in more than one year	237,863	3,715	241,578
Net pension obligation - excess benefit plan	1,312,917	-	1,312,917
Other post employment benefits	<u>310,965</u>	<u>-</u>	<u>310,965</u>
Total liabilities	<u>3,218,884</u>	<u>1,886,455</u>	<u>5,105,339</u>
<u>NET ASSETS</u>			
Invested in capital assets	10,810,475	4,275,835	15,086,310
Restricted for:			
Tourism development	2,113,334	-	2,113,334
Beach renourishment	1,000,000	-	1,000,000
State law enforcement	70,344	-	70,344
Federal law enforcement	2,884,709	-	2,884,709
Security district	122,515	-	122,515
Unrestricted	<u>8,222,534</u>	<u>3,875,947</u>	<u>12,098,481</u>
Total net assets	<u>\$ 25,223,911</u>	<u>\$ 8,151,782</u>	<u>\$ 33,375,693</u>

See notes to basic financial statements.

BAL HARBOUR VILLAGE, FLORIDA

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Governmental activities:							
General government	\$ 4,628,012	\$ 1,095,148	\$ -	\$ -	\$ (3,532,864)	\$ -	\$ (3,532,864)
Public safety	8,909,849	983,943	5,696,335	-	(2,229,571)	-	(2,229,571)
Solid waste	977,015	-	-	-	(977,015)	-	(977,015)
Roads and streets	532,223	-	-	169,403	(362,820)	-	(362,820)
Parks and recreation	354,706	-	-	-	(354,706)	-	(354,706)
Tourism development	<u>2,102,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,102,000)</u>	<u>-</u>	<u>(2,102,000)</u>
Total governmental activities	<u>17,503,805</u>	<u>2,079,091</u>	<u>5,696,335</u>	<u>169,403</u>	<u>(9,558,976)</u>	<u>-</u>	<u>(9,558,976)</u>
Business-type activities:							
Water and sewer	<u>2,244,663</u>	<u>3,486,412</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,241,749</u>	<u>1,241,749</u>
Total business-type activities	<u>2,244,663</u>	<u>3,486,412</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,241,749</u>	<u>1,241,749</u>
Total	<u>\$ 19,748,468</u>	<u>\$ 5,565,503</u>	<u>\$ 5,696,335</u>	<u>\$ 169,403</u>	<u>(9,558,976)</u>	<u>1,241,749</u>	<u>(8,317,227)</u>
General revenues:							
Property taxes					5,819,371	-	5,819,371
Franchise fees based on gross receipts					639,255	-	639,255
Utility taxes					680,284	-	680,284
Communications services tax					306,175	-	306,175
Unrestricted developer contribution					2,134,501	-	2,134,501
Unrestricted intergovernmental revenues					301,734	-	301,734
Tourism tax					1,131,882	-	1,131,882
Unrestricted investment earnings					56,502	18,393	74,895
Miscellaneous					72,766	-	72,766
Transfers					<u>60,000</u>	<u>(60,000)</u>	<u>-</u>
Total general revenues and transfers					<u>11,202,470</u>	<u>(41,607)</u>	<u>11,160,863</u>
Change in net assets					1,643,494	1,200,142	2,843,636
Net assets, beginning					<u>23,580,417</u>	<u>6,951,640</u>	<u>30,532,057</u>
Net assets, ending					<u>\$ 25,223,911</u>	<u>\$ 8,151,782</u>	<u>\$ 33,375,693</u>

See notes to basic financial statements.

BAL HARBOUR VILLAGE, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2011

	<u>General</u>	<u>Tourism</u>	<u>State Law Enforcement</u>	<u>Federal Law Enforcement</u>	Security District Special Revenue (Non-major Fund)	Total Governmental Funds
<u>ASSETS</u>						
Cash and cash equivalents	\$ 9,711,072	\$ 3,068,832	\$ 51,820	\$ 3,225,674	\$ 139,005	\$ 16,196,403
Investments	92,805	34,115	-	-	-	126,920
Receivables, net	201,030	96,063	18,524	-	-	315,617
Due from other governments	226,048	-	-	-	-	226,048
Prepays	60,569	-	-	-	-	60,569
Total assets	<u>\$ 10,291,524</u>	<u>\$ 3,199,010</u>	<u>\$ 70,344</u>	<u>\$ 3,225,674</u>	<u>\$ 139,005</u>	<u>\$ 16,925,557</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable and accrued liabilities	\$ 248,730	\$ 85,676	\$ -	\$ 340,965	\$ 16,490	\$ 691,861
Unearned revenue	313,309	-	-	-	-	313,309
Total liabilities	<u>562,039</u>	<u>85,676</u>	<u>-</u>	<u>340,965</u>	<u>16,490</u>	<u>1,005,170</u>
Fund balances:						
Non-spendable:						
Prepaid expenses	60,569	-	-	-	-	60,569
Restricted:						
Tourism development	-	2,113,334	-	-	-	2,113,334
Beach renourishment	-	1,000,000	-	-	-	1,000,000
State law enforcement	-	-	70,344	-	-	70,344
Federal law enforcement	-	-	-	2,884,709	-	2,884,709
Security district	-	-	-	-	122,515	122,515
Assigned:						
Assigned for subsequent year expenditures	718,500	-	-	-	-	718,500
Assigned for red light camera claims	550,000	-	-	-	-	550,000
Unassigned:						
General fund	8,400,416	-	-	-	-	8,400,416
Total fund balances	<u>9,729,485</u>	<u>3,113,334</u>	<u>70,344</u>	<u>2,884,709</u>	<u>122,515</u>	<u>15,920,387</u>
Total liabilities and fund balances	<u>\$ 10,291,524</u>	<u>\$ 3,199,010</u>	<u>\$ 70,344</u>	<u>\$ 3,225,674</u>	<u>\$ 139,005</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.	10,810,475
A net pension asset is not considered to represent a financial asset and therefore is not reported in the governmental funds	706,763
Long term liabilities are not due an payable in the current period and therefore are not reported in the funds.	
The detail of the difference is as follows:	
Compensated absences	(589,832)
Net pension obligation - excess benefit plan	(1,312,917)
Other post employment benefits	<u>(310,965)</u>
Net assets of governmental activities	<u>\$ 25,223,911</u>

See notes to basic financial statements.

BAL HARBOUR VILLAGE, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

	<u>General</u>	<u>Tourism</u>	<u>State Law Enforcement</u>	<u>Federal Law Enforcement</u>	<u>Security District Special Revenue (Non-major Fund)</u>	<u>Total Governmental Funds</u>
Revenues:						
Taxes:						
Property	\$ 5,819,371	\$ -	\$ -	\$ -	\$ -	\$ 5,819,371
Other local taxes	1,625,714	-	-	-	-	1,625,714
Licenses and permits	753,931	-	-	-	-	753,931
Special assessments	-	-	-	-	252,517	252,517
Intergovernmental	449,931	-	-	5,696,335	-	6,146,266
Charges for services	82,861	-	-	-	5,839	88,700
Tourism tax	-	1,131,882	-	-	-	1,131,882
Fines and forfeitures	874,388	-	77,841	-	-	952,229
Developer contribution	1,112,840	1,021,661	-	-	-	2,134,501
State grant	21,206	-	-	-	-	21,206
Investment earnings	43,710	10,769	-	198	2,023	56,700
Miscellaneous	67,005	-	31,516	-	5,761	104,282
Total revenues	<u>10,850,957</u>	<u>2,164,312</u>	<u>109,357</u>	<u>5,696,533</u>	<u>266,140</u>	<u>19,087,299</u>
Expenditures:						
Current:						
General government	3,646,719	-	-	-	238,295	3,885,014
Public safety	5,610,070	-	58,731	3,064,021	-	8,732,822
Solid waste	965,682	-	-	-	-	965,682
Road and streets	491,071	-	-	-	-	491,071
Parks and recreation	354,706	-	-	-	-	354,706
Tourism development	-	2,014,907	-	-	-	2,014,907
Capital outlay	125,434	-	-	279,285	-	404,719
Total expenditures	<u>11,193,682</u>	<u>2,014,907</u>	<u>58,731</u>	<u>3,343,306</u>	<u>238,295</u>	<u>16,848,921</u>
Excess (deficiency) of revenues over expenditures	<u>(342,725)</u>	<u>149,405</u>	<u>50,626</u>	<u>2,353,227</u>	<u>27,845</u>	<u>2,238,378</u>
Other financing sources (uses):						
Transfers in	283,000	-	-	-	-	283,000
Transfers out	-	(193,000)	-	-	(30,000)	(223,000)
Total other financing sources (uses)	<u>283,000</u>	<u>(193,000)</u>	<u>-</u>	<u>-</u>	<u>(30,000)</u>	<u>60,000</u>
Net change in fund balances	(59,725)	(43,595)	50,626	2,353,227	(2,155)	2,298,378
Fund balances, beginning	<u>9,789,210</u>	<u>3,156,929</u>	<u>19,718</u>	<u>531,482</u>	<u>124,670</u>	<u>13,622,009</u>
Fund balances, ending	<u>\$ 9,729,485</u>	<u>\$ 3,113,334</u>	<u>\$ 70,344</u>	<u>\$ 2,884,709</u>	<u>\$ 122,515</u>	<u>\$ 15,920,387</u>

See notes to basic financial statements.

BAL HARBOUR VILLAGE, FLORIDA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

Amounts reported for governmental activities in the statement of activities
(Page 14) are different because:

Net change in fund balances - total governmental funds (Page 16) \$2,298,378

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

The details of the difference are as follows:

Capital outlay	\$ 166,773	
Depreciation expense	<u>(577,248)</u>	(410,475)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

The detail of the difference is as follows:

Net pension asset - defined benefit plans	\$ 2,931	
Net pension obligation - excess benefit plan	(112,190)	
Compensated absences	6,596	
Other post employment benefits	<u>(141,746)</u>	<u>(244,409)</u>

Change in net assets of governmental activities (Page 14) \$1,643,494

See notes to basic financial statements.

BAL HARBOUR VILLAGE, FLORIDA

STATEMENT OF NET ASSETS
PROPRIETARY FUND
SEPTEMBER 30, 2011

	<u>Water & Sewer</u>
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$3,503,523
Investments	58,266
Receivables, net	<u>491,024</u>
Total current assets	4,052,813
Restricted assets:	
Restricted for customer deposits	111,952
Noncurrent assets:	
Due from other government	1,597,637
Capital assets not being depreciated	2,836,234
Capital assets being depreciated, net	<u>1,439,601</u>
Total assets	<u>10,038,237</u>
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable and accrued liabilities	1,764,950
Customer deposits	111,952
Compensated absences	<u>5,838</u>
Total current liabilities	1,882,740
Non-current liabilities:	
Compensated absences	<u>3,715</u>
Total non-current liabilities	<u>3,715</u>
Total liabilities	<u>1,886,455</u>
<u>NET ASSETS</u>	
Invested in capital assets	4,275,835
Unrestricted	<u>3,875,947</u>
Total net assets	<u>\$8,151,782</u>

See notes to basic financial statements.

BAL HARBOUR VILLAGE, FLORIDA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS PROPRIETARY FUND

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

	<u>Water & Sewer</u>
Operating revenues:	
Charges for sales and services:	
Water sales	\$ 1,762,284
Sewer sales	1,617,538
Tap fees	2,500
Fines and penalties	<u>104,090</u>
Total operating revenues	<u>3,486,412</u>
Operating expenses:	
Personal services	131,140
Water purchases	829,726
Wastewater treatment charges	319,424
Materials, supplies and administration	827,889
Depreciation	<u>136,484</u>
Total operating expenses	<u>2,244,663</u>
Operating income	<u>1,241,749</u>
Non-operating revenues:	
Interest income	<u>18,393</u>
Total non-operating revenues	<u>18,393</u>
Income before transfers	1,260,142
Transfers out	<u>(60,000)</u>
Change in net assets	1,200,142
Net assets, beginning	<u>6,951,640</u>
Net assets, ending	<u><u>\$ 8,151,782</u></u>

See notes to basic financial statements.

BAL HARBOUR VILLAGE, FLORIDA

STATEMENT OF CASH FLOWS PROPRIETARY FUND

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

	Water & <u>Sewer</u>
Cash flows from operating activities:	
Receipts from customers and users	\$ 3,403,378
Payments to suppliers	(1,275,797)
Payments to employees	<u>(130,308)</u>
Net cash provided by operating activities	<u>1,997,273</u>
Cash flows from non-capital financing activities:	
Transfer to other funds	<u>(60,000)</u>
Cash flows from capital and related financing activities:	
Purchase and construction of capital assets	<u>(3,090,822)</u>
Net cash used in capital and related financing activities	<u>(3,090,822)</u>
Cash flows from investing activities:	
Interest received	<u>28,666</u>
Net cash provided by investing activities	<u>28,666</u>
Net decrease in cash and cash equivalents	(1,124,883)
Cash and cash equivalents, beginning	<u>4,740,358</u>
Cash and cash equivalents, ending	<u>\$ 3,615,475</u>
Cash and cash equivalents per statement of net assets:	
Unrestricted	\$ 3,503,523
Restricted	<u>111,952</u>
	<u>\$ 3,615,475</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 1,241,749</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	136,484
Changes in operating assets and liabilities:	
(Increase) decrease in:	
Accounts receivables	(83,959)
Increase (decrease) in:	
Accounts payable and accrued liabilities	701,242
Compensated absences	832
Customer deposits	<u>925</u>
Total adjustments	<u>755,524</u>
Net cash provided by operating activities	<u>\$ 1,997,273</u>

See notes to basic financial statements.

BAL HARBOUR VILLAGE, FLORIDA

STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS

SEPTEMBER 30, 2011

	Pension Trust <u>Funds</u>	Agency <u>Fund</u>
<u>ASSETS</u>		
Cash	\$ 3,984	\$ 19,123
Investments, at fair value		
Money market mutual funds	900,188	-
Stock mutual funds	4,114,121	-
Bond mutual funds	2,645,952	-
U.S. Government obligations	1,618,482	-
Corporate bonds	2,658,658	-
Common stock	<u>6,926,129</u>	-
Total investments	<u>18,863,530</u>	-
Accrued interest receivable	43,776	-
Contributions receivable	<u>55,380</u>	-
Total assets	<u>18,966,670</u>	<u>19,123</u>
<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable	31,640	-
DROP payable	1,126,850	-
Other liabilities	-	<u>19,123</u>
Total liabilities	<u>1,158,490</u>	<u>19,123</u>
Net assets held in trust for pension benefits	<u>\$ 17,808,180</u>	<u>\$ -</u>

See notes to basic financial statements.

BAL HARBOUR VILLAGE, FLORIDA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS PENSION TRUST FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

ADDITIONS

Contributions:

Employees	\$ 344,921
Village	1,817,873
State	<u>60,819</u>
Total contributions	<u>2,223,613</u>

Investment income:

Interest and dividends	276,143
Net appreciation in the fair value of investments	<u>167,431</u>
	443,574
Less investment expenses	<u>103,309</u>
Net investment income	<u>340,265</u>
Total additions	<u>2,563,878</u>

DEDUCTIONS

Benefits paid	2,043,872
Administrative expenses	<u>98,634</u>
Total deductions	<u>2,142,506</u>

Net increase in net assets 421,372

Net assets held in trust for pension benefits:

Beginning of year	<u>17,386,808</u>
End of year	<u>\$ 17,808,180</u>

See notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

BAL HARBOUR VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of Bal Harbour Village's (the Village) significant accounting policies is presented to assist the reader in interpreting the basic financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying basic financial statements.

The financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village's accounting policies are described below:

1. Reporting Entity

Bal Harbour Village, Florida is a municipal corporation organized under Florida Statutes. The Village, which was incorporated in August 1946, is located in Miami-Dade County. The Village operates under a Council-Manager form of government with the Mayor serving as the head of the government for all purposes and the Village Manager serving as the administrative official. The Village provides the following services: public safety (police), physical environment (refuse collection), transportation (maintenance of roads and streets), tourism development, special security district protection, water and sewer utilities and general administrative services. Fire protection, education, hospital facilities and welfare services are provided by other units of local government whose activities are not included in the accompanying financial statements.

In accordance with accounting principles generally accepted in the United States, these financial statements present the Village and its organizations for which the Village is considered to be financially accountable. Financial accountability includes (1) the appointment of a voting majority of the organization's governing body, (2) the ability of the primary government to impose its will on the organization, or (3) if there is a financial benefit/burden relationship. In addition, an organization, which is fiscally dependent on the primary government, should be included in its reporting entity. Based upon the application of these criteria, there were no organizations that met the criteria described above.

2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Village. The effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly

BAL HARBOUR VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. *Government-Wide and Fund Financial Statements* (Continued)

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Because there was only one non-major fund (Security District Fund), it has been presented alongside the major funds.

3. *Measurement Focus, Basis of Accounting and Financial Statement Presentation*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements other than agency funds which have no measurement focus. 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 available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the Village considers all revenues available if they are collected within 60 days after year-end. Expenditures generally are recorded when a liability is incurred as required by accrual accounting, except for debt service expenditures and compensated absences, which are recorded when payment is due.

