

BAL HARBOUR VILLAGE, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

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Prepared by the Finance Department

BAL HARBOUR VILLAGE, FLORIDA

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INTRODUCTORY SECTION



June 30, 2013

Honorable Mayor, Assistant Mayor, Council Members,
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, 2012. 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 Bal Harbour Village (Bal Harbour or 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 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

The St. Regis Bal Harbour Resort opened for business in January 2012 and the taxable value was added to the tax rolls for tax year 2012, which is used for the Village's 2013 fiscal year. The new venue will bring a significant increase to the Village's property taxes and taxes on utilities, as well as add diversification to the Village's tax base. The venue is the flagship for the St. Regis brand and will enhance the Bal Harbour brand. Additionally, the last oceanfront property left underdeveloped has been acquired and a high-end condominium has been proposed. When built, the project should add about \$500 million to the tax rolls without adding any significant demand for services.

The money the Village set aside to stabilize the property tax rate while the St. Regis was offline has proven valuable. Though we had 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 and reducing its workforce. During the year, and continuing into fiscal year 2013, the Village is also studying changes to both of its defined benefit plans with the goal of reducing its long-term costs and obligations.

Tourism revenue continued to grow with most venues posting sizable year-of-year increases.

During the course of FY 2011/12, the Village was subjected to a review conducted by the U.S. Department of Justice of the Police Department's Asset Forfeiture Program. The results of the review were released after the conclusion of the fiscal year, however it was shown that more than \$700 thousand in ineligible costs were incurred by the Village mostly due to payments to ineligible employees. The Village has subsequently discontinued participation in the program, and returned all

unspent program funds. The Village utilized program funds to purchase items not essential to operations, some of the ongoing costs of this equipment will need to be assumed in the General Fund, which should not have an adverse effect on other expenditures.

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 2,976 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 2,976 residents, according to the Bureau of Economic and Business Research, 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 issued \$10 million in tax-exempt financing to provide funds for various capital projects, mostly water, wastewater, and stormwater utilities. The debt will be outstanding 15 years and carries an interest rate of 2.4995%.

The Village outsourced its solid waste operations, saving hundreds of thousands of dollars over the life of the contract. Concurrently with the outsourcing, the Village also implemented a solid waste special assessment on residential properties that is designed to recapture the cost of residential solid waste operations. Service for commercial solid waste operations was terminated by the Village, largely because of our inability to provide the level of service and equipment necessary for many of the newer establishments. Commercial establishments were allowed to go to the open market and negotiate their best deal. Commercial haulers must have a non-exclusive franchise with the Village and pay the local franchise fee. While reducing costs through outsourcing saved the ultimate customer money, the addition of the solid waste assessment provided additional diversification to the Village's revenue streams.

The Village transferred responsibility and costs of the maintenance of property in the Residential Area of the Village to the property owners in that area. Previously, these property owners only paid for the security efforts that benefitted their property. The maintenance of the landscaping, lighting, and other area improvements and facilities had been paid for with the general taxes and revenues of

the Village's General Fund. As part of this restructuring, additional Village personnel were released and much of the maintenance was outsourced. The assessments to the property owners were markedly increased and the expenses wholly removed from the General Fund and added to the Security District fund. This had the effect of reducing the permanent fixed costs for that maintenance from the Village's General Fund.

The Village has begun the process of replacing its entire underground infrastructure throughout the Village and will also be rebuilding most of the local roadways as a result of the underground work. The infrastructure is between 50-60 years old and the renewal and replacement projects will likely last as many years.

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, 2011, the Bal Harbour Employees' Pension Trust was funded at 71% of the actuarial accrued liability. At October 1, 2012, the Bal Harbour Police Officers' Pension Trust was funded at 57.8% 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 \$1,930,971 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 \$463,005.

Debt Administration

At September 30, 2012, The Village had \$11,813,161 in outstanding long-term obligations, of which \$847,980 is due during FY2013. All but \$2,763,944 of the total outstanding long-term obligations is owed by the Business-type Activities of the Village. The current portion of all debt was budgeted for in the FY2012 operating budgets of the Village. The Village does not have an underlying bond rating from any investor service but its credit would likely be very highly rated. The Village issued \$10 million in 15-year bonds, bearing an interest rate of 2.4999%, with interest payable semi-annually and principal payments due annually.

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 0.25%, stated net of fees and expenses.

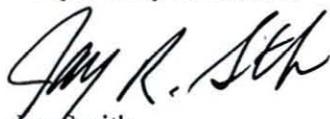
Acknowledgements and Other Information

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,



Jay R. Smith

Interim Village Manager



Christopher Wallace
Finance Director

BAL HARBOUR VILLAGE, FLORIDA

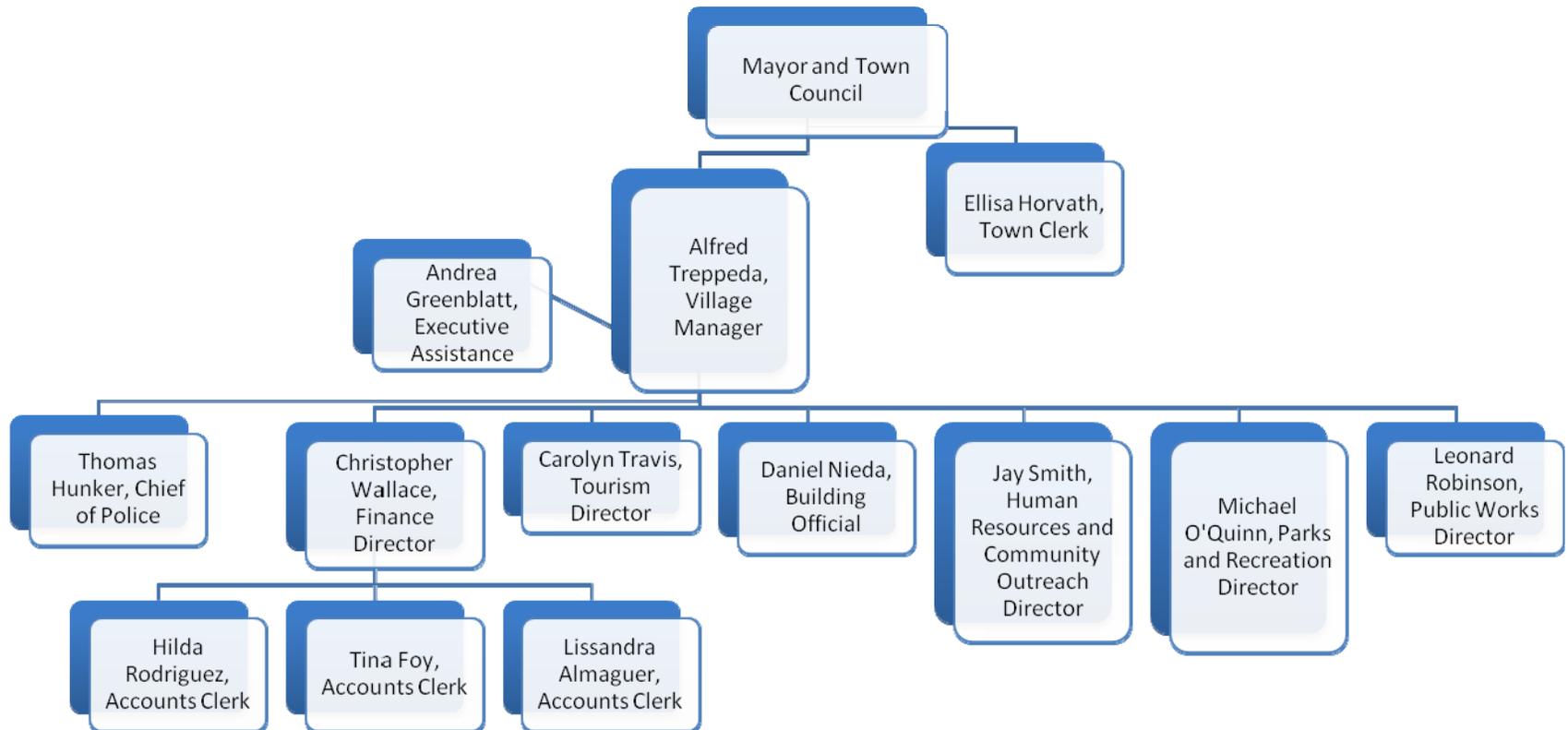
VILLAGE OFFICIALS

SEPTEMBER 30, 2012

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 AUDITORS	Marcum LLP

Bal Harbour Village Organization Chart

Fiscal Year 2012



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, 2012, 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, 2012, 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.