Property 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Village reports the following major governmental funds:

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

BAL HARBOUR VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The *tourism special revenue fund* is used to account for proceeds of resort tax revenue sources that are legally restricted to expenditures for tourism development and beach restoration. Resort taxes are paid monthly by establishments doing business within the Village based on 4% of their revenues from hotel room rentals and 2% of food and beverage sales.

The *federal law enforcement trust fund* accounts for the receipts of federal forfeiture monies received through the participation in law enforcement cases resulting in the forfeiture of assets to the Justice and Treasury Departments. The Village is given a percentage of the forfeitures based on their percentage involvement in the cases. These funds can only be spent for police related activities, equipment and training and all expenditures are approved by council.

The *state law enforcement trust fund* accounts for the receipts of state forfeiture monies received through the participation in law enforcement cases resulting in the forfeiture of assets to the Justice Department. The Village is given a percentage of the forfeitures based on their percentage involvement in the cases. These funds can only be spent for police related activities, equipment and training and all expenditures are approved by council.

The Village also reports the following non-major government fund:

The *security district fund* accounts for the special assessments received from the residents residing in the special district for maintaining the security within the special district.

The Village also reports the following major proprietary fund:

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

Additionally, the Village reports the following fund types:

The *pension trust funds* are used to account for assets held by the Bal Harbour Village Employees' Pension Trust and the Bal Harbour Police Officer's Pension Trust. The assets of the fund are restricted to providing retirement and disability benefits to Village employees.

BAL HARBOUR VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The *pending forfeitures fund* is an agency fund used to account for the receipts of federal and state forfeiture monies received through the participation in law enforcement cases resulting in the forfeiture of assets to the federal or state government. Money deposited in this fund and earnings on those deposits are not considered property of the Village until awarded to the Village by an order of the court.

Private sector standards of accounting and financial reporting issued prior to November 30, 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 Village also has the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Village's water and sewer function and various other functions of the Village. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than 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 Village's enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as needed.

4. *Deposits and Investments*

Cash and cash equivalents are considered to be cash and short-term investments with original maturities of three months or less. The Village's cash and cash equivalents include cash on hand and investments with the Florida PRIME administered by the State Board of Administration.

BAL HARBOUR VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Deposits and Investments (Continued)

All investments of the Village, except Florida PRIME and Fund B, are recorded at fair value, which is based on quoted market prices. Investments in the Florida PRIME are stated at the value of the pool shares (2a-7 like pool), which is fair value. Fund B is a fluctuating NAV pool and is reported based on the fair value factor.

5. Interfund Receivables and Payables

As the Village does not have any lending/borrowing arrangements between funds, all outstanding balances between funds are reported as “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”.

6. Receivables

Receivables include amounts due from other governments and others for services provided by the Village. Receivables are recorded and revenues are recognized as earned or as specific expenditures/expenses are incurred. Allowances for uncollectible receivables are based upon historical trends and the periodic aging of receivables.

7. Prepaid Items

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

8. Restricted Assets

The Village reports amounts paid by customers for water and sewer deposits as restricted assets.

9. Capital Assets

Capital assets, which include property, plant, equipment, intangible and infrastructure assets (e.g., sidewalks and other similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the Proprietary Fund. Capital assets are defined by the government as assets with an initial, individual cost of more than \$25,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed or as they are otherwise acquired. Certain infrastructure acquired prior to GASB 34 (FYE September 30, 2003) has not been reported.

BAL HARBOUR VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. *Capital Assets* (Continued)

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

<u>Assets</u>	<u>Years</u>
Buildings	30
Improvements other than buildings	30
Public domain infrastructure	25-60
Water/sewer system	25-60
Furniture, fixtures and equipment and software	5-20

Intangible assets consist of computer software, which was capitalized as an asset in prior years, rights of way, and easements. The Village elected not to retroactively report intangible assets, other than computer software.

10. *Unearned Revenue*

Inflows that do not yet meet the criteria for revenue recognition, such as business taxes collected in advance, are recorded as unearned revenue in the government-wide and the fund financial statements.

11. *Compensated Absences*

It is the Village's policy to permit employees to accumulate earned, but unused, vacation pay and comp-time benefits. Both are accrued when incurred in the government-wide and proprietary funds and reported as a fund liability. Compensated absences are reported in governmental funds only if they have matured. Benefits that are expected to be liquidated with expendable available financial resources are reported as expenditures and a fund liability of the general fund. There is no liability for unpaid accumulated sick leave since the Village does not have the policy to pay any amounts when employees separate from service and employees do not otherwise accrue sick leave.

12. *Long-Term Obligations*

In the government-wide financial statements and the proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable business-type activities or proprietary fund type statement of net assets. Debt issuance costs are deferred and amortized over the life of the debt using the effective interest method. Loan issuance costs are reported as deferred charges and amortized over the term of the related debt. However, at year-end, the Village had no outstanding debt or long-term obligations other than compensated absences.

BAL HARBOUR VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

13. Fund Equity

The Village implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes criteria for classifying governmental fund balances into specifically defined classifications. Classifications are hierarchical and are based primarily on the extent to which the Village is bound to honor constraints on the specific purposes for which amounts in the funds may be spent. Application of the Statement requires the Village to classify and report amounts in the appropriate fund balance classifications. The Village's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of restricted, committed, assigned or unassigned.

The Village reports the following classifications:

Non-spendable fund balance. Non-spendable fund balances are amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance. Restricted fund balances are amounts that can be spent only for specific purposes stipulated by (a) external resource providers such as creditors (by debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for the specific purposes determined by a formal action (Ordinance and Resolution) of the Village Council, the Village's highest level of decision making authority. Commitments may be changed or lifted only by the Village Council taking the same formal action (Ordinance and Resolution) that imposed the constraint originally. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

Assigned fund balance. Assigned fund balances are amounts that are constrained by the Village's intent to be used for specific purposes, but are neither restricted nor committed. Intent is established by management of the Village to which the Council has delegated the authority to assign, modify or rescind amounts to be used for specific purposes. This balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as non-spendable, restricted, or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose.

Specific amounts that are not restricted or committed in a special revenue fund are assigned for the purposes in accordance with the nature of their fund type. Assignment within the General Fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the Village itself.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

BAL HARBOUR VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

13. Fund Equity (Continued)

Additionally, the Village would first use committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Subsequent to fiscal year end, the Village adopted a formal Fund Balance Policy that provided for definitions and classifications of fund balance as provided for in GASB Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The policy also provides for certain non-spendable fund balance, restricted, committed, and assigned categories. Of particular note is the restricted fund balance amount \$1 million in the Village's Tourism Fund that is required by Code to be used for beach renourishment; an estimated \$1.4 million in the General Fund assigned for the Village's excess benefit plan; General Fund balance assigned for OPEB liabilities and accrued leave time, and a requirement to maintain a minimum unassigned General Fund fund balance of 33% of the subsequent year's General Fund projected and budgeted expenditures. The policy will be effective beginning with fiscal year 2012.

14. Net Assets

Net assets of the government-wide and the proprietary fund are categorized as invested in capital assets, restricted or unrestricted. Invested in capital assets is that portion of net assets that relates to the Village's capital assets reduced by accumulated depreciation.

Restricted net assets is that portion of net assets that has been restricted for general use by external parties (creditors, grantors, contributors, or laws or regulations of other governments) or imposed by law through constitutional provisions or enabling legislation. Unrestricted net assets consist of all net assets that do not meet the definition of either of the other two components.

15. 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 disclosures of contingent assets and liabilities as of the date of the financial statements and revenue and expenses during the period reported. These estimates include assessing the collectability of receivables, the realization of pension obligations and the useful lives and impairments of capital assets. 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.

BAL HARBOUR VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 2. PROPERTY TAXES

Under Florida Law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the State regulating tax assessments are also designed to assure a consistent property valuation method statewide. State statutes permit municipalities to levy property taxes at a rate of up to 10.0 mills. The fiscal 2011 millage rate assessed by the Village was 2.5567 mills.

The tax levy of the Village is established by the Village Council prior to October 1 each year, and the County Property Appraiser incorporates the millage into the total tax levy, which includes Miami-Dade County, Miami-Dade County School Board and special taxing districts.

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

All real and tangible personal property taxes are due and payable on November 1 each year or as soon as practicable thereafter as the assessment roll is certified by the County Property Appraiser. Miami-Dade County mails to each property owner on the assessment roll a notice of the taxes due and Miami-Dade County also collects the taxes for the Village. Taxes may be paid upon receipt of such notice from Miami-Dade County, with discounts at the rate of four percent (4%) if paid in the month of November, three percent (3%) if paid in the month of December, two percent (2%) if paid in the month of January and one percent (1%) if paid in the month of February. Taxes paid during the month of March are without discount, and all unpaid taxes on real and tangible personal property become delinquent and liens are placed on April 1 of the year following the year in which taxes were assessed. Procedures for the collection of delinquent taxes by Miami-Dade County are provided for in the laws of Florida. There were no material delinquent property taxes as of September 30, 2011.

NOTE 3. 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 another 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 deemed as insured or collateralized.

Investments-Other Than Pension Funds

Village administration is authorized to invest in those instruments authorized by the Florida statutes, including the Florida PRIME administered by the Florida State Board of Administration (State Treasurer's Investment Pool).

BAL HARBOUR VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments-Other Than Pension Funds (Continued)

The State Board of Administration (SBA) administers the Florida PRIME and the Fund B Surplus Funds Trust Fund. (Fund B), both of which are governed by Chapter 19-7 of the Florida Administrative Code and Chapters 218 and 215 of the Florida Statutes. These rules provide guidance and establish the policies and general operating procedures for the administration of the Florida PRIME and Fund B. Neither the Florida PRIME nor Fund B is a registrant with the Securities and Exchange Commission (SEC); however, the SBA has adopted operating procedures consistent with the requirements for a 2a-7 fund, which permits money market funds to use amortized cost to maintain a constant net asset value (NAV) of \$1 per share. The fair value of the position in the Florida PRIME is equal to the value of the pool shares. The Fund B pool holds assets that became illiquid or fell below the investment grades required of the Florida PRIME (then "Fund A") assets. The Florida PRIME pool is operating in a manner consistent with SEC rules of 2a-7 funds. The Fund B pool does not meet the requirements of a SEC 2a-7 like pool and therefore is accounted for as a fluctuating NAV pool.

As of September 30, 2011, the fair value factor for Fund B was \$0.7568386 per share. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to the Florida PRIME pool, consistent with the pro rata allocation of pool shareholders of record at the creation of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within Florida PRIME. The investments in Florida PRIME and Fund B are not insured by FDIC or any other governmental agency.

As of September 30, 2011, the Village had the following investments:

	Balance at 9/30/2011	Ending NAV Balance	Unrealized Loss (1)	Average Maturities
Florida PRIME	\$ 10,871,977	\$ 10,871,977	\$ -	38 days
Fund B	<u>244,684</u>	<u>185,186</u>	<u>(59,498)</u>	4.82 years
	<u>\$ 11,116,661</u>	<u>\$ 11,057,163</u>	<u>\$ (59,498)</u>	

(1) The accumulated unrealized loss of \$59,498 is as of September 20, 2011. During the fiscal year, the value of the Fund B portfolio improved resulting in a recovery of fair market value of \$30,754 which was recorded at the fund level for each investing fund.

Note: Florida PRIME is included in cash equivalents in the financial statements.

Maturity and Interest Rate Risk

The weighted average days to maturity (WAM) of the Florida PRIME at September 30, 2011, was 38 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM. These dates may be different than the ultimate rate reset dates. When the ultimate maturity date is used, a far different WAM may exist.

The weighted average life (WAL) of Fund B at September 30, 2011, was estimated to be 4.82 years; however, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the weighted average life.

BAL HARBOUR VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments-Other Than Pension Funds (Continued)

Credit Quality Disclosure

The Florida PRIME is rated by Standard and Poor's. The current rating is AAAM.

The Fund B is not rated by any nationally recognized statistical rating agency.

Concentration of Credit Risk

The Village structures its investment mix in a manner to control the risk of loss resulting from concentration of assets to a specific maturity, instrument, issue, dealer, or bank through which these securities are bought and sold. As of September 30, 2011, the value of each position held in any one issuer within the Village's portfolio is less than 5% of total investments.

Securities Lending Disclosure

Since the Village only owns shares of the Florida PRIME and/or Fund B and not the underlying securities, the Village does not engage in securities lending. However, readers should note that the Florida PRIME and Fund B could participate in securities lending programs as determined by the investment policy of the SBA. Neither Florida PRIME nor Fund B participated in a securities lending program in the fiscal year ending September 30, 2011.

Investments – General Employees Pension Plan

Policy

The Plan maintains a master custodial agreement whereby the investment securities are held in the plan's name by a financial institution acting as the Plan's agent.

The Board of Trustees of the Bal Harbour Village General Employees Pension Trust Fund adopted an amended Investment Policy effective January 1, 2008. Concurrently with this amended investment policy, the Board of Trustees elected to discontinue active management of a portfolio of investments, based upon the advice of its investment monitor and advisor. The Board of Trustees, in keeping with its consultant's recommendation, has opted to invest in index funds, as provided for in the investment policy. The policy defines the scope of control of the Board, the investment objectives, performance measurements, investment and fiduciary standards, authorized investments, maturity and liquidity requirements, portfolio composition, risk and diversification, target asset mixes, expected annual rates of return, and other investment requirements. The Policy establishes the following Target Asset Mix for the plan:

BAL HARBOUR VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments – General Employees Pension Plan (Continued)

Target Asset Mix

<u>Asset Class</u>	<u>Minimum Weight</u>	<u>Target Weight</u>	<u>Maximum Weight</u>	<u>Representative Index</u>
Equities	40%	None	65%	88.5% of S&P + 4% S&P 400+ 2.5% Russell 200 + 2.5% MSCI EAFE
Fixed income	35%	None	60%	Lehman Brothers Intermediate GC Index
Cash and equivalents	None	None	None	None

As of September 30, 2011, the Bal Harbour Village General Employees Pension Trust Fund had the following investment and maturities:

Maturity Risk

	<u>Fair Value</u>	<u>Less Than 1 Year</u>
Bond mutual funds	\$ 2,645,952	\$ 2,645,952
Money market mutual funds	<u>384,965</u>	<u>384,965</u>
	<u>\$ 3,030,917</u>	<u>\$ 3,030,917</u>

The Plan's investment policy limits investments to index mutual funds. Consequently, the assets are valued daily and can be redeemed daily.

Interest Rate Risk

Interest rate risk refers to the portfolio's exposure to fair value losses arising from increasing interest rates. The Plan does not have a formal investment policy that limits investment maturities as a means managing its exposure to market value losses arising from changing interest rates. However, the investment policy limits investments in fixed income instruments to index mutual funds.

Credit Risk

The current investment policy limits investments to index mutual funds. Therefore, the portfolio bears the credit risk of the aggregated market.

BAL HARBOUR VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments – General Employees Pension Plan (Continued)

Concentration of Credit Risk

The current investment policy limits investments to index mutual funds. Therefore, the portfolio represents the total diversification provided in the markets that the index funds mirror. As of September 30, 2011, the value of each position held in any one issuer within the Plan's portfolio is less than 5% of plan net assets.

Risks and Uncertainties

The Plan has investments in mutual funds that are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect balances and the amounts reported in the statement of net assets available for benefits and the statement of changes in net assets available for benefits. The Plan, through its investment advisor, monitors the Plan's investments and risks associated therewith on a regular basis, which the Plan believes minimizes these risks.

Investments – Bal Harbour Police Pension Plan

The Plan maintains a Master Custodian Agreement, whereby the investment securities are held in the Plan's name by a financial institution acting as the Plan's agent.

As of September 30, 2011, the plan had the following investments and maturities:

	Fair Value	Investment Maturities (In Years)			
		Less Than 1	1-5	6-10	More Than 10
U.S. treasuries	\$ 816,230	\$ 100,707	\$ 476,491	\$ 239,032	\$ -
U.S. agencies	802,252	187,736	439,405	145,749	29,362
Corporate bonds	2,658,658	278,066	1,290,064	1,055,613	34,915
	<u>\$ 4,277,140</u>	<u>\$ 566,509</u>	<u>\$ 2,205,960</u>	<u>\$ 1,440,394</u>	<u>\$ 64,277</u>

Interest Rate Risk

Interest rate risk refers to the portfolio's exposure to fair value losses arising from increasing interest rates. The Plan does not have a formal investment policy that limits investment maturities as a means of managing its exposure to market value losses arising from increasing interest rates.

BAL HARBOUR VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Plan's investment policy limits fixed income investments to a rating no lower than Stand & Poor's BBB or Moody's Baa. The Plan's corporate bonds and agency bonds were all rated "Baa" or better under Moody's ratings and at least "BBB" under Standard & Poor's ratings. The Plan maintains a Master Custodian Agreement, whereby financial institution acting as the agent holds the investment securities. At year end, the financial markets markedly deteriorated resulting in significant market losses to the Plan across almost all asset classes.

Concentration of Credit Risk

The Plans' investment policy stipulates that not more than 5% of Plan assets can be invested in the common stock of any one issuing company nor can the aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of any company.

As of September 30, 2011, the value of each position in any one issuer held by the Plan comprised less than 5% of plan net assets, less than 5% of investments and less than 5% of the value of the outstanding capital stock of any company.

Risks and Uncertainties

The Plan has investments in a combination of stocks, bonds, government securities and other investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect balances and the amounts reported in the statement of plan net assets and the statement of changes in plan net assets. The Plan, through its investment advisors, monitors the Plan's investments and the risks associated therewith on a regular basis, which the Plan believes minimizes these risks.

Plan contributions are made and the actuarial accrued liability are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term could be material to the financial statements.

BAL HARBOUR VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 4. RECEIVABLES

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

	General Fund	Tourism Fund	State Law Enforcement Fund	Water and Sewer Fund	Fiduciary Funds	Total
Receivables:						
Taxes and assessments	\$ 196,272	\$ 96,063	\$ -	\$ -	\$ -	\$ 292,335
Accounts, net	-	-	18,514	491,024	55,380	564,918
Interest and other	4,758	-	-	-	43,776	48,534
Gross receivables	201,030	96,063	18,514	491,024	99,156	905,787
Less allowance for uncollectibles	-	-	-	-	-	-
Net total receivables	<u>\$ 201,030</u>	<u>\$ 96,063</u>	<u>\$ 18,514</u>	<u>\$ 491,024</u>	<u>\$ 99,156</u>	<u>\$ 905,787</u>

NOTE 5. DUE FROM OTHER GOVERNMENTS

On August 24, 2011, the Village entered into a memorandum of understanding with the Town of Surfside for the construction of a sewer force main. When complete, the Village will retain a 50% ownership in the improvements. The total amount receivable for this agreement at year end was \$1,597,637 to be paid by the Town of Surfside. The Village expects to receive this in full prior to September 30, 2012.

NOTE 6. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decrease	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 277,426	\$ -	\$ -	\$ 277,426
Infrastructure	1,350,459	-	-	1,350,459
Work in progress	538,611	120,934	(595,632)	63,913
Total capital assets not being depreciated	<u>2,166,496</u>	<u>120,934</u>	<u>(595,632)</u>	<u>1,691,798</u>
Capital assets being depreciated:				
Buildings	2,859,742	435,292	-	3,295,034
Improvements other than buildings	10,421,884	-	-	10,421,884
Furniture, fixtures and equipment	4,059,342	45,840	-	4,105,182
Infrastructure	267,275	160,340	-	427,615
Total capital assets being depreciated	<u>17,608,243</u>	<u>641,472</u>	<u>-</u>	<u>18,249,715</u>

BAL HARBOUR VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 6. CAPITAL ASSETS (Continued)

	Beginning <u>Balance</u>	Increases	Decrease	Ending <u>Balance</u>
Less accumulated depreciation for:				
Buildings	(1,750,733)	(109,838)	-	(1,860,571)
Improvements other than buildings	(3,305,681)	(189,657)	-	(3,495,338)
Furniture, fixtures and equipment	(3,342,292)	(255,403)	-	(3,597,695)
Infrastructure	(155,084)	(22,350)	-	(177,434)
Total accumulated depreciation	<u>(8,553,790)</u>	<u>(577,248)</u>	<u>-</u>	<u>(9,131,038)</u>
Total capital assets not being depreciated, net	9,054,453	64,224	-	9,118,677
Governmental activities capital assets, net	<u>\$ 11,220,949</u>	<u>\$ 185,158</u>	<u>\$ (595,632)</u>	<u>\$ 10,810,475</u>
 Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 7,000	\$ -	\$ -	\$ 7,000
Work in progress	<u>1,336,049</u>	<u>1,493,185</u>	<u>-</u>	<u>2,829,234</u>
Total capital assets not being depreciated	<u>1,343,049</u>	<u>1,493,185</u>	<u>-</u>	<u>2,836,234</u>
Capital assets being depreciated:				
Building	23,865	-	-	23,865
Furniture, fixtures and equipment	1,151,976	-	-	1,151,976
Water/sewer system	<u>2,358,121</u>	<u>-</u>	<u>-</u>	<u>2,358,121</u>
Total capital assets being depreciated	<u>3,533,962</u>	<u>-</u>	<u>-</u>	<u>3,533,962</u>
Less accumulated depreciation for:				
Building	(18,711)	-	-	(18,711)
Furniture, fixtures and equipment	(579,136)	(31,156)	-	(610,292)
Water/sewer system	<u>(1,360,030)</u>	<u>(105,328)</u>	<u>-</u>	<u>(1,465,358)</u>
Total accumulated depreciation	<u>(1,957,877)</u>	<u>(136,484)</u>	<u>-</u>	<u>(2,094,361)</u>
Total capital assets not being depreciated, net	<u>1,576,085</u>	<u>(136,484)</u>	<u>-</u>	<u>1,439,601</u>
Business-type activities capital assets, net	<u>\$ 2,919,134</u>	<u>\$ 1,356,701</u>	<u>\$ -</u>	<u>\$ 4,275,835</u>

Depreciation expense for the fiscal year ended September 30, 2011, was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 257,712
Public safety	179,958
Solid waste	11,333
Roads and streets	41,152
Tourism development	<u>87,093</u>
Total depreciation expense, governmental activities	<u>\$ 577,248</u>
 Business-type activities:	
Water	\$ 58,524
Sewer	<u>77,960</u>
Total depreciation expense, business-type activities	<u>\$ 136,484</u>

BAL HARBOUR VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund Receivables/Payables

The Village uses pooled cash accounts for all of its non-fiduciary funds. All funds had positive cash balances at September 30, 2011; therefore, there were no interfund receivables or payables.

Interfund Transfers

<u>Transfers In</u>	<u>Transfers Out</u>				
	<u>General</u>	<u>Tourism</u>	<u>Security District</u>	<u>Water and Sewer</u>	<u>Total</u>
General	\$ -	\$ 193,000	\$ 30,000	\$ 60,000	\$ 283,000

Transfers are used to transfer revenues based on the Village ordinance and budget in order to reimburse the General fund for certain costs.

NOTE 8. LONG-TERM DEBT

Changes in Long-Term Liabilities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Compensated absences	\$ 596,428	\$ 9,253	\$ (15,849)	\$ 589,832	\$ 351,969
Business-type activities:					
Compensated absences	\$ 8,721	\$ 832	\$ -	\$ 9,553	\$ 5,838

NOTE 9. EMPLOYEE RETIREMENT PLANS

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

1. Summary of Significant Accounting Policies

Basis of Accounting

Public Employee Retirement Systems (PERS) financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan, as calculated by each plan's actuary are recognized when due and the employer has made a formal commitment to provide the contributions. Expenses are recognized in the accounting

BAL HARBOUR VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 9. EMPLOYEE RETIREMENT PLANS (Continued)

1. Summary of Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

period incurred, if measurable. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plans.

Method Used to Value Investments

Investments of the pension trust funds are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price. Net appreciation (depreciation) in fair value of investments, realized and unrealized gains (losses) are determined on the basis of specific cost. Interest and dividend income is recognized on the accrual basis when earned. Purchases and sales of investments are recorded on a trade date basis.

2. Plan Descriptions

The Village, as a single employer, maintains two public employee retirement systems defined benefit pension plans covering substantially all full-time employees and an unfunded excess benefits plan. On October 1, 1955, the Village established the Bal Harbour Village Employees' Pension Trust (General Employees Pension). During the fiscal year ended September 30, 2000, the police officers of the Village elected to form their own plan in order to continue receiving Section 185 monies from the State of Florida. To fund benefits owed by employment contracts that cannot be funded through either defined benefit plan, the Village established the Bal Harbour Village Excess Benefit Plan during fiscal year 2009.

The pension plans are considered to be part of the Village's financial reporting entity and are included in the Village's financial statements as pension trust funds. The Bal Harbour Police Officers' Pension Trust issues a publicly available financial report that includes the financial statements and required supplementary information. The report may be obtained by writing to Joan Wall, Plan Administrator, or calling (954) 723-9521.

On May 16, 2011, the Village received a favorable determination letter from the IRS for its general employee pension plan.

As of September 30, 2011, the police pension plan has received a response from the IRS and is awaiting final approval of its determination letter. Although at this time the plan does not have a determination from the IRS, the Plan administrator and counsel believe that the Plan is designed and is currently being operated in compliance with the applicable sections of the Internal Revenue Code.

The Bal Harbour Village Excess Benefits Plan is a qualified governmental excess benefit plan established in accordance with Section 415 of the Internal Revenue Code. The purpose of the Plan is to provide retirement benefits to employees covered by either or both of the Village's defined benefit plans whose benefits are otherwise limited by IRC §415.

BAL HARBOUR VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 9. EMPLOYEE RETIREMENT PLANS (Continued)

2. Plan Descriptions (Continued)

Plan membership consisted of the following at October 1, 2010, the latest actuarial valuation date for the defined benefit plans, and at September 30, 2011, the latest actuarial date for the excess benefits plan:

	<u>General</u>	<u>Police Officers</u>	<u>Excess Benefits</u>
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	23	12	-
Current employees:			
Vested	31	9	1
Non-vested	-	13	-
Total	31	22	1

While the Village has not expressed any intent to discontinue the Plan, it may do so at any time, providing that benefits accrued to the date of termination are adequately funded.

Bal Harbour Employees' Pension Trust

The benefit provisions and all other requirements of the Retirement Plan for General Employees are established by Ordinance No. 447, as amended, and are summarized as follows:

Vesting

Benefits are fully vested after 10 years of credited service.

Eligibility for Participation

Full time employees, after completing one year of continuous employment from the anniversary date of the Plan, which is October 1.

Eligibility for Retirement

The Plan provides for normal retirement as follows:

- a) Age 57, regardless of service,
- b) Age 55, having completed 25 years of continuous employment or
- c) 30 years of continuous employment regardless of age.

Annual Retirement Benefit

The monthly retirement benefit is equal to 3% of final average compensation (average of the highest 36 consecutive months of compensation, as defined, during the 10 years immediately preceding retirement or termination) times completed years and months of continuous employment.

BAL HARBOUR VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 9. EMPLOYEE RETIREMENT PLANS (Continued)

2. Plan Descriptions (Continued)

Bal Harbour Employees' Pension Trust (Continued)

Cost of Living Adjustment

Retired participants, except those who elect to take a lump sum distribution, will receive a two and one half percent compounded annual COLA; commencing on the one year anniversary of the retirement date and will continue to be paid each year thereafter. To receive the COLA an employee must be or become an active participant on or after March 21, 2006.

Other Benefits

The system also provides for optional retirement benefits, early retirement, deferred retirement, disability retirement and death benefits

Funding Policy

Employees are required to contribute 8% of their annual compensation, to be deposited each pay period. The Village is required to contribute the amount in excess of employee contributions to pay the annual pension cost. The pension board establishes the required employee contribution. The required employer contribution is actuarially determined as of October 1 of each year.

If any employee leaves covered employment or dies before ten years of credited service, accumulated employee contributions are refunded to the employee or the designated beneficiary.

DROP

The Bal Harbour Employees' Pension Trust has a Deferred Retirement Option Plan (DROP) for participants who are eligible to receive normal retirement. Eligible members may apply to participate by applying to the Board. Upon a member's election to participate in the DROP, that member shall be considered retired. Monthly retirement benefits that would have been payable had the member retired without electing the DROP will be paid into the DROP and credited to the retired member who may not receive any of these amounts until they actually sever employment with the Village. Upon separation from service with the Village, the entire DROP balance is made to or for the benefit of the participant as a lump sum distribution. Payments into the DROP will earn the same return as earned by the remainder of the Plan assets or a fixed rate of 4% at the option of the participant. This option can be changed every year prior to December 1st for the following calendar year. If they do not make a choice, the default option is the fixed rate of 4%. At September 30, 2011, there was 1 member who was enrolled under the DROP. The total liability for the members DROP account as of September 30, 2011 was \$484,837. This amount is included in the total investment balance and the net assets available presented on the statement of net assets.

The Bal Harbour Employees' Pension Trust does not issue separate stand-alone financial statements; therefore, included below is the Statement of Fiduciary Net Assets and the Statement of Changes in Fiduciary Net Assets as of and for the fiscal year ended September 30, 2011.

BAL HARBOUR VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 9. EMPLOYEE RETIREMENT PLANS (Continued)

2. Plan Descriptions (Continued)

Bal Harbour Employees' Pension Trust (Continued)

STATEMENT OF FIDUCIARY NET ASSETS

ASSETS

Investments:	
Cash and money market mutual funds	\$ 388,949
Stock mutual funds	4,114,121
Bond mutual funds	<u>2,645,952</u>
Total investments	<u>\$7,149,022</u>

NET ASSETS

Net assets held in trust for pension benefits	<u>\$7,149,022</u>
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STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

ADDITIONS

Employee contributions	\$ 106,500
Village contributions	<u>455,286</u>
Total contributions	561,786
Investment earnings:	
Interest and dividends	71,027
Net depreciation in the fair value of investments	<u>(42,832)</u>
	28,195
Less investment expenses	<u>38,142</u>
Net investments income	<u>(9,947)</u>
Total additions	<u>551,839</u>

DEDUCTIONS

Benefits paid	1,289,510
Administrative expenses	<u>29,198</u>
Total deductions	<u>1,318,708</u>

Change in net assets (766,869)

Net assets held in trust for pension benefits:	
Beginning of year	<u>7,915,891</u>
End of year	<u>\$7,149,022</u>

BAL HARBOUR VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 9. EMPLOYEE RETIREMENT PLANS (Continued)

2. Plan Descriptions (Continued)

Bal Harbour Police Officers' Pension Trust

The benefit provisions and all other requirements of the Plan are established by Ordinance No. 474, as amended, and are summarized as follows:

Vesting

Benefits vest at the rate of 10% for each year of credited service, up to a maximum of 100% after year 10.

Eligibility for Participation

Date of employment as a certified police officer.

Eligibility for Retirement

The Plan provides for normal retirement as follows:

- a) Age 55 with 10 years of service or
- b) Age 52 with 25 years of service or
- c) Age 57 regardless of years of service or
- d) 20 years of service regardless of age

Early Retirement

At age 50 with 10 years of service with a 3% reduction for each year under age 55.

Annual Retirement Benefit

3½% of final average compensation times completed years and months of continuous employment. In addition, a COLA increase of 2½% goes into effect one year after retirement for employees who were employed on or after February 21, 2006.

Other Benefits

The system also provides for optional retirement benefits, early retirement, deferred retirement, disability retirement and death benefits.

Funding Policy

Employees contribute 10% of their compensation. The Village is required to contribute the amount in excess of employee contributions to pay the annual pension cost. The Village Council, through establishment or modification of enabling legislation, establishes the required employee contribution. The required employer contribution, which is a percentage of annual covered payroll and includes amounts contributed by the State pursuant to Chapter 175, Florida Statutes, is actuarially determined as of October 1st of each year. For the fiscal year ended September 30, 2011, the employer required contribution was 58.2% (60.8% including state contribution) of annual covered payroll.

If any employee leaves covered employment or dies before ten years of credited service, accumulated employee contributions are refunded to the employee or the designated beneficiary; alternatively, and at the participant's election, the participant may continue to be active in the Plan and receive their accrued vested benefit beginning on their normal retirement date.

BAL HARBOUR VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 9. EMPLOYEE RETIREMENT PLANS (Continued)

2. Plan Descriptions (Continued)

Bal Harbour Village Excess Benefits Plan

Vesting

Benefits are fully vested immediately upon entry into the Plan.

Eligibility for Participation

Based upon employment contract language and participation in either or both defined benefit plans.

Eligibility for Benefits Under the Plan

A participant shall receive a benefit equal to the difference between the retirement allowance otherwise payable from either or both defined benefit plans prior to any reduction or limitation required by IRC §415 and the actual retirement allowance payable as limited by IRC §415. The benefit shall be subject to withholding for applicable state and federal taxes. The benefit shall be paid in accordance with the retirement payment option selected by the participant or beneficiary for the retirement otherwise payable by either or both defined benefit plans.

Funding Policy

To be qualified under IRC §415, Excess Benefits Plans, the Village cannot advance fund any benefit currently payable under the Plan and any assets held by the Plan during any year can only be used to pay for benefits coming due during the year or for expenses of the Plan during the year. Contributions by the Village are not allowed to accumulate from year-to-year for purposes of advance funding of any of the Excess Plans liabilities. Any assets, including all property rights and beneficial interests of the Plan remain the general, unpledged, and unrestricted assets of the Plan and the Village. The interests of participants and their beneficiaries of the Plan are not senior to the claims of unsecured creditors of the Plan or the Village. The Village has recorded a liability in the amount of \$1,312,917 in the government-wide financial statements that represents the net pension obligation of the Plan as of September 30, 2011. The Village has elected to present this net benefit obligation separately from the net pension asset of the Village's two defined benefit plans because of the nature of the Excess Benefit Plan and the likelihood that substantially all of the benefits payable under the plan will be distributed within five years. The Village cannot restrict any assets, including cash, for the purpose of providing funding for these benefits. However, the Village has designated a portion of its General Fund fund balance for the purpose of noting its intent to fund the benefits payable under the Plan. The Village believes it had sufficient financial assets at September 30, 2011, to pay the benefits payable under the Plan.

BAL HARBOUR VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 9. EMPLOYEE RETIREMENT PLANS (Continued)

3. Funded Status and Funding Progress

Bal Harbour Employees Pension Trust

The funded status of the plan as of October 1, 2010, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a,b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a),c)
October 1, 2010	\$ 8,199,480	\$ 10,022,134	\$ 1,822,654	81.8%	\$ 1,337,979	136.2%

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the AAL for benefits.