In accordance with Government Auditing Standards, we have also issued a report dated June 28, 2013, 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.

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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 59 through 61 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. The combining fund financial statements and schedule, and schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The combining fund financial statements and schedules and the schedule of expenditures of federal awards 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 combining fund financial statements and schedule and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bal Harbour Village's basic financial statements. The introductory and statistical sections are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has 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
June 28, 2013

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 generally positive notes, with the exception of its federal forfeiture funds. The St. Regis Bal Harbour Resort opened two months earlier than had been anticipated. While this temporarily affected our revenues in the Tourism fund by reducing guaranteed developer payments during the construction period, the added General Fund revenue from taxes on utilities was very positive. The Village had appropriated reserves in anticipation that revenues would fall short due to the timing of the opening of the resort, but the combination of strong and unanticipated revenues combined with expenditures that were well short of those anticipated resulted in very good net increase. Tourism activity was again improved over the prior year, though we fell short, as noted above, in the anticipated guaranteed developer revenue. While this was a temporary setback for resort tax funds, the Village benefitted from the facility opening early and making the tax roll for fiscal year 2013. The addition of over \$500 million in new tax base provides substantial revenues for the Village in future years. Highlights for the year include:

- The *total net assets* of the Village exceeded its liabilities at the close of fiscal year (FY) 2012 by \$31.5 million (net assets), a decrease of \$1.8 million from the prior year. Governmental activities accounted for \$1.9 million of this decrease. This resulted from the termination of the Village's participation in the U.S. Department of Justice's Asset Sharing Program and the return of approximately \$1.4 million, while the Village spent about \$1.4 million of those assets during the year. The Tourism fund used approximately \$476 thousand of appropriated restricted fund balance to make up for the expected loss of guaranteed developer payments. The Village received slightly more than \$1 million in state forfeiture awards, which are restricted as to future use. And the Village's Security District fund, which was expanded in fiscal year 2012 to provide resources for maintenance and emergencies, was able to increase its restricted fund balance by about \$260 thousand. The Village's water and sewer operations posted a net asset increase of about \$137 thousand on operating income of about \$384 thousand.
- Out of the total net assets, \$11.8 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. Additionally, the Village had \$16.0 million in capital assets, net of related debt and accumulated depreciation, or about \$539 thousand more than the prior year, almost all of which were for improvements in the water and sewer system. These assets are booked at historical cost. The Village is replacing all of its underground infrastructure over the next few years and will be using bond proceeds and existing restricted fund balance for these improvements. The current infrastructure is more than 50 years old.
- The Village had more than \$16.6 million in *current assets* than it had in *current liabilities*. Current assets were about 4 times greater than current liabilities, demonstrating the Village's

solid ability to meet its current obligations. The Village's long-term obligations consist of long term debt, 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 about \$11 million and were about \$9 million more than the prior year, largely due to \$10 million in debt issued during the year.

- The Village's General Fund had \$8.2 million in unassigned fund balance, which represents 82% of the General Fund expenditures for the same period, or about 9.8 months worth of operations, from last year of slightly less than one week. This would have been improved to about 12 months had we not assigned a portion of the unassigned amounts to cover the liability of the Excess Benefit Plan.
- General Fund revenues *decreased* by about \$95 thousand from fiscal year 2011. Property taxes remained flat, largely due to stagnant real estate value. Local taxes on energy surged due to the opening of the St. Regis Bal Harbour Resort opening. Licenses and permits were up also because of build out of condominium space from the same property. The Village implemented a solid waste assessment during FY2012 which increased revenues by about \$650 thousand. Developer Contributions went from \$1.1 million to \$93 thousand as the agreement for the St. Regis Bal Harbour Resort came to a completion. Fines and forfeitures declined by over \$506 thousand from the prior year, due to corrections that led to a prior period adjustment for amounts owed to the State of Florida. This revenue source is still the subject of litigation and the Village believes that it has set aside sufficient funds in the event the litigation results in refunds.
- General Fund expenditures were down by over \$1.2 million compared to FY2011, the third year in a row that expenditures decreased from the prior year. The Village reduced its General Government operations, outsourced solid waste and residential maintenance activities. Capital outlay also was reduced from the prior year.
- The Village's Tourism Fund had revenues in excess of expenditures by \$476 thousand, which was a planned use of reserves for this fund. The Village's agreement with the developer of the St. Regis Bal Harbour Resort provided for guaranteed payments to replace the lost resort taxes during the demolition of the old Sheraton Hotel. The developer payments ceased when the new venue opened. The new venue will not likely pay as much in resort taxes as the guaranteed payments were, but the additional property tax base provided by the new property has been substantial. The Tourism fund is adjusting to the lost revenues through it future budgets. At the end of the fiscal year, the fund had over \$2.6 million in restricted fund balance, of which \$1,000,000 is 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 \$1.7 million during FY2012. Of those awards, about \$1.2 million came from state courts and the rest from the awards made through the Equitable Sharing Agreement with the U.S. Department of Justice (USDOJ). An audit during the year by the USDOJ confirmed earlier findings by the Village's external auditor. The USDOJ disallowed an amount of slightly more than \$700 thousand, almost all of which was related to ineligible salary expenses. Additionally, the USDOJ took issue with a task force of which the Village's police department was a participant. USDOJ ended the Village's participation in the asset sharing program and the Village returned, subsequent to fiscal year end, the unspent funds. The USDOJ has yet to finalize its review and investigation and the Village may still owe additional amounts which could range from nothing to perhaps slightly more than \$1 million.
- Business-type activities (the Village's Water and Sewer funds) operating revenues increased from the prior year by \$171 thousand, or about 5%, while operating expenses increased by over \$1 million, mostly from increased rates from Miami Dade County and the City of Miami Beach.

Additional consumption resulting from new development also increased costs, while the Village also had to purchase water temporarily through an emergency interconnect with the City of North Miami Beach. Personnel costs were down slightly and depreciation expense increased as a result of improvements coming online. The Village issued approximately \$9,650,000 in debt for the water and sewer system improvements and interest expense was about \$236 thousand for the year. In prior years, there was no expense for this item. The fund ended the year with about \$137 thousand increase in Net Assets.

Village Highlights

- The Village's property tax base stabilized during the year and approximately \$500 million in new value was added and became available for the FY2013 budget. This is a very positive improvement for the Village and also adds some needed diversity to the tax base.
- Guaranteed developer payments from the St. Regis Bal Harbour Resort ended and resulted in reduced revenues for the General Fund and the Tourism Fund. The General Fund will more than make up for this in future years while the Tourism Fund activities will have to adapt to lower revenue levels.
- Water and sewer improvements continued during the year and we expect this pace will repeat for the next 3 to 5 years. Virtually all of the Village's underground water and sewer infrastructure, as well as its stormwater systems, will be replaced. Roadway systems will also be improved as the underground work is completed.
- The Village implemented a solid waste assessment to pay for its solid waste costs. In conjunction, the Village also outsourced its solid waste operations. Four personnel were laid off during this time.
- The Village also expanded the Security District fund's mandate so that it now assesses for the costs of maintenance of landscaping, irrigation, lighting, and other items that benefit those properties in the District. Assessments were nearly tripled to accommodate this change and additional personnel were laid off and those activities were outsourced. Because of the threat of hurricanes and other disasters, and because the Village cannot use generally levied taxes to pay for these items in that area, a restricted or emergency component was included in the budget and it is expected that this assessment can be abated in the near future as restrictions become adequate to address emergencies.
- The Village undertook studies to reduce its pension costs and obligations and the Village expects to make significant changes in the near future.
- The last beachfront property that is undeveloped is expected to become developed in the near future. This project, as planned, could add between \$400-\$600 million in new property tax values, in addition to the other locally levied taxes on utilities and other items. The project is not expected to noticeably increase demand for services. Further, the Bal Harbour Shops has expressed interest in expanding its operations. This, too, would be a large financial benefit for the Village.

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 Funds (see pages 15 to 20) 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.

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 Governmental Major Funds (pages 15 to 16) 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				
	2012	2011	2012	2011	2012	2011	
Current and other assets	\$ 18,640	\$ 17,632	\$ 13,335	\$ 5,762	\$ 31,975	\$ 23,394	36.68%
Capital assets	<u>10,341</u>	<u>10,811</u>	<u>5,634</u>	<u>4,276</u>	<u>15,975</u>	<u>15,087</u>	5.89%
Total assets	<u>28,981</u>	<u>28,443</u>	<u>18,969</u>	<u>10,038</u>	<u>47,950</u>	<u>38,481</u>	24.61%
Current and other liabilities	3,182	1,005	2,259	1,877	5,441	2,882	88.79%
Non-current liabilities	<u>2,544</u>	<u>2,214</u>	<u>8,421</u>	<u>9</u>	<u>10,965</u>	<u>2,223</u>	393.25%
Total liabilities	<u>5,726</u>	<u>3,219</u>	<u>10,680</u>	<u>1,886</u>	<u>16,406</u>	<u>5,105</u>	221.37%
Net assets	<u>\$ 23,255</u>	<u>\$ 25,224</u>	<u>\$ 8,289</u>	<u>\$ 8,152</u>	<u>\$ 31,544</u>	<u>\$ 33,376</u>	-5.49%
Invested in capital assets, net of related debt	\$ 10,341	\$ 10,810	\$ 6,244	\$ 4,276	\$ 16,585	\$ 15,086	9.94%
Restricted	4,147	6,191	-	-	4,147	6,191	-33.02%
Unrestricted	<u>8,767</u>	<u>8,223</u>	<u>2,045</u>	<u>3,876</u>	<u>10,812</u>	<u>12,099</u>	-10.64%
Total net assets	<u>\$ 23,255</u>	<u>\$ 25,224</u>	<u>\$ 8,289</u>	<u>\$ 8,152</u>	<u>\$ 31,544</u>	<u>\$ 33,376</u>	-5.49%

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 and previous years:

	Governmental		Business-type		Total		Percent Change
	Activities		Activities				
	2012	2011	2012	2011	2012	2011	
Revenues:							
Program revenues:							
Charges for services	\$ 4,190	\$ 7,775	\$ 3,657	\$ 3,486	\$ 7,847	\$ 11,261	-30.3%
Operating grants and contributions	535	-	-	-	535	-	0.0%
Capital grants and contributions	121	169	-	-	121	169	-28.4%
General revenue:							
Taxes	9,664	8,576	-	-	9,664	8,576	12.7%
Other	<u>1,564</u>	<u>2,566</u>	<u>49</u>	<u>18</u>	<u>1,613</u>	<u>2,584</u>	-37.6%
Total revenues	<u>16,074</u>	<u>19,086</u>	<u>3,706</u>	<u>3,504</u>	<u>19,780</u>	<u>22,590</u>	-12.4%
Expenses:							
General government	3,845	4,628	-	-	3,845	4,628	-16.9%
Public safety	8,887	8,909	-	-	8,887	8,909	-0.2%
Solid waste and open space	782	977	-	-	782	977	-20.0%
Tourism	3,317	2,102	-	-	3,317	2,102	57.8%
Roads, streets and parks	852	887	-	-	852	887	-3.9%
Water and sewer	-	-	3,509	2,244	3,509	2,244	56.4%
Total expenses	<u>17,683</u>	<u>17,503</u>	<u>3,509</u>	<u>2,244</u>	<u>21,192</u>	<u>19,747</u>	7.3%
Changes in net assets before transfers	(1,609)	1,583	197	1,260	(1,412)	2,843	-149.7%
Transfers	<u>60</u>	<u>60</u>	<u>(60)</u>	<u>(60)</u>	<u>-</u>	<u>-</u>	
Changes in net assets after transfers	<u>\$(1,549)</u>	<u>\$ 1,643</u>	<u>\$ 137</u>	<u>\$ 1,200</u>	<u>\$(1,412)</u>	<u>\$ 2,843</u>	-149.7%

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 \$780 thousand dollars in recurring revenue from other governments during FY2012, plus an additional \$535 thousand 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 48% 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 totally 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. When tourism declines, commercial property values also tend to decline.
- **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.

Expenses

- Public Safety expenses account for about 55% 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, combined with the additional debt service expense associated with its capital improvements, make additional rate increases likely.
- Solid Waste Disposal. The Village collects money from its property owners through special assessment to pay for the cost of collection and disposal of solid waste from its residents. The 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. These costs are guaranteed and fixed for the next five years. Beyond that period of time, additional costs could occur.
- 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

Guaranteed developer revenues terminated in the Tourism fund and it is not expected that the resort taxes from the new venue will equal those guaranteed payments. This will likely result in reduced expenditures in the fund in future years.

The Village implemented a special assessment for solid waste services on residential properties during the year. This was a new revenue source that added approximately \$674 thousand in new revenue. The Village ended commercial waste services and commercial properties now contract with licensed solid waste haulers who in turn pay a franchise fee to the Village. This added a needed diversity to the Village's revenue mix and also focused attention on the service delivery and costs incurred by the Village.

The Village ended funding of grounds maintenance, street lighting, and other maintenance efforts in the residential area. The Village increased the special assessments on these residential properties to pay for the maintenance and improvements that benefit those properties.

The police department received nearly \$535 thousand in forfeiture funds related to its agreement with the U.S. Department of Justice and the U.S. Department of the Treasury. However, because of concerns with the task force in which the Village was a participant, and because the Village

incurred ineligible salary expenses in the program, the agreement with the USDOJ was terminated and the unspent funds were returned. The Village does not expect to participate in the program anytime in the near future. The loss of this revenue stream required the Village to reduce its expenses and absorb some of those task force expenses back into the General Fund. This did not present a financial burden ultimately to the Village.

The Village issued \$10 million in debt during the year, most of which will be used for replacement of underground infrastructure. This will result in debt service increases in both the General Fund and the Water and Sewer fund.

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.

During the year, the Village reduced its workforce by 7 positions, all of which were in the public works function. The Village outsourced its solid waste operation and its grounds maintenance in the Security District.

Increases in rates from both Miami-Dade County and the City of Miami Beach resulted in increased expenses in the Water and Sewer fund.

General Fund expenses for solid waste were reduced as personnel were laid off and the activity outsourced.

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 \$14.7 million, which was about a 7.5% decrease or \$1.2 million less than the previous year, almost all of which was attributed to the spending forfeiture funds and Tourism fund restricted fund balance.

The General Fund ended the year with \$10.6 million of fund balance which was \$849 thousand more than FY2011, or an increase of 8.7%.

The Tourism Fund ended the year with an approximate \$2.6 million fund balance, a decrease of \$506 thousand, all of which was appropriated during the budget for continued marketing efforts while the guaranteed developer payments ended.

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 FY2012; however, the activity in this fund is unpredictable and volatile.

Enterprise Fund

The Water and Sewer Fund ended the year with about \$8.3 million in Net Assets, an increase of \$100 thousand. Capital Assets continued to see improvements made to its underground systems and net income increased very slightly as the system incurred higher bulk water and wastewater treatment costs and also increased debt service payments as a result of the new bond issue.

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 FY2012:

The Village again 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. Taxes on utilities increased noticeably as the St. Regis Bal Harbour Resort came online for the last nine months of the year. Licenses and permit revenues were \$251 thousand more than anticipated due to increased permit activity associated with the new development. Intergovernmental revenues were \$165 thousand greater than budgeted, a combination of having received reimbursement from Miami Dade County for bond projects and not receiving some federal and state grant funds for projects which were not undertaken during the year. Fines and forfeitures in the General fund were \$236 thousand less than anticipated, most of which resulted from a change in the accounting for red light camera violations. 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 almost \$800 thousand in accumulated reserves to help balance the budget; however, none of that was required as the year unfolded, so most of the negative variance in Miscellaneous Revenue is accounted as a result.

The Village's General Fund operating expenses were under budget across almost 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. Most activities saw only slight positive variance, while one department saw a slight negative variance. The most noticeable variance was in General Government where very little of the budget general or hurricane contingencies were needed.

The Village's General Fund had \$1.3 million more in revenues and other financing sources than expenditures, which is a very good year for the General Fund.

The Tourism Fund finished the year with \$476 thousand less in expenditures than revenues, which was planned during the budget process. An increase in year-over-year sales in almost all venues was enjoyed, but the loss of guaranteed revenues from the developer of the St. Regis Bal Harbour Resort was greater than anticipated because of its early completion. The Village adapted its expenditures as a result.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year-end, the City had \$15.6 million invested in a variety of capital assets, net of depreciation and related debt, an increase of \$539 thousand. 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 to 38.