Additional information as of the latest actuarial valuation follows:

Valuation Date	October 1, 2010
Contribution rates:	
Employer	27.07%
Plan Members	8.0%
Actuarial cost method	Entry age normal
Amortization method	Closed, level % of pay
Equivalent single amortization period	25.36
	5-year smoothed market
	as per Internal Revenue
	Procedure 2000-40
Asset valuation method	
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases*	5.0%
Includes price inflation	3.0%
Cost of living adjustments	2.5%
	4.0% but limited to
	1.65% in accordance with
	Ch. 112.64(5)(a), Florida
	Statutes
Payroll growth assumption	

*Includes inflation at 3%

BAL HARBOUR VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 9. EMPLOYEE RETIREMENT PLANS (Continued)

3. Funded Status and Funding Progress (Continued)

Bal Harbour Police Officers' Pension Trust

The funded status of the plan as of October 1, 2010, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a,b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a),c)
October 1, 2010	\$ 10,080,019	\$ 18,608,039	\$ 8,528,020	54.2%	\$ 2,256,484	377.9%

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the AAL for benefits.

Additional information as of the latest actuarial valuation follows:

Valuation date	October 1, 2010
Contribution rates:	
Employer and State	52.7%
Plan Members	10.0%
Actuarial cost method	Entry age normal
Amortization method	Closed level % of pay
Remaining amortization period	24
Asset valuation method	5 year smoothed market
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases*	7.0%
Post retirement COLA	2.5%

*Includes inflation at 3.5%

BAL HARBOUR VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 9. EMPLOYEE RETIREMENT PLANS (Continued)

3. Funded Status and Funding Progress (Continued)

Bal Harbour Village Excess Benefits Plan

The funded status of the Plan as of September 30, 2011, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a,b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a),c)
September 30, 2011	\$ -	\$ 1,312,917	\$ 1,312,917	0%	\$ -	N/A

To be qualified under IRC §415, the Plan cannot be advance funded. Accordingly, neither the Village nor the Participant has ever provided any funding to the Plan. The Plan held no assets, liabilities or net assets at September 30, 2011.

Additional information as of the latest actuarial valuation follows:

Reporting Year	2011
Actuarial valuation date	September 30, 2011
Annual Pension Cost	\$112,190
Contributions made	none
Actuarial cost method	Entry Age Normal
Amortization method	Immediate Recognition
Amortization period (on gain/loss)	1 year
Asset valuation method	Unfunded
Actuarial Assumptions	
Investment rate of return *	4.00%
Projected salary increases*	N/A
Payroll growth assumptions	N/A
*Includes general price inflation at	3%

BAL HARBOUR VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 9. EMPLOYEE RETIREMENT PLANS (Continued)

4. Annual Pension Cost and Net Pension Obligation (Asset)

The annual pension cost and net pension obligation (asset) for the current year was as follows:

	<u>General</u> <u>Employees</u>	<u>Police</u> <u>Employees</u>	<u>Excess</u> <u>Benefit</u>	<u>Total</u>
Annual required contribution	\$ 455,286	\$ 1,388,777	\$ 64,161	\$ 1,908,224
Interest on net pension obligation	(21,175)	(33,720)	48,029	(6,866)
Adjustment to annual required contributions	<u>(22,504)</u>	<u>29,460</u>	<u>-</u>	<u>6,956</u>
Annual pension cost	456,615	1,384,517	112,190	1,953,322
Contributions made	<u>455,286</u>	<u>1,388,777</u>	<u>-</u>	<u>1,844,063</u>
Increase (decrease) in net pension obligation (asset)	1,329	(4,260)	112,190	109,259
Net pension obligation (asset), beginning of year	<u>(282,337)</u>	<u>(421,495)</u>	<u>1,200,727</u>	<u>496,895</u>
Net pension obligation (asset), end of year	<u>\$ (281,008)</u>	<u>\$ (425,755)</u>	<u>\$ 1,312,917</u>	<u>\$ 606,154</u>

Bal Harbour Employee Pension Trust

The annual required contribution for the current year was \$455,286, determined as part of the October 1, 2010, actuarial valuation using the entry age normal cost method.

<u>Fiscal Year Ending</u>	<u>Three-Year Trend Information</u>		
	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Asset</u>
9/30/2009	\$ 399,245	168%	\$ (277,167)
9/30/2010	406,610	101%	(282,337)
9/30/2011	456,615	100%	(281,008)

Bal Harbour Police Officer's Pension Trust

The annual required contribution for the current year was \$1,388,777, determined as part of the updated October 1, 2010, actuarial valuation using the aggregate actuarial cost method. The contributions made were received from the state and were properly recorded as on-behalf payments by the Village. The aggregate actuarial cost method does not identify and separately amortize unfunded actuarial liabilities.

BAL HARBOUR VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 9. EMPLOYEE RETIREMENT PLANS (Continued)

4. Annual Pension Cost and Net Pension Obligation (Asset) (Continued)

Bal Harbour Police Officer's Pension Trust (Continued)

<u>Fiscal Year Ending</u>	<u>Three-Year Trend Information</u>		
	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
9/30/2009	\$ 849,265	101%	\$ (395,645)
9/30/2010	1,239,886	102%	(421,495)
9/30/2011	1,384,517	100%	(425,755)

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

Bal Harbour Village Excess Benefits Plan

The annual pension cost for the current year was \$112,190, determined as of the September 30, 2011 actuarial valuation using the entry age normal cost method.

<u>Fiscal Year Ending</u>	<u>Three-Year Trend Information</u>		
	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
9/30/2009	\$ 41,690	N/A	\$1,083,934
9/30/2010	116,793	N/A	1,200,727
9/30/2011	112,190	N/A	1,312,917

NOTE 10. OTHER POST EMPLOYMENT BENEFITS

Plan Description

Bal Harbour Village provides health insurance benefits to its retired employees through a single-employer plan administered by the Village. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the Village and eligible dependents, may continue to participate in the Village's fully-insured benefit plan for medical and prescription drug insurance coverage. The Village subsidizes the premium rates paid by retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These 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 benefits provided under this defined benefit plan are provided for a retiree's lifetime (or until

BAL HARBOUR VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 10. OTHER POST EMPLOYMENT BENEFITS (Continued)

Plan Description (Continued)

such time at which retiree discontinues coverage under the Village sponsored plans, if earlier). Additionally, and as provided by a collective bargaining agreement, eligible retired sworn police officers from the Village receive a health stipend of \$350 per month until age of 65 which can be used to pay for health insurance at the Village or outside. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The Plan may be amended or terminated by the Village if Florida law changes or if collective bargaining agreements are amended.

Funding Policy

Currently, the Village's Other Post Employment Benefits are unfunded. That is, the Village Council has not determined if a separate Trust Fund or equivalent arrangement will be established into which the Village would make contributions to advance-fund the obligation. For fiscal year 2011, 4 retirees received other postemployment benefits (including 3 retirees covered under Village's health plan). The Village provided required contributions of \$83,697 toward the annual OPEB cost, in the form of age adjusted premiums paid on behalf of retirees for the fully insured benefits and health stipend. If the Plan is amended or terminated by the Village because of Florida law changes, amendments to collective bargaining agreements, or other reasons, the Village may amend its funding system or its benefits. The funding percentage for each employee is 100% of the implied subsidy or 100% of the \$350 stipend, as applicable.

Annual OPEB Cost and Net OPEB Obligation

The employer has elected to calculate the annual required contribution of the employer (ARC) and related information using the Alternative Measurement Method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The Employer's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 20 years.

Annual Required Contribution (ARC)	\$ 224,702
Interest on Net OPEB Obligation (NOO)	8,461
Adjustment to Annual Required Contribution (ARC)	<u>(7,720)</u>
Annual OPEB Cost	225,443
Employer Contributions Made	<u>83,697</u>
Increase in Net OPEB Obligation	141,746
Net OPEB Obligation, beginning of year	<u>169,219</u>
Net OPEB Obligation, end of year	<u>\$ 310,965</u>

BAL HARBOUR VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 10. OTHER POST EMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

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

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
9/30/2010	\$ 210,818	20%	\$ 169,219
9/30/2011	\$ 225,443	37%	\$ 310,965

Funded Status and Funding Progress

As of the reporting date and based on the most recent actuarial valuation date of October 1, 2009, which is applicable for three fiscal years, the plan assets were \$0, the actuarial accrued liability for benefits was \$1,822,218, the total unfunded actuarial liability is \$1,822,218, and the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio) is 0%. The covered payroll (annual payroll of active employees covered by the plan) was \$3,516,020, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 52%.

The projection of future benefit payments for an ongoing plan involves 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 as required supplementary information following the notes to the financial statements, 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.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (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>
October 1, 2009	\$ -	\$ 1,822,218	\$ 1,822,218	0.0%	\$ 3,516,020	51.8%

BAL HARBOUR VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 10. OTHER POST EMPLOYMENT BENEFITS (Continued)

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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 members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Significant methods and assumptions are as follows:

Actuarial valuation date	10/1/2009
Actuarial cost method	Entry age normal
Amortization method	Level percent, closed
Remaining amortization	19 years
Actuarial assumptions:	
Investment rate of return*	5.0%
Projected salary increase*	7.0%
Payroll growth assumptions	6.0%
Initial trend rate	5.0%
*Includes inflation at	5.0%

As authorized by GASB 45, The Alternative Measurement Method allows the employer to use simplifications of certain assumptions in measuring actuarial accrued liabilities and the ARC.

The following simplifying assumptions were made:

Retirement age for active employees – The earliest age eligible for normal retirement was used.

Active Member Marital status – Assumption of marital status for active employees has been incorporated in the acceptance probability for spousal coverage. Using this approach, the percentage of future retired plan members taking spousal coverage was assumed at 30%. For active employees, spouses' genders were assumed to be opposite to the members' genders and females were assumed 3 years younger than their spouses. Covered spouse data were collected for current retired plan members as of the valuation date, and were assumed to remain unchanged until the assumed death of the spouses.

Mortality – Life expectancies were based on the RP2000 Generational Combined Healthy Male and Female mortality tables.

BAL HARBOUR VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 10. OTHER POST EMPLOYMENT BENEFITS (Continued)

Methods and Assumptions (Continued)

Turnover – Non-group-specific age-based turnover data provided in GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Health insurance premiums – Health insurance premiums for retirees in effect on the fiscal year ending date were used as the basis for calculation of the present value of total benefits to be paid.

NOTE 11. COMMITMENTS AND CONTINGENCIES

Litigation, Claims and Assessments

In the normal course of business, the Village may be involved in pending or threatened litigation, claims or assessments. The Village's administration, the Village Council and legal counsel anticipate that any claims not covered by insurance or limited by state statute would not have a material adverse effect on the financial position of the Village.

Red Light Camera

The Village, as well as other local municipalities, enacted local legislation that provided for a local code to enforce traffic signal laws. The new code provided for fines against the owner of the vehicle used during the violation. Litigation was begun against the Village and other municipalities that allege the Village lacked the power to adopt such legislation. The Village is contesting the litigation. The Florida legislature amended Florida law to provide for enforcement by video recording.

Operating Leases

During fiscal year 2010, the Village entered a 7-year operating lease for office space for the police department at the Bal Harbour Shops. The lease requires monthly payments of \$4,863.62, or \$58,363 annually with no escalation clauses. The lease is subject to annual appropriations. The Village can cancel the lease at any time but would be subject to paying the remaining costs of the build out of the office space.

The Village leases property from the Florida Department of Transportation (FDOT) and has used the property for several years as a paid parking lot for beach access purposes. FDOT contends that the lease requires a portion of the receipts be paid to FDOT when the property is used for profit activities. The Village is negotiating with FDOT to settle this claim.

BAL HARBOUR VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 11. COMMITMENTS AND CONTINGENCIES (Continued)

Grants

Grant monies received and disbursed by the Village for specific purposes and may be subject to audit by the grantor agencies. Such audits may result in requests for reimbursements due to disallowed expenditures or other actions by grantor agencies. The Village does not believe that such disallowances or other actions taken by the grantor agencies, if any, would have a material effect on the financial position of the Village.

NOTE 12. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the Village carries commercial insurance. There were no reductions in insurance coverages from coverages in the prior year and there were no settlements that exceeded insurance coverages for each of the past three years.

NOTE 13. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

General Fund

Finance and Administration expenses were \$29,978 (8.8%) greater than the budget, almost entirely due to operating expenses and professional fees. Public Safety expenses were \$147,206 (2.7%) greater than expected due mostly to higher than expected personnel. These expenditures were funded by available contingency funds in the general fund and overall expenditures in the General Fund were \$1,297,777 less than anticipated.

Tourism Fund

Tourism expenditures were \$184,041 more than the original budgeted, resulting in a negative variance of about 10%. Of the total variance, approximately \$30,000 in additional personnel expenditures and about \$150,000 in additional marketing costs were incurred.

NOTE 14. SUBSEQUENT EVENTS

On October 20, 2011, the Village issued \$10 million in Capital Improvement Revenue Bonds, Series 2011. The bonds were issued to SunTrust Equipment Finance & Leasing Corporation and carried a fixed interest rate of 2.4995%, were backed by the Village's local option sales tax revenues, State of Florida shared revenues, and a promise to budget and appropriate available funds each year. The bonds mature in 15 years on September 30, 2026. The issued was a negotiated private placement and is not subject to SEC Rule 15c2-12 continuing disclosure requirements.

**REQUIRED SUPPLEMENTARY INFORMATION
(OTHER THAN MD&A)**

BAL HARBOUR VILLAGE, FLORIDA

BUDGETARY COMPARISON SCHEDULE GENERAL FUND

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

	Original and Final <u>Budget</u>	Actual <u>Amounts</u>	Variance with Final Budget - Positive <u>(Negative)</u>
Revenues:			
Taxes:			
Property	\$ 5,758,987	\$ 5,819,371	\$ 60,384
Other local taxes	1,567,344	1,625,714	58,370
Licenses and permits	488,518	753,931	265,413
Intergovernmental	932,850	449,931	(482,919)
Charges for services	77,753	82,861	5,108
Fines and forfeitures	951,095	874,388	(76,707)
Developer contribution	973,009	1,112,840	139,831
State Grant	-	21,206	21,206
Investment earnings	77,000	43,710	(33,290)
Miscellaneous	<u>1,386,403</u>	<u>67,005</u>	<u>(1,319,398)</u>
Total revenues	<u>12,212,959</u>	<u>10,850,957</u>	<u>(1,362,002)</u>
Expenditures:			
Current:			
General government:			
Legislative	494,177	352,652	141,525
Executive	639,202	600,145	39,057
Finance and administration	341,954	371,932	(29,978)
General government	1,258,512	895,483	363,029
Building department	500,701	495,586	5,115
Tourism	<u>1,214,181</u>	<u>1,046,744</u>	<u>167,437</u>
Total general government	<u>4,448,727</u>	<u>3,762,542</u>	<u>686,185</u>
Public safety	5,462,864	5,610,070	(147,206)
Solid waste and open space	1,022,791	965,682	57,109
Roads and streets	1,190,791	500,682	690,109
Parks and recreation	<u>366,286</u>	<u>354,706</u>	<u>11,580</u>
Total expenditures	<u>12,491,459</u>	<u>11,193,682</u>	<u>1,297,777</u>
Deficiency of revenues over expenditures	<u>(278,500)</u>	<u>(342,725)</u>	<u>(64,225)</u>
Other financing sources:			
Transfers in	<u>283,000</u>	<u>283,000</u>	<u>-</u>
Net change in fund balance	<u>\$ 4,500</u>	<u>\$ (59,725)</u>	<u>\$ (64,225)</u>

See notes to budgetary comparison schedules.

BAL HARBOUR VILLAGE, FLORIDA

BUDGETARY COMPARISON SCHEDULE TOURISM SPECIAL REVENUE FUND

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

	Original and Final <u>Budget</u>	Actual <u>Amounts</u>	Variance with Final Budget - Positive <u>(Negative)</u>
Revenues:			
Tourism tax	\$ 922,446	\$ 1,131,882	\$ 209,436
Developer contribution	1,021,659	1,021,661	2
Miscellaneous	82,484	-	(82,484)
Investment earnings	<u>18,000</u>	<u>10,769</u>	<u>(7,231)</u>
Total revenues	2,044,589	2,164,312	119,723
Expenditures:			
Tourism development	<u>1,830,866</u>	<u>2,014,907</u>	<u>(184,041)</u>
Excess of revenues over expenditures	<u>213,723</u>	<u>149,405</u>	<u>(64,318)</u>
Other financing uses:			
Transfers out	<u>(193,000)</u>	<u>(193,000)</u>	<u>-</u>
Total other financing uses	<u>(193,000)</u>	<u>(193,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ 20,723</u>	<u>\$ (43,595)</u>	<u>\$ (64,318)</u>

See notes to budgetary comparison schedules.

BAL HARBOUR VILLAGE, FLORIDA

NOTES TO BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

NOTE 1. BUDGET AND BUDGETARY ACCOUNTING

The Village legally adopts annual budgets for all of its funds, except the State Law Enforcement Trust Fund and the Federal Law Enforcement Trust Fund. Of the major funds presented in a budget-to-actual format, only the general and tourism special revenue funds have adopted budgets. The budgets are prepared on a basis consistent with accounting principles generally accepted in the United States of America. The Village Manager may make transfers of appropriations within a department. Transfers of appropriations between departments and between funds require the approval of the Village Council. Therefore, the legal level of control for the general fund is at the department level.

The Village follows these procedures in establishing the budgetary data reflected in the financial statements.

- a) During July, the Village Manager submits to the Village Council a proposed operating and capital budget for the fiscal year beginning the following October 1. The budget includes proposed revenues and expenditures with an explanation regarding each expenditure that is not of a routine nature.
- b) Two public hearings are conducted to obtain taxpayer and citizen comments.
- c) Prior to September 30th, the budget is legally enacted through passage of an ordinance or resolution.
- d) At the request of the Village Manager and within the last three months of the budget year, the Council may, by resolution, transfer any unencumbered appropriation balance from one office or department to another. Typically, the Village elects not to retroactively amend its budget.
- e) Budgeted amounts reflected in the accompanying financial statements are as originally adopted and as amended.
- f) There were no amendments to any of the Village's budgets during the year.

BAL HARBOUR VILLAGE, FLORIDA

NOTES TO BUDGETARY COMPARISON SCHEDULE

(Continued)

NOTE 2. BUDGET VARIANCES

General Fund

For the fiscal year ended September 30, 2011, revenues were less than the amounts budgeted by \$1,362,002, or about 11% of the original forecast. Licenses and Permits were \$265,413 greater than the budget mostly due to under budgeting of business licenses and building permits. Intergovernmental revenues were \$482,919 less than originally budgeted, largely due to grants that were awarded but whose projects had not begun during the year. Fines and forfeitures were \$76,707 below budget as court remittances and red light camera fines were not as great as anticipated. Due to litigation, a large portion of this money may have to be repaid in subsequent years. Developer contributions were greater than anticipated because of hold harmless payment in lieu of property taxes were owed on deteriorated property values of the developer. Investment earnings continued to be very anemic with interest rates approaching a near zero percentage point. Miscellaneous revenue shortfalls included anticipated bond proceeds of \$350,000 that were received subsequent to year end and an appropriation of \$1,000,000 of fund balance that was barely used because expenditures were not as great as expected.

General Fund expenditures were \$1,297,777 less than expected, or about 10% of the final budget. Savings in contingent amounts that were not used, decreased costs in anticipated litigation, and capital outlay items not spent by year end accounted for the bulk of the budgetary savings. The Village did have more expenditures in law enforcement and finance than it had anticipated, but the amounts are considered relatively insignificant in the overall General Fund budget. The net change in fund balance was \$(64,255), much less than the \$(278,500) that had been anticipated when the budget was adopted.

Tourism Fund

Tourism taxes were 23% greater than the original budget, with a 6% overall favorable variance for total revenues. The Village had planned to use \$82,484 of fund balance reserves but used only \$43,595 of that amount.

Tourism expenditures were \$184,041 more than the original budgeted, resulting in a negative variance of about 10%. Of the total variance, approximately \$30,000 in additional personnel expenditures and about \$150,000 in additional marketing costs were incurred.

**COMBINING FUND FINANCIAL
STATEMENTS AND SCHEDULE**

BAL HARBOUR VILLAGE, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF FUNDING PROGRESS

BAL HARBOUR EMPLOYEES' PENSION TRUST

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (1) (b-a)	Funded Ratio (a÷b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)÷c)
October 1, 2005	\$ 5,730,023	\$ 7,038,789	\$ 1,308,766	81.4%	\$ 1,464,305	89.4%
October 1, 2006	6,811,789	8,107,043	1,295,254	84.0%	1,489,690	86.9%
October 1, 2007	7,563,528	8,979,097	1,415,569	84.2%	1,597,150	88.6%
October 1, 2008	8,239,824	10,670,617	2,430,793	77.2%	1,476,784	164.6%
October 1, 2009	7,935,153	10,066,064	2,130,911	78.8%	1,267,020	168.2%
October 1, 2010	8,199,480	10,022,134	1,822,654	81.8%	1,337,979	136.2%

BAL HARBOUR POLICE OFFICERS' PENSION TRUST

October 1, 2005	\$ 6,788,252	\$ 10,442,491	\$ 3,654,239	65.0%	\$ 1,742,190	209.7%
October 1, 2006	6,588,860	13,973,818	7,384,958	47.2%	1,954,794	377.8%
October 1, 2007	5,824,199	12,461,343	6,637,144	46.7%	1,874,504	354.1%
October 1, 2008	7,785,292	14,432,114	6,646,822	53.9%	2,146,816	309.6%
October 1, 2009	8,821,884	16,250,998	7,429,114	54.3%	2,390,026	310.8%
October 1, 2010	10,080,019	18,608,039	8,528,020	54.2%	2,256,484	377.9%

BAL HARBOUR VILLAGE EXCESS BENEFITS PLAN

September 30, 2009	\$	-	\$ 1,083,934	\$ 1,083,934	0.0%	\$	-	N/A
September 30, 2010		-	1,200,727	1,200,727	0.0%		-	N/A
September 30, 2011		-	1,312,917	1,312,917	0.0%		-	N/A

BAL HARBOUR VILLAGE, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF EMPLOYER CONTRIBUTIONS

BAL HARBOUR EMPLOYEES' PENSION TRUST

<u>Fiscal Year Ended September 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2006	(1)	N/A
2007	\$ 262,373 *	100%
2008	395,630	168%
2009	399,375	100%
2010	411,780	100%
2011	455,286	100%

(1) No contributions were required per the actuarial valuation.

*Includes additional interest charge of \$14,950 for late contributions.

BAL HARBOUR POLICE OFFICERS' PENSION TRUST

<u>Fiscal Year Ended September 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2006	309,941	100%
2007	595,577	100%
2008	857,816	100%
2009	908,778	100%
2010	1,270,400	101%
2011	1,449,596	100%

BAL HARBOUR VILLAGE, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION OTHER POST EMPLOYMENT BENEFITS SCHEDULE OF FUNDING PROGRESS*

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a÷b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>((b-a)÷c)</u>
October 1, 2009	\$ -	\$ 1,822,218	\$ 1,822,218	0.0%	\$ 3,516,020	(51.8%)

*GASB Statement No. 45 was implemented for the fiscal year ended September 30, 2010. The October 1, 2009 actuarial valuation was the first valuation prepared for the OPEB Plan and is applicable for three years.

BAL HARBOUR VILLAGE, FLORIDA

BUDGETARY COMPARISON SCHEDULE SECURITY DISTRICT FUND

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

	Original and Final <u>Budget</u>	Actual <u>Amounts</u>	Variance with Final Budget - Positive <u>(Negative)</u>
Revenues:			
Special assessments	\$ 240,839	\$ 252,517	\$ 11,678
Charges for services	2,000	5,839	3,839
Investment earnings	4,500	2,023	(2,477)
Miscellaneous	<u>43,656</u>	<u>5,761</u>	<u>(37,895)</u>
Total revenues	290,995	266,140	(24,855)
 Expenditures:			
General government	<u>260,995</u>	<u>238,295</u>	<u>22,700</u>
 Excess (deficiency) of revenues over expenditures	<u>30,000</u>	<u>27,845</u>	<u>(2,155)</u>
 Other financing uses:			
Transfers out	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
Total other financing uses	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (2,155)</u>	<u>\$ (2,155)</u>

BAL HARBOUR VILLAGE, FLORIDA

COMBINING STATEMENT OF FIDUCIARY NET ASSETS PENSION TRUST FUNDS

SEPTEMBER 30, 2011

	General Employees <u>Pension</u>	Police Officers <u>Pension</u>	<u>Totals</u>
<u>ASSETS</u>			
Cash	\$ 3,984	\$ -	\$ 3,984
Investments, at fair value:			
Money market mutual funds	384,965	515,223	900,188
Stock mutual funds	4,114,121	-	4,114,121
Bond mutual funds	2,645,952	-	2,645,952
U.S. Government obligations	-	1,618,482	1,618,482
Corporate bonds	-	2,658,658	2,658,658
Common stock	-	6,926,129	6,926,129
Total investments	<u>7,145,038</u>	<u>11,718,492</u>	<u>18,863,530</u>
Accrued interest receivable	-	43,776	43,776
Contributions receivable	-	55,380	55,380
Total assets	<u>7,149,022</u>	<u>11,817,648</u>	<u>18,966,670</u>
<u>LIABILITIES AND NET ASSETS</u>			
Accounts payable	-	31,640	31,640
DROP payable	-	1,126,850	1,126,850
Other liabilities	-	-	-
Total liabilities	-	<u>1,158,490</u>	<u>1,158,490</u>
Net assets held in trust for pension benefits	<u>\$7,149,022</u>	<u>\$10,659,158</u>	<u>\$17,808,180</u>

BAL HARBOUR VILLAGE, FLORIDA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS PENSION TRUST FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

	General Employees <u>Pension</u>	Police Officers <u>Pension</u>	<u>Totals</u>
ADDITIONS			
Contributions:			
Employees	\$ 106,500	\$ 238,421	\$ 344,921
Village	455,286	1,362,587	1,817,873
State	-	60,819	60,819
Total contributions	<u>561,786</u>	<u>1,661,827</u>	<u>2,223,613</u>
Investment income (loss):			
Interest and dividends	71,027	205,116	276,143
Net appreciation (depreciation) in the fair value of investments	<u>(42,832)</u>	<u>210,263</u>	<u>167,431</u>
	28,195	415,379	443,574
Less investment expenses	<u>38,142</u>	<u>65,167</u>	<u>103,309</u>
Net investment income (loss)	<u>(9,947)</u>	<u>350,212</u>	<u>340,265</u>
Total additions	<u>551,839</u>	<u>2,012,039</u>	<u>2,563,878</u>
DEDUCTIONS			
Benefits paid	1,289,510	754,362	2,043,872
Administrative expenses	<u>29,198</u>	<u>69,436</u>	<u>98,634</u>
Total deductions	<u>1,318,708</u>	<u>823,798</u>	<u>2,142,506</u>
Net increase (decrease) in net assets	(766,869)	1,188,241	421,372
Net assets held in trust for pension benefits:			
Beginning of year	<u>7,915,891</u>	<u>9,470,917</u>	<u>17,386,808</u>
End of year	<u>\$7,149,022</u>	<u>\$10,659,158</u>	<u>\$17,808,180</u>

BAL HARBOUR VILLAGE, FLORIDA

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES PENDING FORFEITURES AGENCY FUND

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

	Balance October 1, <u>2010</u>	<u>Additions</u>	<u>Reductions</u>	Balance September 30, <u>2011</u>
<u>ASSETS</u>				
Cash	\$ 19,123	\$ -	\$ -	\$ 19,123
Total assets	<u>\$ 19,123</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,123</u>
<u>LIABILITIES</u>				
Other liabilities	\$ 19,123	\$ -	\$ -	\$ 19,123
Total liabilities	<u>\$ 19,123</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,123</u>

STATISTICAL SECTION

STATISTICAL SECTION

This part of Bal Harbour Village'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 Village's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends <i>These schedules contain trend information to help the reader understand how the Village's financial performance and well-being have changed over time. These schedules include:</i>	67-71
Revenue Capacity <i>These schedules contain information to help the reader assess the Village's most significant local revenue source, the property tax.</i>	72-77
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the Village's current levels of outstanding debt and the Village's ability to issue additional debt in the future.</i>	78-81
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Village's financial activities take place.</i>	82-83
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the Village's financial report relates to the services the Village provides and the activities it performs.</i>	84-85

Sources: Unless otherwise noted, the information in these schedules is derived from the financial statements or comprehensive annual financial reports for the relevant year.

BAL HARBOUR VILLAGE, FLORIDA

Table 1

NET ASSETS BY COMPONENT LAST TEN FISCAL YEARS (Accrual Basis of Accounting)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Government activities:										
Invested in capital assets, net of related debt	\$14,396,315	\$12,458,000	\$11,755,000	\$11,308,000	\$10,885,624	\$10,716,448	\$10,626,630	\$10,620,527	\$11,220,950	\$10,810,475
Restricted	1,444,654	1,221,000	1,770,000	1,496,000	1,508,378	1,549,990	1,735,324	5,369,673	3,708,129	6,190,902
Unrestricted	<u>4,729,106</u>	<u>5,055,000</u>	<u>6,689,000</u>	<u>7,934,000</u>	<u>8,455,792</u>	<u>8,746,631</u>	<u>10,824,395</u>	<u>8,283,400</u>	<u>8,651,338</u>	<u>8,222,534</u>
Total governmental activities net assets	<u>\$20,570,075</u>	<u>\$18,734,000</u>	<u>\$20,214,000</u>	<u>\$20,738,000</u>	<u>\$20,849,794</u>	<u>\$21,013,069</u>	<u>\$23,186,349</u>	<u>\$24,273,600</u>	<u>\$23,580,417</u>	<u>\$25,223,911</u>
Business-type activities:										
Invested in capital assets, net of related debt	\$ 1,014,165	\$ 1,009,000	\$ 1,930,000	\$ 1,860,000	\$ 1,837,218	\$ 2,030,763	\$ 1,690,543	\$ 1,716,897	\$ 2,919,134	\$ 4,275,935
Unrestricted	<u>4,154,252</u>	<u>4,287,000</u>	<u>3,954,000</u>	<u>3,747,000</u>	<u>3,926,297</u>	<u>3,803,228</u>	<u>4,307,292</u>	<u>4,464,828</u>	<u>4,032,506</u>	<u>3,875,947</u>
Total business-type activities net assets	<u>\$ 5,168,417</u>	<u>\$ 5,296,000</u>	<u>\$ 5,884,000</u>	<u>\$ 5,607,000</u>	<u>\$ 5,763,515</u>	<u>\$ 5,833,991</u>	<u>\$ 5,997,835</u>	<u>\$ 6,181,725</u>	<u>\$ 6,951,640</u>	<u>\$ 8,151,882</u>
Primary government:										
Invested in capital assets, net of related debt	\$15,410,480	\$13,467,000	\$13,685,000	\$13,168,000	\$12,722,842	\$12,747,211	\$12,317,173	\$12,337,424	\$14,140,084	\$15,086,310
Restricted	1,444,654	1,221,000	1,770,000	1,496,000	1,508,378	1,549,990	1,735,324	5,369,673	3,708,129	6,190,902
Unrestricted	<u>8,883,358</u>	<u>9,342,000</u>	<u>10,643,000</u>	<u>11,681,000</u>	<u>12,382,089</u>	<u>12,549,859</u>	<u>15,131,687</u>	<u>12,748,228</u>	<u>12,683,844</u>	<u>12,098,481</u>
Total primary government net assets	<u>\$25,738,492</u>	<u>\$24,030,000</u>	<u>\$26,098,000</u>	<u>\$26,345,000</u>	<u>\$26,613,309</u>	<u>\$26,847,060</u>	<u>\$29,184,184</u>	<u>\$30,455,325</u>	<u>\$30,532,057</u>	<u>\$33,375,693</u>

BAL HARBOUR VILLAGE, FLORIDA

Table 2

CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Expenses:										
Governmental activities:										
General government	\$ 718,968	\$ 2,779,432	\$ 2,974,260	\$ 2,489,941	\$ 3,143,865	\$ 2,970,072	\$ 3,991,551	\$ 5,314,974	\$ 4,516,478	\$ 4,628,012
Public safety	2,293,605	2,769,836	4,198,401	4,366,861	5,126,152	5,285,093	5,586,145	7,210,074	7,853,964	8,909,849
Community services	1,122,328	1,226,281	1,480,943	1,395,816	1,809,409	2,262,036	2,061,272	2,235,037	1,999,180	1,863,944
Tourism development	<u>3,264,189</u>	<u>1,751,842</u>	<u>1,832,431</u>	<u>2,362,641</u>	<u>2,142,072</u>	<u>2,452,636</u>	<u>978,990</u>	<u>1,506,033</u>	<u>2,422,549</u>	<u>2,102,000</u>
Total government activities expenses	<u>7,399,090</u>	<u>8,527,391</u>	<u>10,486,035</u>	<u>10,615,259</u>	<u>12,221,498</u>	<u>12,969,837</u>	<u>12,617,958</u>	<u>16,266,118</u>	<u>16,792,171</u>	<u>17,503,805</u>
Business-type activities:										
Water and sewer	<u>1,685,268</u>	<u>1,908,183</u>	<u>1,576,028</u>	<u>2,297,772</u>	<u>2,103,739</u>	<u>2,190,286</u>	<u>1,969,385</u>	<u>2,333,837</u>	<u>2,073,516</u>	<u>2,244,663</u>
Total business-type activities	<u>1,685,268</u>	<u>1,908,183</u>	<u>1,576,028</u>	<u>2,297,772</u>	<u>2,103,739</u>	<u>2,190,286</u>	<u>1,969,385</u>	<u>2,333,837</u>	<u>2,073,516</u>	<u>2,244,663</u>
Total primary government expenses	<u>9,084,358</u>	<u>10,435,574</u>	<u>12,062,063</u>	<u>12,913,031</u>	<u>14,325,237</u>	<u>15,160,123</u>	<u>14,587,343</u>	<u>18,599,955</u>	<u>18,865,687</u>	<u>19,748,468</u>
Program revenues:										
Government activities:										
Charges for services:										
General government	735,692	987,328	2,063,779	2,065,901	1,228,044	984,185	1,248,280	1,004,122	2,279,462	6,791,483
Public safety	93,157	116,289	1,491,913	2,087	921,937	705,182	933,440	3,656,805	705,555	983,943
Community services	-	-	3,944	3,925	-	-	-	-	-	-
Operating grants and contributions	14,608	-	-	-	-	-	-	-	-	-
Capital grants and contributions	<u>137,067</u>	<u>19,134</u>	<u>145,979</u>	<u>140,835</u>	<u>249,851</u>	<u>175,055</u>	<u>140,279</u>	<u>131,810</u>	<u>-</u>	<u>-</u>
Total governmental activities and program revenues	<u>980,524</u>	<u>1,122,751</u>	<u>3,705,615</u>	<u>2,212,748</u>	<u>2,399,832</u>	<u>1,864,422</u>	<u>2,321,999</u>	<u>4,792,737</u>	<u>2,985,017</u>	<u>7,775,426</u>
Business-type activities:										
Charges for services										
Water and sewer	<u>2,015,589</u>	<u>1,938,413</u>	<u>2,171,432</u>	<u>1,991,042</u>	<u>2,120,780</u>	<u>2,080,225</u>	<u>2,127,072</u>	<u>2,574,012</u>	<u>2,866,202</u>	<u>3,486,412</u>
Total business-type activities program revenues	<u>2,015,589</u>	<u>1,938,413</u>	<u>2,171,432</u>	<u>1,991,042</u>	<u>2,120,780</u>	<u>2,080,225</u>	<u>2,127,072</u>	<u>2,574,012</u>	<u>2,866,202</u>	<u>3,486,412</u>
Total primary government program revenues	<u>2,996,113</u>	<u>3,061,164</u>	<u>5,877,047</u>	<u>4,203,790</u>	<u>4,520,612</u>	<u>3,944,647</u>	<u>4,449,071</u>	<u>7,366,749</u>	<u>5,851,219</u>	<u>11,261,838</u>