Debt Outstanding

The Village had \$11.8 million in outstanding long-term obligations, of which \$848 thousand is due during FY2013 and is comprised of accrued compensated balances and the first payment of the debt issued during the year. Total outstanding long-term obligations increased by \$9.6 million. Most of the increase came from the issuance of long-term debt that will be used to pay for the replacement of the Village's water, wastewater, and stormwater utilities. Approximately \$2.8 million 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 FY2013 operating budgets of the Village and amounted to \$848 thousand.

For additional information on the Village's long-term debt, see Note 8 on pages 40 to 41.

Economic Factors and Next Year's Budget and Rates

The local economy appears to have stabilized and property tax values on existing properties have begun to rise. The St. Regis Bal Harbour redevelopment largely led the way in an overall increase in the Village's taxable value of over \$829 million, a 36% increase from the prior year. This new taxable value allowed the Village to reduce its FY2013 tax rate to 2.2678 mills from 2.4496 mills, a 7.4% decrease in tax rates. Additionally, the Village did not need to appropriate any fund balance to achieve a balanced budget. The Village did appropriate \$137,227 of fund balance from its Tourism fund to continue its marketing and branding efforts. The water rates for the Village remained the same for FY2013, but wastewater rates increased from \$5.45/1000 gallons to \$5.90/1000 gallons, largely because of rate increases from the City of Miami Beach that are passed through to our customers.

Prior Period Adjustment

During the year, the Village made an adjustment of \$420 thousand to the Beginning Net Assets of the General Fund. This amount represented amounts booked as revenue in prior periods for red light camera violations but which amount was the State of Florida's portion of the fines. The Village had been reserving all the amounts received in case litigation pending before the courts required the Village to repay the amounts collected. However, in booking these original revenue amounts, the amounts due to the State of Florida should have been recorded as a liability. The impact on the General Fund's financial condition was minimal and the General Fund's fund balance was increased by \$849 thousand even after giving consideration to this adjustment.

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, 2012

	Governmental <u>Activities</u>	Business- type <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 17,097,893	\$ 1,040,900	\$ 18,138,793
Investments	130,967	60,124	191,091
Receivables, net	322,071	538,180	860,251
Prepays	70,569	-	70,569
Due from other governments	66,512	1,928,085	1,994,597
Net pension asset - defined benefit plans	951,795	-	951,795
Restricted assets:			
Cash and cash equivalents	-	9,653,330	9,653,330
Restricted for customer deposits	-	113,777	113,777
Capital assets not being depreciated	1,732,857	1,660,527	3,393,384
Capital assets being depreciated, net	<u>8,608,190</u>	<u>3,973,804</u>	<u>12,581,994</u>
Total assets	<u>28,980,854</u>	<u>18,968,727</u>	<u>47,949,581</u>
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	2,676,869	1,517,057	4,193,926
Payable from restricted assets:			
Customer deposits	-	113,777	113,777
Unearned revenue	285,197	-	285,197
Non-current liabilities:			
Due within one year	219,550	628,430	847,980
Due in more than one year	663,869	8,420,787	9,084,656
Net pension obligation - excess benefit plan	1,417,520	-	1,417,520
Other post employment benefits	<u>463,005</u>	<u>-</u>	<u>463,005</u>
Total liabilities	<u>5,726,010</u>	<u>10,680,051</u>	<u>16,406,061</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	9,991,047	5,634,331	15,625,378
Restricted for:			
Tourism development	1,607,645	-	1,607,645
Beach renourishment	1,000,000	-	1,000,000
State law enforcement	1,151,731	-	1,151,731
Federal law enforcement	35,417	-	35,417
Security district	352,256	-	352,256
Unrestricted	<u>9,116,748</u>	<u>2,654,345</u>	<u>11,771,093</u>
Total net assets	<u>\$ 23,254,844</u>	<u>\$ 8,288,676</u>	<u>\$ 31,543,520</u>

The accompanying notes are an integral part of these financial statements.

BAL HARBOUR VILLAGE, FLORIDA

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

<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	\$ 3,844,820	\$ 2,480,346	\$ -	\$ -	\$ (1,364,474)	\$ -	\$ (1,364,474)
Public safety	8,887,246	1,709,421	534,769	-	(6,643,056)	-	(6,643,056)
Solid waste	781,610	-	-	-	(781,610)	-	(781,610)
Roads and streets	478,166	-	-	120,623	(357,543)	-	(357,543)
Parks and recreation	374,765	-	-	-	(374,765)	-	(374,765)
Tourism development	<u>3,316,761</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,316,761)</u>	<u>-</u>	<u>(3,316,761)</u>
Total governmental activities	<u>17,683,368</u>	<u>4,189,767</u>	<u>534,769</u>	<u>120,623</u>	<u>(12,838,209)</u>	<u>-</u>	<u>(12,838,209)</u>
Business-type activities:							
Water and sewer	<u>3,509,216</u>	<u>3,657,474</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>148,258</u>	<u>148,258</u>
Total business-type activities	<u>3,509,216</u>	<u>3,657,474</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>148,258</u>	<u>148,258</u>
Total	<u>\$ 21,192,584</u>	<u>\$ 7,847,241</u>	<u>\$ 534,769</u>	<u>\$ 120,623</u>	<u>(12,838,209)</u>	<u>148,258</u>	<u>(12,689,951)</u>
General revenues:							
Property taxes					5,801,487	-	5,801,487
Franchise fees based on gross receipts					667,188	-	667,188
Utility taxes					762,410	-	762,410
Communications services tax					315,767	-	315,767
Unrestricted developer contribution					733,730	-	733,730
Unrestricted intergovernmental revenues					659,868	-	659,868
Tourism tax					2,118,487	-	2,118,487
Unrestricted investment earnings					65,632	48,636	114,268
Miscellaneous					104,679	-	104,679
Transfers					<u>60,000</u>	<u>(60,000)</u>	<u>-</u>
Total general revenues and transfers					<u>11,289,248</u>	<u>(11,364)</u>	<u>11,277,884</u>
Change in net assets					(1,548,961)	136,894	(1,412,067)
Net assets, beginning as previously stated					25,223,911	8,151,782	33,375,693
Prior period adjustment (Note 14)					<u>(420,106)</u>	<u>-</u>	<u>(420,106)</u>
Net assets, beginning, as restated					<u>24,803,805</u>	<u>8,151,782</u>	<u>32,955,587</u>
Net assets, ending					<u>\$ 23,254,844</u>	<u>\$ 8,288,676</u>	<u>\$ 31,543,520</u>

The accompanying notes are an integral part of these financial statements.

BAL HARBOUR VILLAGE, FLORIDA

BALANCE SHEET GOVERNMENTAL FUNDS

SEPTEMBER 30, 2012

	<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>
<u>ASSETS</u>						
Cash and cash equivalents	\$ 9,252,558	\$ 2,537,950	\$ 1,161,381	\$ 1,394,633	\$ 460,154	\$ 14,806,676
Investments	95,764	35,203	-	-	-	130,967
Receivables, net	195,104	126,967	-	-	-	322,071
Due from other funds	2,291,217	-	-	-	-	2,291,217
Due from other governments	66,512	-	-	-	-	66,512
Prepays	70,569	-	-	-	-	70,569
Total assets	<u>\$ 11,971,724</u>	<u>\$ 2,700,120</u>	<u>\$ 1,161,381</u>	<u>\$ 1,394,633</u>	<u>\$ 460,154</u>	<u>\$ 17,688,012</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable and accrued liabilities	\$ 1,107,630	\$ 92,475	\$ 9,650	\$ 1,359,216	\$ 107,898	\$ 2,676,869
Unearned revenue	285,197	-	-	-	-	285,197
	<u>1,392,827</u>	<u>92,475</u>	<u>9,650</u>	<u>1,359,216</u>	<u>107,898</u>	<u>2,962,066</u>
Fund balances:						
Non-spendable:						
Prepaid expenses	70,569	-	-	-	-	70,569
Restricted:						
Debt service	-	-	-	-	-	-
Tourism development	-	1,607,645	-	-	-	1,607,645
Beach renourishment	-	1,000,000	-	-	-	1,000,000
State law enforcement	-	-	1,151,731	-	-	1,151,731
Federal law enforcement	-	-	-	35,417	-	35,417
Security district	-	-	-	-	352,256	352,256
Assigned:						
Assigned for subsequent year expenditures	-	-	-	-	-	-
Assigned for Excess Benefits Plan	1,417,520	-	-	-	-	1,417,520
Assigned for Other Post Employment Benefits and I	682,555	-	-	-	-	682,555
Assigned for red light camera claims	250,000	-	-	-	-	250,000
Unassigned:						
General fund	8,158,253	-	-	-	-	8,158,253
Total fund balances	<u>10,578,897</u>	<u>2,607,645</u>	<u>1,151,731</u>	<u>35,417</u>	<u>352,256</u>	<u>14,725,946</u>
Total liabilities and fund balances	<u>\$ 11,971,724</u>	<u>\$ 2,700,120</u>	<u>\$ 1,161,381</u>	<u>\$ 1,394,633</u>	<u>\$ 460,154</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.	10,341,047
A net pension asset is not considered to represent a financial asset and therefore is not reported in the governmental funds	951,795
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:	
Revenue bonds	(350,000)
Compensated absences	(533,419)
Net pension obligation - excess benefit plan	(1,417,520)
Other post employment benefits	<u>(463,005)</u>
Net assets of governmental activities	<u>\$ 23,254,844</u>