(Continued)

BAL HARBOUR VILLAGE, FLORIDA

CHANGES IN NET ASSETS

(Continued)

LAST TEN FISCAL YEARS

(Accrual Basis of Accounting)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Net (expense) revenue:										
Business type activities	<u>330,321</u>	<u>30,230</u>	<u>595,404</u>	<u>(306,730)</u>	<u>17,041</u>	<u>(110,061)</u>	<u>157,687</u>	<u>240,175</u>	<u>792,686</u>	<u>1,241,749</u>
Total primary government net expense	<u>330,321</u>	<u>30,230</u>	<u>595,404</u>	<u>(306,730)</u>	<u>17,041</u>	<u>(110,061)</u>	<u>157,687</u>	<u>240,175</u>	<u>792,686</u>	<u>1,241,749</u>
General revenues and other changes in net assets:										
Governmental activities										
Taxes:										
Ad-valorem taxes	3,404,589	3,441,512	3,765,357	4,275,240	5,146,237	6,070,684	5,470,218	5,792,561	5,703,452	5,819,371
Franchise fees based on gross receipts and utility taxes	<u>1,435,621</u>	<u>1,325,533</u>	<u>1,454,885</u>	<u>1,425,667</u>	<u>1,467,269</u>	<u>1,519,205</u>	<u>1,255,883</u>	<u>1,270,011</u>	<u>1,209,905</u>	<u>1,319,539</u>
Unrestricted intergovernmental revenue	332,811	378,670	287,991	267,568	331,003	333,724	554,727	616,943	282,772	301,734
Special assessments	-	-	390,235	365,504	210,303	232,166	212,513	-	-	-
Tourism tax	1,682,437	1,750,436	2,123,125	2,570,155	2,307,901	1,712,220	805,262	848,975	876,700	1,131,882
Unrestricted investment earnings	113,812	97,652	104,219	261,755	537,823	643,888	315,739	43,665	107,731	56,502
Miscellaneous	62,976	78,406	177,301	65,808	143,722	988,969	4,007,410	3,928,477	4,620,851	2,513,442
Transfers	<u>-</u>	<u>30,000</u>	<u>60,000</u>	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>
Total governmental activities	<u>7,032,246</u>	<u>7,102,209</u>	<u>8,363,113</u>	<u>9,291,697</u>	<u>10,144,258</u>	<u>11,500,856</u>	<u>12,681,752</u>	<u>12,560,632</u>	<u>12,861,411</u>	<u>11,202,470</u>
Business-type activities										
Unrestricted investment earnings	83,777	60,944	52,866	89,698	139,063	177,096	66,157	3,715	37,229	18,393
Miscellaneous	-	-	-	-	-	3,441	-	-	-	-
Transfers	<u>-</u>	<u>(30,000)</u>	<u>(60,000)</u>	<u>(60,000)</u>	<u>-</u>	<u>-</u>	<u>(60,000)</u>	<u>(60,000)</u>	<u>(60,000)</u>	<u>(60,000)</u>
Total business-type activities	<u>83,777</u>	<u>30,944</u>	<u>(7,134)</u>	<u>29,698</u>	<u>139,063</u>	<u>180,537</u>	<u>6,157</u>	<u>(56,285)</u>	<u>(22,771)</u>	<u>(41,607)</u>
Total primary government	<u>7,116,023</u>	<u>7,133,153</u>	<u>8,355,979</u>	<u>9,321,395</u>	<u>10,283,321</u>	<u>11,681,393</u>	<u>12,687,909</u>	<u>12,504,347</u>	<u>12,838,640</u>	<u>11,160,863</u>
Change in net assets										
Governmental activities	613,680	(302,431)	1,192,458	523,682	112,289	163,275	2,173,280	1,087,251	(693,183)	1,643,494
Business-type activities	<u>414,098</u>	<u>61,174</u>	<u>588,270</u>	<u>(277,032)</u>	<u>156,104</u>	<u>70,476</u>	<u>163,844</u>	<u>183,890</u>	<u>769,915</u>	<u>1,200,142</u>
Total primary government	<u>\$ 1,027,778</u>	<u>\$ (241,257)</u>	<u>\$ 1,780,728</u>	<u>\$ 246,650</u>	<u>\$ 268,393</u>	<u>\$ 233,751</u>	<u>\$ 2,337,124</u>	<u>\$ 1,271,141</u>	<u>\$ 76,732</u>	<u>\$ 2,843,636</u>

BAL HARBOUR VILLAGE, FLORIDA

FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (Modified Accrual Basis of Accounting)

	Fiscal Year Ended September 30,									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General fund:										
Reserved	\$ 1,613,558	\$ 1,382,653	\$ 1,412,502	\$ 2,143,477	\$ 3,212,537	\$ 2,776,093	\$ 2,700,742	\$ 38,357	\$ 574	\$ -
Unreserved	2,814,156	3,540,986	4,442,909	4,523,367	3,903,988	5,011,338	6,078,747	9,073,308	9,788,636	-
Non-spendable	-	-	-	-	-	-	-	-	-	60,569
Assigned	-	-	-	-	-	-	-	-	-	1,268,500
Unassigned	-	-	-	-	-	-	-	-	-	8,400,416
Total general fund	<u>\$ 4,427,714</u>	<u>\$ 4,923,639</u>	<u>\$ 5,855,411</u>	<u>\$ 6,666,844</u>	<u>\$ 7,116,525</u>	<u>\$ 7,787,431</u>	<u>\$ 8,779,489</u>	<u>\$ 9,111,665</u>	<u>\$ 9,789,210</u>	<u>\$ 9,729,485</u>
All other government funds:										
Reserved, reported in:										
Law enforcement trust	\$ 244,654	\$ 20,608	\$ 388,049	\$ 132,312	\$ 256,764	\$ 298,376	\$ 65,113	\$ 489,211	\$ 551,200	\$ -
Tourist	1,200,000	1,200,000	1,200,000	1,200,000	1,495,416	1,219,900	1,300,000	1,200,000	1,200,000	-
Other governmental funds	-	-	219,808	337,065	168,208	178,417	474,507	1,291,976	85,774	-
Unreserved, reported in:										
Tourism fund	301,392	353,581	683,937	936,135	962,608	925,637	2,036,164	2,459,733	1,956,929	-
Other governmental funds	-	-	-	-	-	-	-	43,806	38,896	-
Restricted	-	-	-	-	-	-	-	-	-	6,190,902
Total all other governmental funds	<u>\$ 1,746,046</u>	<u>\$ 1,574,189</u>	<u>\$ 2,491,794</u>	<u>\$ 2,605,512</u>	<u>\$ 2,882,996</u>	<u>\$ 2,622,330</u>	<u>\$ 3,875,784</u>	<u>\$ 5,484,726</u>	<u>\$ 3,832,799</u>	<u>\$ 6,190,902</u>

BAL HARBOUR VILLAGE, FLORIDA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS (Modified Accrual Basis of Accounting)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Revenues:										
Ad valorem Taxes	\$ 3,404,589	\$3,441,512	\$3,765,357	\$4,275,240	\$5,146,237	\$ 6,070,684	\$ 5,470,218	\$5,792,561	\$5,703,452	\$5,819,371
Utility taxes and franchise fees	1,435,621	1,325,533	1,454,885	1,425,667	1,467,269	1,519,205	1,536,918	1,616,856	1,556,139	1,625,714
Licenses and permits	439,788	791,680	1,485,744	1,100,109	833,033	728,216	960,400	748,641	724,981	753,931
Special assessments	-	-	390,235	365,504	210,303	232,166	212,513	227,555	230,802	252,517
Intergovernmental	332,811	378,670	433,970	408,403	580,854	508,780	413,971	450,190	421,538	6,146,266
Charges for services	28,799	28,541	64,506	109,994	184,708	23,801	75,367	27,926	94,055	88,700
Tourist tax	1,644,417	1,750,436	2,123,125	2,570,155	2,307,901	1,712,220	805,262	848,975	876,700	1,131,882
Fines and forfeitures	313,792	268,395	1,619,151	496,306	921,937	534,387	750,151	3,510,922	1,905,226	952,229
Investment earnings	313,151	97,652	104,219	261,755	537,823	644,222	316,209	43,758	107,846	56,700
Developer contribution	-	-	-	-	-	615,550	3,927,870	3,853,352	4,199,068	2,134,501
Grants	151,675	19,134	-	-	-	-	-	-	113,794	21,206
Miscellaneous	60,909	78,406	177,301	65,808	143,722	543,882	262,359	220,915	105,387	104,282
Total revenues	<u>8,125,552</u>	<u>8,179,959</u>	<u>11,618,493</u>	<u>11,078,941</u>	<u>12,333,787</u>	<u>13,133,113</u>	<u>14,731,238</u>	<u>17,341,651</u>	<u>16,038,988</u>	<u>19,087,299</u>
Expenditures:										
General government	1,962,307	1,993,310	2,466,256	2,399,941	2,905,561	2,727,983	3,797,563	4,273,094	3,954,502	3,885,014
Public safety	2,165,487	2,622,800	4,041,511	4,087,060	4,895,017	5,144,453	5,510,777	7,083,645	7,733,568	8,732,822
Solid waste	608,055	632,847	659,828	699,886	819,910	1,213,386	1,185,033	1,177,483	985,904	965,682
Road and streets	400,504	488,726	454,304	331,042	524,835	496,152	478,889	603,397	608,143	491,071
Parks and recreation	-	-	179,618	245,912	378,590	483,017	326,092	393,414	364,497	354,706
Tourism development	3,259,444	1,722,130	1,790,574	2,336,037	2,082,623	2,372,955	897,215	1,424,258	2,344,312	2,014,907
Capital outlay	894,356	586,712	151,791	113,913	86	284,927	350,258	505,242	1,082,444	404,719
Total expenditures	<u>9,290,153</u>	<u>8,046,525</u>	<u>9,743,882</u>	<u>10,213,791</u>	<u>11,606,622</u>	<u>12,722,873</u>	<u>12,545,827</u>	<u>15,460,533</u>	<u>17,073,370</u>	<u>16,848,921</u>
Excess (deficiency) of revenue over expenditures	<u>(1,164,601)</u>	<u>133,434</u>	<u>1,874,611</u>	<u>865,150</u>	<u>727,165</u>	<u>410,240</u>	<u>2,185,411</u>	<u>1,881,118</u>	<u>(1,034,382)</u>	<u>2,238,378</u>
Other financing sources (uses):										
Transfers in	45,000	45,000	97,500	120,000	30,000	49,380	686,647	120,000	120,000	283,000
Transfers out	<u>(15,000)</u>	<u>(15,000)</u>	<u>(37,500)</u>	<u>(60,000)</u>	<u>(30,000)</u>	<u>(49,380)</u>	<u>(626,647)</u>	<u>(60,000)</u>	<u>(60,000)</u>	<u>(223,000)</u>
Total other financing sources (uses)	<u>30,000</u>	<u>30,000</u>	<u>60,000</u>	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>
Net change in fund balance	<u>\$ (1,134,601)</u>	<u>\$ 163,434</u>	<u>\$ 1,934,611</u>	<u>\$ 925,150</u>	<u>\$ 727,165</u>	<u>\$ 410,240</u>	<u>\$ 2,245,411</u>	<u>\$ 1,941,118</u>	<u>\$ (974,382)</u>	<u>\$ 2,298,378</u>
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

BAL HARBOUR VILLAGE, FLORIDA

Table 5

**GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)**

<u>Fiscal Year</u> <u>Ended</u> <u>September 30,</u>	<u>Tax</u> <u>Roll</u> <u>Year</u>	<u>Ad</u> <u>Valorem</u> <u>Taxes</u>	<u>Franchise</u> <u>Fees and</u> <u>Utility Taxes</u>	<u>Tourism</u> <u>Tax</u>	<u>Total</u>
2002	2001	\$ 3,404,589	\$ 1,435,621	\$ 1,644,417	\$6,484,627
2003	2002	3,441,512	1,325,533	1,750,436	6,517,481
2004	2003	3,765,357	1,454,885	2,123,125	7,343,367
2005	2004	4,275,240	1,425,667	2,570,155	8,271,062
2006	2005	5,146,237	1,467,269	2,307,901	8,921,407
2007	2006	6,070,684	1,519,205	1,712,220	9,302,109
2008	2007	5,470,218	1,536,918	805,262	7,812,398
2009	2008	5,792,561	1,270,011	848,975	7,911,547
2010	2009	5,703,452	1,556,139	876,700	8,136,291
2011	2010	5,819,371	1,625,714	1,131,882	8,576,967

BAL HARBOUR VILLAGE, FLORIDA

GENERAL GOVERNMENTAL REVENUES BY SOURCE LAST TEN FISCAL YEARS

Fiscal Year Ended <u>September 30,</u>	<u>Taxes</u>	<u>Inter- Governmental</u>	<u>Licenses and Permits</u>	<u>Charges for Service</u>	<u>Fines and Forfeitures</u>	<u>Investment Earnings</u>	<u>Other</u>	<u>Developer Contribution</u>	<u>Total</u>
2002	\$6,636,302	\$ 332,811	\$ 439,788	\$28,799	\$ 313,792	\$313,151	\$ 60,909	\$ -	\$8,125,552
2003	6,536,615	378,670	791,680	28,541	268,395	97,652	78,406	-	8,179,959
2004	7,343,367	433,970	1,485,744	454,741	1,619,151	104,219	177,301	-	11,618,493
2005	8,271,062	408,403	1,100,109	475,498	496,306	261,755	65,808	-	11,078,941
2006	8,921,407	580,854	833,033	395,011	921,937	537,823	143,722	-	12,333,787
2007	9,302,109	508,780	728,216	255,967	534,387	644,222	1,159,432	-	13,133,113
2008	7,812,398	413,971	960,400	287,880	750,151	316,209	4,190,229	-	14,731,238
2009	7,409,417	450,190	748,641	27,926	3,510,922	43,758	220,915	3,853,352	16,265,121
2010	7,259,591	535,332	724,981	83,855	639,408	85,430	70,565	3,226,058	12,625,220
2011	7,445,085	471,137	753,931	82,861	874,388	43,710	67,005	1,112,840	10,850,957

BAL HARBOUR VILLAGE, FLORIDA

Table 7

ASSESSED VALUE AND ESTIMATED ACTUAL ASSESSED VALUE OF TAXABLE PROPERTY LAST TEN CALENDAR YEARS

Calendar <u>Year</u>	<u>Residential Property</u>	<u>Commercial Property</u>	<u>Personal Property</u>	<u>Other Property</u>	Total Estimated Actual <u>Value</u>	<u>Exemptions</u>	Net Assessed <u>Value</u>	Total Direct Tax <u>Rate (a)</u>	Net Assessed Value as a Percentage of Estimated <u>Actual Value</u>
2002	\$1,011,036,443	\$215,535,344	\$26,970,737	\$33,023,251	\$1,286,565,775	\$95,466,430	\$1,191,099,345	2.9600	92.58%
2003	1,193,239,989	215,626,344	30,540,031	45,416,562	1,484,822,926	152,846,682	1,331,976,244	2.9020	89.71%
2004	1,290,386,000	265,229,104	31,199,606	110,752,414	1,697,567,124	189,888,252	1,507,678,872	2.9020	88.81%
2005	1,671,731,845	288,343,637	31,170,342	93,742,490	2,084,988,314	243,578,098	1,841,410,216	2.9020	88.32%
2006	1,996,571,375	331,587,932	34,697,709	134,442,006	2,497,299,022	331,848,279	2,165,450,743	2.9020	86.71%
2007	2,217,338,562	233,483,875	36,674,464	366,007,730	2,853,504,631	443,041,444	2,410,463,187	2.3195	84.47%
2008	2,712,190,035	244,084,477	37,042,751	193,679,959	3,186,997,222	374,853,616	2,812,143,606	2.3085	88.24%
2009	2,259,771,171	311,231,422	37,851,072	204,425,521	2,813,279,186	291,373,689	2,521,905,497	2.5265	89.64%
2010	2,225,895,282	474,032,012	37,857,036	75,448,210	2,813,232,540	292,917,689	2,520,314,851	2.5567	89.59%
2011	2,502,756,122	276,791,876	44,894,243	59,084,285	2,883,526,526	292,917,689	2,590,608,837	2.4468	89.84%

Source Broward County Property Appraiser web site

(a) Miami Dade Property Appraiser

Note: Property taxes are for a calendar year, while tax rates are for fiscal years.