The accompanying notes are an integral part of these financial statements.

BAL HARBOUR VILLAGE, FLORIDA

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	<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	\$ 5,801,487	\$ -	\$ -	\$ -	\$ -	\$ 5,801,487
Other local taxes	1,745,365	-	-	-	-	1,745,365
Licenses and permits	934,557	-	-	-	-	934,557
Special assessments	-	-	-	-	775,357	775,357
Intergovernmental	780,491	-	-	534,769	-	1,315,260
Charges for services	759,772	-	-	-	10,660	770,432
Tourism tax	-	2,118,487	-	-	-	2,118,487
Fines and forfeitures	507,366	-	1,173,481	-	-	1,680,847
Developer contribution	93,544	640,186	-	-	-	733,730
Investment earnings	48,525	17,107	-	20,852	-	86,484
Miscellaneous	87,318	-	7,722	-	17,361	112,401
Total revenues	<u>10,758,425</u>	<u>2,775,780</u>	<u>1,181,203</u>	<u>555,621</u>	<u>803,378</u>	<u>16,074,407</u>
Expenditures:						
Current:						
General government	2,844,466	-	-	-	543,637	3,388,103
Public safety	5,525,606	-	99,816	3,335,425	-	8,960,847
Solid waste	774,206	-	-	-	-	774,206
Road and streets	438,505	-	-	-	-	438,505
Parks and recreation	374,765	-	-	-	-	374,765
Tourism development	-	3,251,469	-	-	-	3,251,469
Capital outlay	1,359	-	-	69,488	-	70,847
Total expenditures	<u>9,958,907</u>	<u>3,251,469</u>	<u>99,816</u>	<u>3,404,913</u>	<u>543,637</u>	<u>17,258,742</u>
Excess (deficiency) of revenues over expenditures	<u>799,518</u>	<u>(475,689)</u>	<u>1,081,387</u>	<u>(2,849,292)</u>	<u>259,741</u>	<u>(1,184,335)</u>
Other financing sources (uses):						
Bonds issued	350,000	-	-	-	-	350,000
Transfers in	120,000	-	-	-	-	120,000
Transfers out	-	(30,000)	-	-	(30,000)	(60,000)
Total other financing sources (uses)	<u>470,000</u>	<u>(30,000)</u>	<u>-</u>	<u>-</u>	<u>(30,000)</u>	<u>410,000</u>
Net change in fund balances	1,269,518	(505,689)	1,081,387	(2,849,292)	229,741	(774,335)
Fund balances, beginning, as previously reported	9,729,485	3,113,334	70,344	2,884,709	122,515	15,920,387
Prior period adjustment (Note 14)	(420,106)	-	-	-	-	(420,106)
Fund balances, beginning, as restated	<u>9,309,379</u>	<u>3,113,334</u>	<u>70,344</u>	<u>2,884,709</u>	<u>122,515</u>	<u>15,500,281</u>
Fund balances, ending	<u>\$ 10,578,897</u>	<u>\$ 2,607,645</u>	<u>\$ 1,151,731</u>	<u>\$ 35,417</u>	<u>\$ 352,256</u>	<u>\$ 14,725,946</u>

The accompanying notes are an integral part of these 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, 2012

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) \$ (774,335)

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	\$ 70,847	
Depreciation expense	<u>(540,275)</u>	(469,428)

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	\$ 245,032	
Net pension obligation - excess benefit plan	(104,603)	
Compensated absences	56,413	
Other post employment benefits	<u>(152,040)</u>	44,802

The issuance of long-term debt (e.g., bonds, loans and capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

The details of the difference is as follows:

Revenue bonds issued	<u>(350,000)</u>	<u>(350,000)</u>
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Change in net assets of governmental activities (Page 14) \$ (1,548,961)

The accompanying notes are an integral part of these financial statements.

BAL HARBOUR VILLAGE, FLORIDA

STATEMENT OF NET ASSETS
PROPRIETARY FUND
SEPTEMBER 30, 2012

	<u>Water & Sewer</u>
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 3,332,117
Investments	60,124
Receivables, net	<u>538,180</u>
Total current assets	3,930,421
Restricted assets:	
Cash with fiscal agent	9,653,330
Restricted for customer deposits	113,777
Noncurrent assets:	
Due from other government	1,928,085
Capital assets not being depreciated	1,660,527
Capital assets being depreciated, net	<u>3,973,804</u>
Total assets	<u>21,259,944</u>
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable and accrued liabilities	1,517,057
Due to other funds	2,291,217
Customer deposits	113,777
Revenue bonds payable	623,166
Compensated absences	<u>5,264</u>
Total current liabilities	4,550,481
Non-current liabilities:	
Revenue bonds payable	8,416,558
Compensated absences	<u>4,229</u>
Total non-current liabilities	<u>8,420,787</u>
Total liabilities	<u>12,971,268</u>
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	5,634,331
Unrestricted	<u>2,654,345</u>
Total net assets	<u>\$ 8,288,676</u>

The accompanying notes are an integral part of these financial statements.

BAL HARBOUR VILLAGE, FLORIDA

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	<u>Water & Sewer</u>
Operating revenues:	
Charges for sales and services:	
Water sales	\$ 1,872,641
Sewer sales	1,636,913
Tap fees	2,250
Fines and penalties	<u>145,670</u>
Total operating revenues	<u>3,657,474</u>
Operating expenses:	
Personal services	125,467
Water purchases	776,200
Wastewater treatment charges	638,707
Materials, supplies and administration	1,535,169
Depreciation	<u>197,609</u>
Total operating expenses	<u>3,273,152</u>
Operating income	<u>384,322</u>
Non-operating revenues (expenses):	
Interest income	48,636
Interest expense	<u>(236,064)</u>
Total non-operating revenues (expenses):	<u>(187,428)</u>
Income before transfers	196,894
Transfers out	<u>(60,000)</u>
Change in net assets	136,894
Net assets, beginning	<u>8,151,782</u>
Net assets, ending	<u><u>\$ 8,288,676</u></u>

The accompanying notes are an integral part of these financial statements.

BAL HARBOUR VILLAGE, FLORIDA

STATEMENT OF CASH FLOWS PROPRIETARY FUND

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Water & <u>Sewer</u>
Cash flows from operating activities:	
Receipts from customers and users	\$ 3,612,143
Payments to suppliers	(906,752)
Payments to employees	(125,527)
Net cash provided by operating activities	<u>2,579,864</u>
Cash flows from non-capital financing activities:	
Transfer to other funds	<u>(60,000)</u>
Cash flows from capital and related financing activities:	
Bond issuance	9,650,000
Payment of bond principal	(610,276)
Purchase and construction of capital assets	(1,886,553)
Interest paid on capital debt	(236,064)
Net cash provided by capital and related financing activities	<u>6,917,107</u>
Cash flows from investing activities:	
Interest received	<u>46,778</u>
Net cash provided by investing activities	<u>46,778</u>
Net increase in cash and cash equivalents	9,483,749
Cash and cash equivalents, beginning	<u>3,615,475</u>
Cash and cash equivalents, ending	<u>\$ 13,099,224</u>
Cash and cash equivalents per statement of net assets:	
Unrestricted	\$ 3,332,117
Restricted	<u>9,767,107</u>
	<u>\$ 13,099,224</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 384,322
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	197,609
Changes in operating assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	(47,156)
Increase (decrease) in:	
Accounts payable and accrued liabilities	(247,893)
Due to other funds	2,291,217
Compensated absences	(60)
Customer deposits	1,825
Total adjustments	<u>2,195,542</u>
Net cash provided by operating activities	<u>\$ 2,579,864</u>

The accompanying notes are an integral part of these financial statements.

BAL HARBOUR VILLAGE, FLORIDA

STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS

SEPTEMBER 30, 2012

	Pension Trust <u>Funds</u>	Agency <u>Fund</u>
<u>ASSETS</u>		
Cash	\$ 3,029	\$ 19,123
Investments, at fair value		
Money market mutual funds	1,217,333	-
Stock mutual funds	4,949,606	-
Bond mutual funds	2,952,578	-
U.S. Government obligations	2,027,192	-
Corporate bonds	2,772,621	-
Common stock	8,730,244	-
Total investments	<u>22,649,574</u>	<u>-</u>
Accrued interest receivable	38,947	-
Contributions receivable	48,555	-
Prepaid expense	3,486	-
Total assets	<u>22,743,591</u>	<u>19,123</u>
<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable	40,570	-
DROP payable	1,014,124	-
Other liabilities	-	19,123
Total liabilities	<u>1,054,694</u>	<u>19,123</u>
Net assets held in trust for pension benefits	<u>\$ 21,688,897</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

BAL HARBOUR VILLAGE, FLORIDA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS PENSION TRUST FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

ADDITIONS

Contributions:

Village	\$ 1,559,965
Employees	279,629
Other Village contributions	52,191
State	<u>39,186</u>
Total contributions	<u>1,930,971</u>

Investment income:

Interest and dividends	359,627
Net appreciation in the fair value of investments	<u>3,194,150</u>
	3,553,777
Less investment expenses	<u>109,158</u>
Net investment income	<u>3,444,619</u>
Total additions	<u>5,375,590</u>

DEDUCTIONS

Benefits paid	1,490,265
Administrative expenses	109,903
Refunds of contributions	<u>12,738</u>
Total deductions	<u>1,612,906</u>

Net increase in net assets 3,762,684

Net assets held in trust for pension benefits:

Beginning of year	<u>17,926,213</u>
End of year	<u>\$ 21,688,897</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

BAL HARBOUR VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

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. In October 2012, the Village was suspended from this program. See further details in Note 11.

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 property owners residing in the special district maintaining the security and common areas 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. Unspent proceeds of the Village’s Series 2011 \$10 million bond issue are restricted as to use and therefore are recorded 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. The face amount of debt issued is reported as other financing sources.

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* in FY 2011. 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 have the same authority) 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.

During fiscal year 2012, 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.

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 2012 millage rate assessed by the Village was 2.4468 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, 2012.

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, 2012, the fair value factor for Fund B was \$0.9490 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, 2012, the Village had the following investments:

	Balance at September 30, <u>2012</u>	Ending NAV <u>Balance</u>	Unrealized <u>Loss</u>	Average <u>Maturities</u>
Florida PRIME	\$ 10,948,657	\$ 10,948,657	\$ -	39 days
Fund B	<u>201,367</u>	<u>191,091</u>	<u>(10,276)</u>	4.08 years
	<u>\$ 11,150,025</u>	<u>\$ 11,139,749</u>	<u>\$ (10,276)</u>	

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, 2012, was 39 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, 2012, was estimated to be 4.08 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, 2012, 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, 2012.

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, 2012, the Bal Harbour Village General Employees Pension Trust Fund had the following fixed income investments and maturities:

Maturity Risk

	<u>Fair Value</u>	<u>Less Than 1 Year</u>
Bond mutual funds	\$ 2,952,578	\$ 2,952,578
Money market mutual funds	421,156	421,156
	<u>\$ 3,373,734</u>	<u>\$ 3,373,734</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, 2012, 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, 2012, the plan had the following fixed income investments and maturities:

	Fair Value	Investment Maturities (In Years)			More Than 10
		Less Than 1	1-5	6-10	
U.S. treasuries	\$ 909,119	\$ 10,054	\$ 621,948	\$ 277,117	\$ --
U.S. agencies	1,118,073	225,200	671,466	205,223	16,184
Corporate bonds	2,772,621	65,869	1,545,547	1,161,205	--
	<u>\$ 4,799,813</u>	<u>\$ 301,123</u>	<u>\$ 2,838,961</u>	<u>\$ 1,643,545</u>	<u>\$ 16,184</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.

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, 2012, 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 advisor, 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 <u>Fund</u>	Tourism <u>Fund</u>	Water and Sewer <u>Fund</u>	Fiduciary <u>Funds</u>	<u>Total</u>
Receivables:					
Taxes and assessments	\$ 190,348	\$ 14,875	\$ -	\$ -	\$ 205,223
Accounts, net	-	112,092	538,180	48,555	698,827
Interest and other	<u>4,756</u>	<u>-</u>	<u>-</u>	<u>38,947</u>	<u>43,703</u>
Gross receivables	195,104	126,967	538,180	87,502	947,753
Less allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net total receivables	<u>\$ 195,104</u>	<u>\$ 126,967</u>	<u>\$ 538,180</u>	<u>\$ 87,502</u>	<u>\$ 947,753</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 \$1,928,085 to be paid by the Town of Surfside. The Village expects to receive this in full prior to September 30, 2013.

NOTE 6. CAPITAL ASSETS

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

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decrease</u>	Ending <u>Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 277,426	\$ -	\$ -	\$ 277,426
Infrastructure	1,350,459	-	-	1,350,459
Work in progress	<u>63,913</u>	<u>41,059</u>	<u>-</u>	<u>104,972</u>
Total capital assets not being depreciated	<u>1,691,798</u>	<u>41,059</u>	<u>-</u>	<u>1,732,857</u>
Capital assets being depreciated:				
Buildings	3,295,034	-	-	3,295,034
Improvements other than buildings	10,421,884	-	-	10,421,884
Furniture, fixtures and equipment	4,105,182	29,788	-	4,134,970
Infrastructure	<u>427,615</u>	<u>-</u>	<u>-</u>	<u>427,615</u>
Total capital assets being depreciated	<u>18,249,715</u>	<u>29,788</u>	<u>-</u>	<u>18,279,503</u>

BAL HARBOUR VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 6. CAPITAL ASSETS (Continued)

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decrease</u>	Ending <u>Balance</u>
Less accumulated depreciation for:				
Buildings	(1,860,571)	(108,615)	-	(1,969,186)
Improvements other than buildings	(3,495,338)	(189,657)	-	(3,684,995)
Furniture, fixtures and equipment	(3,597,695)	(214,309)	-	(3,812,004)
Infrastructure	(177,434)	(27,694)	-	(205,128)
Total accumulated depreciation	<u>(9,131,038)</u>	<u>(540,275)</u>	-	<u>(9,671,313)</u>
Total capital assets not being depreciated, net	9,118,677	(510,487)	-	8,608,190
Governmental activities capital assets, net	<u>\$ 10,810,475</u>	<u>\$ (469,428)</u>	<u>\$ -</u>	<u>\$ 10,341,047</u>
 Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 7,000	\$ -	\$ -	\$ 7,000
Work in progress	<u>2,829,234</u>	<u>636,268</u>	<u>(1,811,975)</u>	<u>1,653,527</u>
Total capital assets not being depreciated	<u>2,836,234</u>	<u>636,268</u>	<u>(1,811,975)</u>	<u>1,660,527</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>2,731,812</u>	-	<u>5,089,933</u>
Total capital assets being depreciated	<u>3,533,962</u>	<u>2,731,812</u>	-	<u>6,265,774</u>
 Less accumulated depreciation for:				
Building	(18,711)	-	-	(18,711)
Furniture, fixtures and equipment	(610,292)	(28,182)	-	(638,474)
Water/sewer system	<u>(1,465,358)</u>	<u>(169,427)</u>	-	<u>(1,634,785)</u>
Total accumulated depreciation	<u>(2,094,361)</u>	<u>(197,609)</u>	-	<u>(2,291,970)</u>
Total capital assets not being depreciated, net	<u>1,439,601</u>	<u>2,534,203</u>	-	<u>3,973,804</u>
Business-type activities capital assets, net	<u>\$ 4,275,835</u>	<u>\$ 3,170,471</u>	<u>\$ (1,811,975)</u>	<u>\$ 5,634,331</u>