BAL HARBOUR VILLAGE, FLORIDA

Table 8

PRINCIPAL PROPERTY TAXPAYERS CURRENT YEAR AND NINE YEARS AGO

	Fiscal Year 2010			Fiscal Year 2001		
	Taxable Assessed	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed	Rank	Percentage of Total Taxable Assessed Value
	Value		Assessed Value	Value		Assessed Value
S F Whitman & D A Whitman	\$ 163,000,000	1	6.47%	\$ 84,650,000	1	7.72%
9701 Collins Avenue, LLC (1)/Sheraton	100,516,000	2	3.99%	62,233,000	2	5.68%
Bal Harbour Club, Inc	62,718,880	3	2.49%	10,836,614	5	0.99%
Sea View Hotel, Inc	46,899,778	4	1.86%	16,527,550	4	1.51%
Elcom Condo LLC	32,338,100	5	1.28%			
HH Condo Invest LLC	21,836,500	6	0.87%			
TRG Harbour House Ltd	21,486,570	7	0.85%			
Bal Harbour Quarzo LLC	11,349,849	8	0.45%			
Bal Harbour Shops, Inc	9,900,000	9	0.39%	8,850,894	7	0.81%
Shari Arison	9,334,441	10	0.37%			
Sheraton Bal Harbour (1)	-		0.00%			
Harbo Limited Partnership	-		0.00%	45,590,000	3	4.16%
Pru-Shel Dev Partnership III	-		0.00%	9,567,239	6	0.87%
Infinaco Int'le Finanzananstalt	-		0.00%	5,735,090	8	0.52%
John Lang Looby	-		0.00%	3,109,071	9	0.28%
Orchid Overseas Corp	-		0.00%	2,669,420	10	0.24%
Total	\$ 479,380,118		19.02%	\$ 249,768,878		22.79%

Note: (1) these are the same property except with the new owner's name.

Note: Information for 2011 and 2002 was not available.

Total assessed value for	2010	\$ 2,520,314,851
	2001	\$ 1,096,033,023

BAL HARBOUR VILLAGE, FLORIDA

PROPERTY TAX LEVIES AND COLLECTIONS
 LAST TEN FISCAL YEARS
 (\$ in 000's)

Fiscal Year Ended <u>September 30,</u>	<u>Taxes Levied for the Fiscal Year</u>			<u>Collected within the Fiscal Year of the Levy</u>		<u>Collection in Subsequent Year</u>	<u>Total Collections to Date</u>	
	<u>Gross Levy</u>	<u>Discount</u>	<u>Net Levy</u>	<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Net Levy</u>
2001	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
2002	-	-	-	-	-	-	-	-
2003	-	-	-	-	-	14,047	14,047	N/A
2004	3,868,307	154,732	3,713,575	3,672,726	98.90%	11,614	3,684,340	99.21%
2005	4,419,442	176,778	4,242,664	4,221,451	99.50%	5,281	4,226,732	99.62%
2006	5,346,751	213,870	5,132,881	5,091,818	99.20%	7,691	5,099,509	99.35%
2007	6,286,718	251,469	6,035,249	5,962,826	98.80%	12,696	5,975,522	99.01%
2008	5,628,277	225,131	5,403,146	5,316,696	98.40%	14,107	5,330,803	98.66%
2009	6,426,294	257,052	6,169,242	6,039,688	97.90%	10,032	6,049,720	98.06%
2010	6,367,575	184,175	6,183,400	5,655,373	91.46%	N/A	5,655,373	91.46%

Note: Information for 2011 is not available.

BAL HARBOUR VILLAGE, FLORIDA

PROPERTY TAX RATES
 DIRECT AND OVERLAPPING GOVERNMENTS
 (Per \$1,000 of Taxable Value)
 LAST TEN FISCAL YEARS

Fiscal Year Ended <u>September 30,</u>	Tax Roll <u>Year</u>	Direct Rate	Overlapping Rates										Total Direct and Overlapping <u>Rates</u>	
		<u>Village</u>	<u>School District</u>	<u>State</u>		<u>Miami-Dade County</u>			<u>Special Districts</u>					
		<u>Operating and</u>	<u>Operating</u>	<u>Debt</u>	<u>Everglades</u>	<u>South</u>	<u>Florida</u>	<u>Florida</u>	<u>Operating</u>	<u>Debt</u>	<u>Children's</u>	<u>Fire &</u>	<u>Fire</u>	
		<u>Total Millage</u>	<u>Millage</u>	<u>Millage</u>	<u>Project</u>	<u>Water</u>	<u>Management</u>	<u>Navigation</u>	<u>Millage</u>	<u>Millage</u>	<u>Trust</u>	<u>Rescue</u>	<u>Debt</u>	
2002	2001	2.9600	8.4820	0.7700	0.1000	0.5970	0.0385	5.8890	0.3900	0.0000	2.5820	0.0790	21.8875	
2003	2002	2.9020	8.4180	0.6820	0.1000	0.5970	0.0385	5.9690	0.2850	0.5000	2.5820	0.0790	22.1525	
2004	2003	2.9020	8.0900	0.5970	0.1000	0.5970	0.0385	5.9350	0.2850	0.4442	2.5920	0.0690	21.6497	
2005	2004	2.9020	7.9470	0.4910	0.1000	0.5970	0.0385	5.8350	0.2850	0.4288	2.6090	0.0520	21.2853	
2006	2005	2.9020	7.6910	0.4140	0.1000	0.5970	0.0385	5.6150	0.2850	0.4223	2.6090	0.0420	20.7158	
2007	2006	2.3195	7.5700	0.3780	0.0894	0.5346	0.0345	4.5796	0.2850	0.4223	2.2067	0.0420	18.4616	
2008	2007	2.3085	7.5330	0.2640	0.0894	0.5346	0.0345	4.8379	0.2850	0.4212	2.1851	0.0420	18.5352	
2009	2008	2.5265	7.6980	0.2970	0.0894	0.5346	0.0345	4.8379	0.2850	0.5000	2.1851	0.0420	19.0300	
2010	2009	2.5567	7.8640	0.3850	0.0894	0.5346	0.0345	5.4275	0.4450	0.5000	2.5753	0.0020	20.4140	
2011	2010	2.5567	7.8640	0.3850	0.0894	0.5346	0.0345	5.4275	0.4450	0.5000	2.5753	0.0020	20.4140	

Source: Miami-Dade Property Appraiser's Office

BAL HARBOUR VILLAGE, FLORIDA

Table 11

RATIOS OF OUTSTANDING DEBT BY TYPE LAST TEN FISCAL YEARS

Fiscal Year Ended September 30,	Governmental Activities			Business-type Activities		Per Capita Personal Income (1)	Percentage of Total Personal Income	Population**	Net Debt per Capita
	General Obligation (GO) Bonds	Revenue Bonds	Line of Credit	Outstanding Non-GO Bonds	Total Primary Government				
2002	\$ -	\$ -	\$ -	\$ 302,385	\$ 302,385	\$ 32,725	0.28%	3,309	\$ 91
2003	-	-	-	269,510	269,510	33,182	0.25%	3,312	81
2004	-	-	-	235,336	235,336	35,739	0.19%	3,409	69
2005	-	-	-	199,811	199,811	38,259	0.16%	3,185	63
2006	-	-	-	162,884	162,884	41,204	0.13%	2,973	55
2007	-	-	-	124,498	124,498	43,123	0.09%	3,058	41
2008	-	-	-	84,596	84,596	43,709	0.06%	3,299	26
2009	-	-	-	-	-	60,910	0.00%	3,320	-
2010	-	-	-	-	-	61,925	0.00%	3,320	-
2011	-	-	-	-	-	62,040	0.00%	3,320	-

Notes: Details regarding the Village's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Demographics and Economic Statistics for personal income and population data.

**Data not available from the County Planning Department.

BAL HARBOUR VILLAGE, FLORIDARATIOS OF BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year Ended <u>September 30,</u>	Gross Bonded <u>Debt</u>	Less:		Assessed Value of Taxable <u>Property</u>	Ratio of Net Bonded Debt to <u>Assessed Value</u>	<u>Population</u>	Net Bonded Debt per <u>Capita (1)</u>
		Amounts Available in Debt Service <u>Funds</u>	Net Bonded <u>Debt</u>				
2002	\$ 302,385	\$ -	\$ 302,385	\$ 1,191,099,345	0.025%	3,309	\$ 91
2003	269,510	-	269,510	1,331,976,244	0.020%	3,312	81
2004	235,336	-	235,336	1,507,678,872	0.016%	3,409	69
2005	199,811	-	199,811	1,841,410,216	0.011%	3,185	63
2006	162,884	-	162,884	2,165,450,743	0.008%	2,973	55
2007	124,498	-	124,498	2,410,463,187	0.005%	3,058	41
2008	84,596	-	84,596	2,812,143,606	0.003%	3,299	26
2009	-	-	-	2,521,905,497	0.000%	3,320	-
2010	-	-	-	2,520,314,851	0.000%	2,515	-
2011	-	-	-	2,590,608,837	0.000%	2,515	-

BAL HARBOUR VILLAGE, FLORIDA

Table 13

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITY DEBT SEPTEMBER 30, 2011

Jurisdiction	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable to Town of Bal Harbour Village (1)</u>	<u>Estimated Share of Direct & Overlapping Debt</u>
Direct			
Town of Bal Harbour Village	\$ -	100.00%	\$ -
Overlapping:			
Miami-Dade Board of County Commissioners (2)	3,534,421,982	1.00%	35,344,220
Miami-Dade County School Board (2)	<u>3,408,867,000</u>	1.00%	<u>34,088,670</u>
Total direct and overlapping	<u>\$ 6,943,288,982</u>		<u>\$ 69,432,890</u>

Notes:

(1) Based on ratio of assessed taxable value obtained from Miami-Dade County, Florida Tax Collector.

(2) Source: Miami-Dade County, Florida, Finance Department

The Town Charter does not establish a legal debt limit nor does the Florida Statutes impose a limit.

BAL HARBOUR VILLAGE, FLORIDA

Table 14

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

Note: Neither the Village Charter nor State Law establish a legal debt margin.

BAL HARBOUR VILLAGE, FLORIDADEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR (OR FISCAL) YEARS

Calendar Year	Population		School Enrollment	Unemployment Rate	Personal Income*** (Expressed in Thousands)	
	Town	County			Total	Per Capita
2002	3,309	2,302,980	374,725	6.2%	\$ 108,287,025	\$ 32,725
2003	3,312	2,336,649	371,482	5.7%	109,898,784	33,182
2004	3,409	2,370,244	369,578	5.1%	121,834,251	35,739
2005	3,185	2,412,035	365,784	4.2%	121,854,915	38,259
2006	2,973	2,426,934	361,550	3.6%	122,499,492	41,204
2007	3,058	2,451,850	353,283	4.1%	131,870,134	43,123
2008	3,299	2,466,827	347,774	5.8%	144,195,991	43,709
2009	3,320	2,472,344	345,150	9.6%	202,221,200	60,910
2010	3,320	2,496,435	345,150	12.4%	205,591,000	61,925
2011	2,515	2,496,435	380,006	10.7%	166,404,975	66,165

Note:

- (a) Source: Bureau of Economic and Business Research, University of Florida
- (c) Source: St. Louis Federal Reserve Bank, Miami - Fort Lauderdale MSA
- (b) Source: School Board of Broward County (county wide)
- (d) Source: U.S. Department of Labor - Annual Rate

BAL HARBOUR VILLAGE, FLORIDA

Table 16

PRINCIPAL EMPLOYERS

CURRENT AND NINE YEARS AGO

<u>Employer</u>	<u>2011</u>			<u>2002</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Miami-Dade County Public Schools	48,571	1	25.14%	45,886	1	4.18%
Miami-Dade County	29,000	2	15.01%	30,000	2	2.73%
U.S. Federal Government	19,500	3	10.09%	18,276	3	1.66%
State of Florida	17,100	4	8.85%	18,100	4	1.65%
University of Miami	16,000	5	8.28%	8,000	6	0.73%
Baptist Health Systems of South Florida	13,376	6	6.92%	7,500	7	0.68%
Jackson Memorial	12,571	7	6.51%	10,000	5	0.91%
Publix Supermarket	10,800	8	5.59%	-		0.00%
American Airlines	9,000	9	4.66%	9,000	9	0.82%
Florida International University	8,000	10	4.14%	-		0.00%
Miami-Dade College	6,200		3.21%	-		0.00%
Precision Response Corporation	-		0.00%	4,346	8	0.40%
BellSouth/AT&T	<u>3,100</u>		<u>1.60%</u>	<u>4,240</u>	<u>10</u>	<u>0.39%</u>
Total Labor Force Employment	<u>193,218</u>		<u>100.00%</u>	<u>1,098,226</u>		<u>14.15%</u>

Source: The Beacon Council, Miami, Florida, Miami Business Profile.

Note: Principal employer data not available at the Village level, therefore data for Miami-Dade County was used.

BAL HARBOUR VILLAGE, FLORIDA

OPERATING INDICATORS BY FUNCTION/PROGRAM LAST TEN FISCAL YEARS

<u>Function/Program</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General government:										
Non-sworn personnel	Data Not Available	34	36	35	34	34	34	34	31	30
Square miles	.6 miles	.6 miles	.6 miles	.6 miles	.6 miles	.6 miles	.6 miles	.6 miles	.6 miles	.6 miles
Elections:	0	1	0	1	1	1	0	1	1	0
Registered voters		Data Unavailable			1,578	1,460	Data Not Available	1,661	1,631	0
Votes cast in last election		Data Unavailable			762	503	Data Not Available	419	251	0
Ordinances prepared and adopted	11	8	5	9	10	11	8	8	8	6
Resolutions prepared and adopted	10	15	15	11	14	8	6	14	16	12
Commission minutes prepared/approved	16	18	18	15	17	17	17	26	21	26
Public safety:										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Uniformed employees	Data Not Available	24	26	31	33	28	26	26	25	25
Calls for service handled	2,973	2,978	2,759	3,199	2,639	2,433	2,345	2,553	3,302	3,165
Traffic accidents handled	191	159	179	151	148	130	148	129	133	142
Traffic citations/warnings issued	4,158	5,494	7,374	9,345	6,823	11,911	10,298	7,915	4,428	4,433
Part 1 crimes reported	102	113	101	88	97	72	57	70	85	66
Arrests	55	39	59	112	89	91	62	63	55	54
Building:										
Permits issued	632		Data Not Available			897	2484	1718	862	650
Value of construction	11,708,865		Data Not Available			19,808,669	909,022,971	48,920,059	15,095,972	12,650,022
Business tax receipts issued		121	118	107	119	115	123	126	124	133
Physical environment:										
Miles of streets	3.03 miles	3.03 miles	3.03 miles	3.03 miles	3.03 miles	3.03 miles	3.03 miles	3.03 miles	3.03 miles	3.03 miles
Culture/recreation:										
Facilities	2	2	2	2	2	2	2	2	2	2
Park acreage	.44 acres	.44 acres	.44 acres	.44 acres	.44 acres	.44 acres	.44 acres	.44 acres	.44 acres	.44 acres

Source:

Various Village departments

Part 1 crimes include homicide, sex offenses, robbery, aggravated assault, burglary, larceny, arson and auto theft.

BAL HARBOUR VILLAGE, FLORIDA

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Government activities:										
General government:										
Miles of streets	3.03	3.03	3.03	3.03	3.03	3.03	3.03	3.03	3.03	3.03
Square feet of buildings	21,200 s.f.									
Public safety:										
Number of police stations	1	1	1	1	1	1	1	1	1	1
Acres of parks	.44 acres									
Number of parks	1	1	1	1	1	1	1	1	1	1
Acres of beaches	12.73 acres									

Source: Village of Bal Harbour

COMPLIANCE SECTION

**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, Village Council and Village Manager
Bal Harbour Village, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bal Harbour Village, Florida (the Village) as of and for the fiscal year ended September 30, 2011, and have issued our report thereon dated May 24, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bal Harbour Village'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*. However, we noted a matter of noncompliance which is presented in the accompanying schedule of findings and questioned costs as Item 2011-02.