Depreciation expense for the fiscal year ended September 30, 2012, was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 256,487
Public safety	171,431
Solid waste	7,404
Roads and streets	39,661
Tourism development	<u>65,292</u>
Total depreciation expense, governmental activities	<u>\$ 540,275</u>
 Business-type activities:	
Water and sewer	<u>\$ 197,609</u>
Total depreciation expense, business-type activities	<u>\$ 197,609</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, 2012; 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	\$ -	\$ 30,000	\$ 30,000	\$ 60,000	\$ 120,000

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

On October 18, 2011, the Village issued the Capital Improvement Revenue Bonds, Series 2011 Bonds (Bonds). 96.5% of this debt was allocated to the water and sewer fund and 3.5% was allocated to the general fund. The Bonds shall bear interest on the outstanding principal balance from their date of issuance payable semiannually on each March 31, September 30 (the Interest Payment Dates), commencing March 31, 2012, at an interest rate equal to 63% of the 10-Year H-15 Swap Index, plus 1.05% (the Fixed Rate). As used herein, "10-Year H-15 Swap Index" means the most recent rate designated as the 10-year interest rate swap rate under the H.15 Selected Interest Rates published by the Federal Reserve. The interest rate as of September 30, 2012 on the Bonds was 2.4995%.

The Village pledged, assigned and granted a security interest in the Local Government Half-Cent Sales Tax Revenues, the Municipal Revenue Sharing Revenues and the Alcoholic Beverage License Tax Revenues in order to secure the principal of and interest on the Bonds. To the extent these revenues are insufficient to pay principal of and interest on the Bonds when due, the Village agrees to appropriate in its annual budget, if necessary, Non-Ad Valorem Revenues lawfully available in each fiscal year, amounts sufficient to pay the principal and interest due on the Bonds in accordance with their terms during such fiscal year.

BAL HARBOUR VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 8. LONG-TERM DEBT

Total pledged revenues to repay the principal and interest of those bonds as of September 30, 2012 are as follows:

	<u>Revenue Bonds</u>
Current revenue pledged	\$570,533
Current debt service	\$623,166
Total future revenue pledged	\$11,201,518
Bal Harbour Village, Florida Capital Improvement Revenue Bonds, Series 2011	
Description of debt	Series 2011 revenue bonds to fund water and sewer projects
Purpose of debt	2011-2026
Term of commitment	109%
Percentage of debt service to pledged revenue (current year)	

The bonds outstanding at September 30, 2012 consist of the following:

		<u>Amount Issued</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Maximum Annual Debt Service</u>
Revenue bonds:					
Series 2011	Capital Improvement	\$ 10,000,000	\$ 9,389,724	2.50%	\$ 1,470,501
		\$ 10,000,000	\$ 9,389,724		

Long-term liabilities activity for the fiscal year ended September 30, 2012 for governmental and business-type activities was the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Revenue bonds	\$ -	\$ 350,000	\$ -	\$ 350,000	\$ -
Compensated absences	589,832	13,262	(69,675)	533,419	219,550
Total governmental activities, long-term liabilities	\$ 589,832	\$ 363,262	\$ (69,675)	\$ 883,419	\$ 219,550
Business-type activities:					
Revenue bonds	\$ -	\$ 9,650,000	\$ (610,276)	\$ 9,039,724	\$ 623,166
Compensated absences	9,553	-	(59)	9,494	5,264
Total business-type activities, long-term liabilities	\$ 9,553	\$ 9,650,000	\$ (610,335)	\$ 9,049,218	\$ 628,430

BAL HARBOUR VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 8. LONG-TERM DEBT (Continued)

The following is the summary of annual debt service requirements:

Fiscal Year Ended <u>September 30,</u>	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 623,166	\$ 234,696
2014	625,625	219,252
2015	633,443	203,614
2016	641,360	187,781
2017	649,375	171,751
2018-2022	3,370,657	611,190
2023-2026	<u>2,846,098</u>	<u>183,510</u>
	<u>\$9,389,724</u>	<u>\$1,811,794</u>

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 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.

BAL HARBOUR VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 9. EMPLOYEE RETIREMENT PLANS (Continued)

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.

As of September 30, 2012, 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.

Plan membership consisted of the following at October 1, 2011, the latest actuarial valuation date for the defined benefit plans, and at September 30, 2012, 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	<u>23</u>	<u>17</u>	<u>-</u>
Current employees:			
Vested	26	7	1
Non-vested	<u>-</u>	<u>13</u>	<u>-</u>
Total	<u>26</u>	<u>20</u>	<u>1</u>

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 VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 9. EMPLOYEE RETIREMENT PLANS (Continued)

2. Plan Descriptions (Continued)

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.

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.

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)

Funding Policy (Continued)

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, 2012, there was 7 members who was enrolled under the DROP. The total liability for the members DROP account as of September 30, 2012 was \$354,612. 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, 2012.

STATEMENT OF FIDUCIARY NET ASSETS

ASSETS

Investments:

Cash and money market mutual funds	\$ 424,185
Stock mutual funds	4,949,606
Bond mutual funds	2,952,578
Prepaid expenses	3,486
Total assets	<u>8,329,855</u>

LIABILITIES

Accounts payable	<u>4,782</u>
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NET ASSETS

Net assets held in trust for pension benefits	<u>\$ 8,325,073</u>
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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 CHANGES IN FIDUCIARY NET ASSETS

ADDITIONS	
Employee contributions	\$ 86,283
Village contributions	432,342
Total contributions	<u>518,625</u>
Investment earnings:	
Interest and dividends	139,463
Net appreciation in the fair value of investments	<u>1,120,059</u>
	1,259,522
Less investment expenses	<u>32,818</u>
Net investments income	<u>1,226,704</u>
Total additions	<u>1,745,329</u>
DEDUCTIONS	
Benefits paid	534,543
Administrative expenses	<u>34,735</u>
Total deductions	<u>569,278</u>
Change in net assets	1,176,051
Net assets held in trust for pension benefits:	
Beginning of year	<u>7,149,022</u>
End of year	<u>\$ 8,325,073</u>

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:

- Age 55 with 10 years of service or
- Age 52 with 25 years of service or
- Age 57 regardless of years of service or
- 20 years of service regardless of age

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 (Continued)

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, 2012, the employer required contribution was 61.2% (59.1% excluding 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 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.

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 (Continued)

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 \$1,417,520 in the government-wide financial statements that represents the net pension obligation of the Plan as of September 30, 2012. 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, 2012, 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, 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)
October 1, 2011	\$ 7,613,990	\$ 10,674,098	\$ 3,060,108	71.3%	\$ 1,203,183	254.3%

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, 2011
Contribution rates:	
Employer	38.35%
Plan Members	8.0%
Actuarial cost method	Entry age normal
Amortization method	Closed, level % of pay
Equivalent single amortization period	19.65 years
	5-year smoothed market as per Internal Revenue Procedure
Asset valuation method	2000-40
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 0% in accordance with Ch.
Payroll growth assumption	112.64(5)(a), Florida Statutes

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, 2011, the most recent actuarial valuation date prior to FYE September 30, 2012, 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, 2011	\$ 11,356,851	\$ 20,223,214	\$ 8,866,363	56.2%	\$ 1,995,357	444.4%

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, 2011
Contribution rates:	
Employer and State	61.2%
Plan Members	10.0%
Actuarial cost method	Entry age normal
Amortization method	Level percent of pay, closed
Remaining amortization period	23 years
Asset valuation method	5 year smooth
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases	7.0%
Post retirement COLA	2.5%

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, 2012, 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, 2012	\$ -	\$ 1,417,521	\$ 1,417,521	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, 2012.