The Village's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Village's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Mayor, Village Council, Village Manager and regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Marcum LLP

Miami, FL
May 24, 2012

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

Honorable Mayor, Village Council and Village Manager
Bal Harbour Village, Florida

We have audited the financial statements of the Bal Harbour Village, Florida (the Village) as of and for the fiscal year ended September 30, 2011, and have issued our report thereon dated May 24, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an audit of financial statements, Independent Auditor's Report on Compliance With Requirements That Could Have a Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated May 24, 2012, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' 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 audit report. Corrective actions have not been taken to address findings and recommendations made in the preceding annual financial audit report and have been repeated in the accompanying schedule of findings and questioned costs. Also see the accompanying summary schedule of prior audit findings.
- 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 Village 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, our recommendations are presented in the schedule of findings and questioned costs.

- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuses 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 presented our findings and recommendations in the accompanying schedule of findings and questioned costs.
- 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 grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we presented our findings and recommendations in the accompanying schedule of findings and questioned costs.
- 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 Bal Harbour Village was incorporated by the Laws of Florida, 24386 (1947). There are no component units related to the Village.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement to be included as to whether or not the local governmental 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 Village 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 Village for the fiscal year ended September 30, 2011, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial report for the fiscal year ended September 30, 2011. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(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 Village's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. This assessment was done as of the fiscal year end.

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 the Village Council, management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Marcum LLP

Miami, FL

May 24, 2012

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

Honorable Mayor, Village Council and Village Manager
Bal Harbour Village, Florida

Compliance

We have audited Bal Harbour Village, Florida's (the Village) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Village's major federal program for the year ended September 30, 2011. The Village's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

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

As described in items 2011-01, 2011-02, 2011-03, and 2011-04 in the accompanying schedule of findings and questioned costs, the Village did not comply with requirements regarding Activities Allowed/Unallowed, Allowable Costs/Cost Principles, Cash Management, Equipment and Real Property Management, and Reporting requirements that are applicable to its Department of Justice Equitable Sharing Program, and its Department of the Treasury Equitable Sharing Program. Compliance with such requirements is necessary, in our opinion, for the Village to comply with requirements applicable to those programs.

In our opinion, because of the effects of the noncompliance described in the preceding paragraph, the Village did not comply in all material respects, with the requirements referred to above that could have a direct and material effect on Department of Justice and Department of the Treasury Equitable Sharing Programs.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses and therefore can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2011-01, 2011-02, 2011-03, and 2011-04 to be material weaknesses.

In addition, we identified one other instance of noncompliance as item 2011-05, that we have reported in the accompanying schedule of findings and questioned costs.

The Village's responses to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Village's responses and, accordingly, we express no opinion on the response.

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

Marcum LLP
Miami, FL
May 24, 2012

BAL HARBOUR VILLAGE, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through or Other Entity Identifying Number</u>	<u>Federal Expenditures</u>
<i>U.S. Department of Justice</i>			
Equitable Sharing Agreement, Justice Asset Forfeiture Program	16.XXX	FL0130100	<u>\$ 2,879,260</u>
Passed Through Program from:			
Miami Dade County - Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to Units of Local Government (ARRA)	16.804	N/A	<u>3,178</u>
<i>Total U.S. Department of Justice</i>			<u>2,882,438</u>
<i>U.S. Department of Treasury</i>			
Equitable Sharing Agreement, Treasury Asset Forfeiture Program	21.XXX	N/A	<u>464,046</u>
<i>U.S. Department of Transportation - Federal Highway Administration</i>			
Passed Through Program from:			
State of Florida Department of Transportation - Crosswalk Enhancement Project (ARRA)	ARRA-34	426916	<u>24,919</u>
<i>Total Expenditures of Federal Awards</i>			<u>\$ 3,371,403</u>

N/A - None available.

See note to schedule of expenditures of federal awards.

BAL HARBOUR VILLAGE, FLORIDA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Bal Harbour Village, Florida (the Village) under programs of the federal government for the fiscal year ended September 30, 2011. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the Village, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Village.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

BAL HARBOUR VILLAGE, FLORIDA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

PRIOR YEAR FINANCIAL STATEMENT FINDINGS

The following addresses the status of financial statement findings reported in the fiscal year ended September 30, 2010 schedule of findings and questioned costs:

Matters that are repeated in the schedule of findings and questioned costs:

- 2010-03 – Capital Assets Inventory and Records (included as 2011-02)

PRIOR YEAR FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

The following addresses the status of federal award findings and questioned costs reported in the fiscal year ended September 30, 2010 schedule of findings and questioned costs:

Matters that are repeated in the schedule of findings and questioned costs:

- 2010-02 – Questioned Costs for Allowable Activities (included as 2011-01)
- 2010-03 – Capital Assets Inventory and Records (included as 2011-02)

BAL HARBOUR VILLAGE, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unqualified Opinion

Internal control over financial reporting:

Material weakness(es) identified?

___ yes X no

Significant deficiency(ies) identified not considered to be material weakness(es)?

___ yes X none reported

Noncompliance material to financial statements noted?

___ yes X no

Federal Awards Programs

Internal control over major programs:

Material weakness(es) identified?

X yes ___ no

Significant deficiency(ies) identified not considered to be material weakness(es)?

___ yes X none reported

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

Adverse Opinion

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

X yes ___ no

Identification of major programs:

Federal Program

CFDA No.

U.S. Department of Justice, Equitable Sharing Agreement, Justice Asset Forfeiture Program

16.XXX

U.S. Department of Treasury, Equitable Sharing Agreement, Treasury Asset Forfeiture Program

21.XXX

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

\$300,000

Auditee qualified as low-risk auditee for federal awards programs?

___ yes X no

BAL HARBOUR VILLAGE, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

SECTION II – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Material Noncompliance/Material Weaknesses

2011-01 Activities Allowed / Allowable Costs

CFDA – 16.XXX and 21.XXX – Equitable Sharing Agreement – Justice and Treasury Asset Forfeiture Program

Condition

We noted three transactions totaling \$135,889 that did not have adequate support and therefore were noted as questioned costs. Of these three transactions, the first questioned transaction was for three police officers' payroll which did not have adequate documentation supporting that it was an allowable cost based on the requirements of the Federal Equitable Sharing Programs. The second and third questioned transaction were for payments for General Salaries and Wages which did not have adequate documentation supporting that they were an allowable cost based on the requirements of the Federal Equitable Sharing Programs.

Criteria

Per the OMB Circular A-87, recipients charging payroll to Federal Grants states that, 'Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisor official having firsthand knowledge of the work performed by the employee.

In addition, the OMB Circular A-87 states that where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports. Personnel activity reports or equivalent documentation must meet the following standards: (a) they must reflect an after the fact distribution of the actual activity of each employee, (b) they must account for the total activity for which each employee is compensated, (c) they must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee.

Cause

The Village's lack of adequate internal controls over compliance and knowledge of the requirements of the Federal Equitable Sharing Programs.

BAL HARBOUR VILLAGE, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

SECTION II – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

2011-01 Activities Allowed / Allowable Costs (Continued)

Effect

Material noncompliance with program requirements. In addition, a potential effect of not having adequate support for these questioned costs is the overcharging to a Federal Grant Program which can result in The Village having to return the funds received back to the Agency who provided them or the possible future loss of federal funding from forfeitures for not being in compliance with the Federal Equitable Sharing Program.

Recommendation

We recommend that the Village review OMB Circular A-87 that states recipients charging payroll costs to Federal Grants should ensure that employees who are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages should be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee. The Village should also ensure that employees who are expected to work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports. Personnel activity reports or equivalent documentation must meet the following standards:

- (a) they must reflect an after the fact distribution of the actual activity of each employee,
- (b) they must account for the total activity for which each employee is compensated,
- (c) they must be prepared at least monthly and must coincide with one or more pay periods, and
- (d) they must be signed by the employee.

Additionally, we recommend that all expenditures made using federal forfeiture funding have adequate support and signs of approval. All expenditures should show approval of the Police Chief or other designated management personnel. We suggest that the Village develop an internal guide with the process of approvals required and steps to adequately support the expenditures made through the federal program.

View of Responsible Officials and Planned Corrective Actions

The Village's Police Department has engaged an outside firm to assist them with compliance with their federal awards, particularly the Equitable Sharing Agreement with the U.S. justice Department. The firm has been tasked with implementing procedures and conducting reviews of expenditures and reporting within this program.

BAL HARBOUR VILLAGE, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

SECTION II – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

2011-02 Equipment and Real Property Management

CFDA – 16.XXX and 21.XXX – Equitable Sharing Agreement – Justice and Treasury Asset Forfeiture Program

Condition

We noted that as of September 30, 2011, the Village was not tracking any tangible assets below \$25,000 and therefore would have no way of knowing whether the tangible asset is disposed of correctly and/ or if the proceeds received from the disposal are accounted for appropriately as required per the criteria of The Guides to Equitable Sharing. Additionally, The Village is not in compliance with Florida Administrative Code (FAC), Chapter 69I-73 which requires that the Village track and monitor all capital assets over \$1,000.

Criteria

Use of proceeds from sale of shared property – Proceeds from the sale of shared property, facilities, equipment, and other items acquired with shared funds must be deposited into the agency's equitable sharing revenue account and are subject to the same permissible use restrictions and reporting requirements as shared cash or proceeds, in accordance with the provisions of this Guide.” – *The Guides to Equitable Sharing* Threshold for Recording Property - All property with a value or cost of \$1,000 or more and a projected useful life of 1 year or more shall be recorded in the local government's financial system as property for inventory purposes." – *Chapter 69I-73 Tangible Personal Property Owned by Local Governments*

Cause

The Village's lack of adequate internal control over compliance and knowledge of the requirements of the Federal Equitable Sharing Programs and the FAC relative to capital asset tracking and monitoring.

Effect

Due to there being a lack of controls in place to track and monitor capital assets below the \$25,000 capitalization threshold, the Village was not in compliance with the requirements of the Federal Equitable Sharing Programs. As a result of there being no tracking of tangible assets below the \$25,000 threshold, upon the time of disposal it makes it very difficult to distinguish whether the asset was purchased through federal forfeiture monies and if the proceeds are deposited back to the Village's federal forfeiture account as required per The Guides to Equitable Sharing. This lack of control can eventually lead to the loss of future funding from federal forfeiture programs for non-compliance. Additionally, because the Village is not keeping track of capital assets over \$1,000, there are inadequate controls to demonstrate the safeguarding of assets from loss or misuse.

BAL HARBOUR VILLAGE, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

SECTION II – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

2011-02 Equipment and Real Property Management (Continued)

Recommendation

Per Florida Administrative Code, Chapter 69I-73, all property with a value or cost over \$1,000 and a projected useful life of 1 year or more should be tracked and monitored. We recommend controls are put into place where a physical count of capital assets be periodically taken and compared to the assets listed on the detailed subsidiary records of capital assets. Taking periodic inventory of assets will help to detect the loss or unauthorized use of valuable property. In addition these inventory records should then be reconciled to the amounts reflected in the books and records. The added controls will also assist in planning for capital expenditures and help determine the accurate amounts and values of insurable assets.

In addition, disposal of assets acquired with federal forfeiture funds can be tracked.

View of Responsible Officials and Planned Corrective Actions

The Village is in the process of completing a complete conversion of its fixed assets system to the new accounting software. The first annual inventory has been undertaken and the data for conversion is being entered into the new system and should be complete for the FY2012 fiscal year. Notwithstanding, the Village's Police Department maintains their own inventory system and equipment assignment procedures and can document when and where equipment was distributed and can demonstrate the ultimate disposition of that equipment.

2011-03 Reporting

CFDA – 16.XXX and 21.XXX – Equitable Sharing Agreement – Justice and Treasury Asset Forfeiture Program

Condition

We noted that the Village was not in compliance with reporting requirements, as the Village did not submit their Federal Equitable Sharing Agreement and Certification Form within 60 days after the end of the Village's fiscal year. In addition, the beginning and ending fund balances on this report were not in agreement with the Village's financial statements.

Criteria

As a prerequisite to participating in the Department of Justice Equitable Sharing Program, a state or local law enforcement agency must annually submit to AFMLS a signed Equitable Sharing Agreement and Certification form. The agreement must be signed by the head of the law enforcement agency and a designated official of the governing body. By signing the Affidavit, the signatories agree to be bound by the statutes and guidelines that regulate the equitable sharing program and certify that the law

BAL HARBOUR VILLAGE, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

SECTION II – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

2011-03 Reporting (Continued)

enforcement agency will comply with these guidelines and statutes. State and local law enforcement agencies must submit this form within 60 days after the end of an agency's fiscal year, regardless of whether funds were received or maintained during the fiscal year. The report must be completed electronically. – *The Guides to Equitable Sharing*.

Cause

The Village's lack of adequate internal controls over compliance with management's submission of the Federal Equitable Sharing Agreement and Certification Form are within the prescribed requirements.

Effect

The Village as not in compliance with this reporting requirement. In addition, the potential for future loss of federal funding related to forfeitures from the Department of Justice and the Department of the Treasury for noncompliance with the Federal Equitable Sharing Program compliance requirements.

Recommendation

We recommend that The Village implement stricter controls related to the compliance requirements regarding submission of the Federal Equitable Sharing Agreement and Certification Form to ensure that compliance is adhered to on time with Guide requirements.

View of Responsible Officials and Planned Corrective Actions

The 2011 annual report was filed late with the Justice Department because of adjustments required based upon the prior year's audit comments. Personnel cost adjustments were required to charge non-task force allowable costs in exchange for direct task force charged non-allowable costs. The Village's Police Department had engaged an outside firm near year-end to assist with this task and this resulted in the delay in filing the annual report. As noted in the response to 2011-1, the Village's Police Department has engaged an outside firm to assist with compliance and reporting on their federal awards. Further, the 2010 report has not been amended because of the ongoing audit being conducted by the Department of Justice. As part of that audit, it remains uncertain if two contractual employees may be directly charged to the program and a ruling by DOJ has not yet been made. Until that matter is ruled upon and all the issues are settled matters, the Village will not be amending it reports. The differences in the beginning and ending fund balances is the result of the 2010 report not yet being amended. The DOJ is aware that we will be amending the report once the issues are settled.

BAL HARBOUR VILLAGE, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

SECTION II – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

2011-04 Cash Management

CFDA – 16.XXX and 21.XXX – Equitable Sharing Agreement – Justice and Treasury Asset Forfeiture Program

Condition

We noted that the Village was not in compliance with Federal Equitable Sharing guidelines in regards to the establishment of separate revenue accounts for each Equitable Sharing Program (Department of Justice funds separate from Department of the Treasury funds).

Criteria

Establish a separate revenue account or accounting code through your Department of Finance for funds received from the Department of the Treasury equitable sharing program and the Department. This account or accounting code should also include any interest income generated by the funds and must be used in accordance with the provisions of this guide – *The Guides to Equitable Sharing*.

Cause

The Village's lack of adequate internal controls over compliance with cash management compliance.

Effect

The Village was not in compliance with program requirements. In addition, there is a potential for future loss of federal funding related to forfeitures from the Department of Justice and the Department of the Treasury for noncompliance with the Federal Equitable Sharing Program compliance requirements.

Recommendation

We recommend that The Village establish separate revenue accounts for each Equitable sharing program in the Federal Forfeiture fund to separately identify funds received.

View of Responsible Officials and Planned Corrective Actions

This comment stems from the fact that cash awards from the Treasury Department need to be isolated from those from the Justice Department. In prior years, all federal forfeiture awards were posted to the same revenue account in the federal forfeiture fund. The awards from the Treasury Department have historically been very few, generally none or at most two or three cash disbursements. While these disbursements were properly segregated at fiscal year end for purposes of preparing the annual ESA report, the Village has now created a separate revenue account with the federal forfeiture fund to account for this separate activity.

BAL HARBOUR VILLAGE, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

SECTION II – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Noncompliance

2011-05 Noncompliance with Requirements over Preparation of the Schedule of Expenditures of Federal Awards

Condition

During procedures performed for reconciliation of the information presented on the Schedule of Expenditures of Federal Awards (SEFA) to the underlying records used to prepare the SEFA such as the general ledger, reimbursement requests and grant agreements, we noted a federal grant program was not properly identified in the SEFA.

Criteria

OMB Circular A-133 prescribes the required SEFA contents and delineates how or what is deemed to be expenditure for purposes of completing the SEFA.

Cause

We noted that there was a lack of adequate internal control over the preparation and review of information on the SEFA prior to submittal of the schedule to the auditor.

Effect

The effect of inaccurate information on the SEFA can lead to incorrect determination of major programs as required under OMB Circular A-133. In addition, this could lead to incorrect reporting on the Data Collection Form submitted to the Federal Single Audit Clearinghouse as well as to grantor agencies.

Recommendation

We recommend that the Department implement adequate internal controls and procedures to ensure that information reported on the Schedule of Expenditures of Federal Awards is accurate, complete, agrees to underlying records and is prepared in accordance with OMB Circular A-133.

View of Responsible Officials and Planned Corrective Actions

This comment is related to 2011-4 inasmuch as this activity has always been considered part of the overall federal forfeiture program. For federal reporting, these activities are combined by the federal government on the same report, though in two distinct categories. The Village was unaware that these required separate and distinct scheduling on our annual Schedule of Expenditures of Federal Awards rather than in a combined manner. While the activity was reported in aggregate on the Schedule, we agree that it should be listed as a separate and distinct award for purposes of the annual financial audit.