Additional information as of the latest actuarial valuation follows:

Reporting Year	2012
Actuarial valuation date	September 30, 2012
Annual Pension Cost	\$104,603
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	\$ 361,228	\$ 1,018,934	\$ 52,086	\$ 1,432,248
Interest on net pension obligation	(20,851)	(34,060)	52,517	(2,394)
Adjustment to annual required contributions	<u>(25,111)</u>	<u>29,758</u>	<u>-</u>	<u>4,647</u>
Annual pension cost	365,488	1,014,632	104,603	1,484,723
Contributions made	<u>432,342</u>	<u>1,192,810</u>	<u>-</u>	<u>1,625,152</u>
Increase (decrease) in net pension obligation (asset)	(66,854)	(178,178)	104,603	(140,429)
Net pension obligation (asset), beginning of year	<u>(281,008)</u>	<u>(425,755)</u>	<u>1,312,917</u>	<u>606,154</u>
Net pension obligation (asset), end of year	<u>\$ (347,862)</u>	<u>\$ (603,933)</u>	<u>\$ 1,417,520</u>	<u>\$ 465,725</u>

Bal Harbour Employee Pension Trust

The annual pension cost for the current year was \$365,488, determined as part of the October 1, 2011, 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>Amount</u> <u>Contributed</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Asset</u>
9/30/2010	\$ 406,610	\$ 411,780	101%	\$ (282,337)
9/30/2011	456,615	455,286	100%	(281,008)
9/30/2012	365,488	432,342	118%	(347,862)

Bal Harbour Police Officer's Pension Trust

The annual pension cost for the current year was \$1,014,632, determined as part of the updated October 1, 2011, 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>Net Pension Asset</u>
	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	
9/30/2010	\$ 1,239,886	102%	\$ (421,495)
9/30/2011	1,384,517	100%	(425,755)
9/30/2012	1,014,632	118%	(603,933)

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 \$104,603, determined as of the September 30, 2012 actuarial valuation using the entry age normal cost method.

<u>Fiscal Year Ending</u>	<u>Three-Year Trend Information</u>		<u>Net Pension Obligation</u>
	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>	
9/30/2010	\$ 116,793	N/A	\$1,200,727
9/30/2011	112,190	N/A	1,312,917
9/30/2012	104,603	N/A	1,417,521

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

BAL HARBOUR VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 10. OTHER POST EMPLOYMENT BENEFITS (Continued)

Plan Description (Continued)

benefits provided under this defined benefit plan are provided for a retiree's lifetime (or until 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 2012, 4 retirees received other postemployment benefits (including 3 retirees covered under Village's health plan). The Village provided required contributions of \$88,826 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)	\$ 239,506
Interest on Net OPEB Obligation (NOO)	15,548
Adjustment to Annual Required Contribution (ARC)	<u>(14,188)</u>
Annual OPEB Cost	240,866
Employer Contributions Made	<u>88,826</u>
Increase in Net OPEB Obligation	152,040
Net OPEB Obligation, beginning of year	<u>310,965</u>
Net OPEB Obligation, end of year	<u>\$ 463,005</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:

Three-Year 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
9/30/2012	240,866	37%	463,005

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 approximately 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 (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

Department of Justice

On October 20, 2012, the U.S. Department of Justice (USDOJ) concluded an audit of the Village's participation in the USDOJ Equitable Sharing Program. The program provides for an agreement between the Village and the USDOJ regarding the sharing of forfeited property and proceeds resulting from the investigation and prosecution of crimes that result in a federal forfeiture. The USDOJ audit confirmed a previous finding during the Village's external auditor's federal single audit of the program. The findings questioned certain salary and salary-related expenditures, along with some minor incidental expenditures, that were found by USDOJ to be ineligible under the program. These questioned costs were not repeated in FY2012. Further, the USDOJ took issue with the operation of the task force that was primarily responsible for criminal cases that led to the awards. The Village was a leading member of that task force. The USDOJ has terminated the Village's participation in the program and the Village returned the unspent funds to the USDOJ in fiscal year 2013. The USDOJ identified an amount slightly more than \$700 thousand of ineligible expenses that may need to be returned. Independent counsel brought in to negotiate with USDOJ believes that the range of ultimate liability to the Village will be between \$0 and \$813,000. The participants are disbanding the task force. Once disbanded, the Village's portion of task forces assets, estimated to be 50% of all assets, will be given to the Village and restricted to use.

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.

BAL HARBOUR VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 11. COMMITMENTS AND CONTINGENCIES (Continued)

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.

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.

BAL HARBOUR VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 13. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

General Fund

Finance and Administration expenses were \$13,923 (3.7%) greater than the budget, almost entirely due to operating expenses and professional fees. Public Safety expenses were \$387,372 (7.5%) greater than expected due mostly to higher than expected personnel costs that resulted from eliminating ineligible personnel costs from the federal forfeiture fund and including them back into the General Fund. Solid waste and open space expenses were \$142,524 (22.6%) greater than expected due mostly to higher than expected personnel cost and waste disposal costs. These expenditures were funded by available contingency funds in the general fund and overall expenditures in the General Fund were \$1,029,341 less than anticipated.

NOTE 14. PRIOR PERIOD ADJUSTMENT

During the year, the Village made a prior period adjustment and restated its government-wide beginning Net Assets and General Fund beginning fund balance by \$420,106. This adjustment was made because in prior periods, amounts received from red light camera violation fines included a component that was for a share of money owed to the State of Florida. The Village is involved in litigation regarding its ability to levy and collect some of this fine. The Village had set aside reserves to cover the possibility of ultimately refunding all or part of this money. However, in recording the fines as revenue, an amount to record the potential liability payable to the State of Florida was not recorded. This overstated revenues in prior periods, however, not by a material amount. The liability was liquidated subsequent to fiscal year end.

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

BAL HARBOUR VILLAGE, FLORIDA

BUDGETARY COMPARISON SCHEDULE GENERAL FUND

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Original and Final <u>Budget</u>	Actual <u>Amounts</u>	Variance with Final Budget - Positive <u>(Negative)</u>
Revenues:			
Taxes:			
Property	\$ 5,467,245	\$ 5,801,487	\$ 334,242
Other local taxes	1,448,227	1,745,365	297,138
Licenses and permits	683,661	934,557	250,896
Intergovernmental	615,333	780,491	165,158
Charges for services	757,841	759,772	1,931
Fines and forfeitures	743,441	507,366	(236,075)
Developer contribution	-	93,544	93,544
Investment earnings	52,000	48,525	(3,475)
Miscellaneous	<u>1,100,500</u>	<u>87,318</u>	<u>(1,013,182)</u>
Total revenues	<u>10,868,248</u>	<u>10,758,425</u>	<u>(109,823)</u>
Expenditures:			
Current:			
General government:			
Legislative	380,978	360,684	20,294
Executive	698,990	657,586	41,404
Finance and administration	371,340	385,263	(13,923)
General government	1,668,650	1,075,141	593,509
Building department	<u>387,586</u>	<u>365,792</u>	<u>21,794</u>
Total general government	<u>3,507,544</u>	<u>2,844,466</u>	<u>663,078</u>
Public safety	5,138,234	5,525,606	(387,372)
Solid waste and open space	631,682	774,206	(142,524)
Roads and streets	1,328,696	438,505	890,191
Parks and recreation	382,092	374,765	7,327
Capital Outlay	<u>-</u>	<u>1,359</u>	<u>(1,359)</u>
Total expenditures	<u>10,988,248</u>	<u>9,958,907</u>	<u>1,029,341</u>
Excess (deficiency) of revenues over expenditures	<u>(120,000)</u>	<u>799,518</u>	<u>919,518</u>
Other financing sources:			
Bonds issued	350,000	350,000	-
Transfers in	<u>120,000</u>	<u>120,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,269,518</u>	<u>\$ 919,518</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, 2012

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Tourism tax	\$ 2,113,588	\$ 2,118,487	\$ 4,899
Developer contribution	893,950	640,186	(253,764)
Miscellaneous	349,331	-	(349,331)
Investment earnings	6,000	17,107	11,107
Total revenues	<u>3,362,869</u>	<u>2,775,780</u>	<u>(587,089)</u>
Expenditures:			
Tourism development	<u>3,332,869</u>	<u>3,251,469</u>	<u>81,400</u>
Excess (deficiency) of revenues over expenditures	<u>30,000</u>	<u>(475,689)</u>	<u>(505,689)</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>\$ (505,689)</u>	<u>\$ (505,689)</u>

See notes to budgetary comparison schedules.

BAL HARBOUR VILLAGE, FLORIDA

NOTE TO BUDGETARY COMPARISON SCHEDULES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

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

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, 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%
October 1, 2011	7,613,990	10,674,098	3,060,108	71.3%	1,203,183	254.3%

BAL HARBOUR POLICE OFFICERS' PENSION TRUST

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%
October 1, 2011	11,356,851	20,223,214	8,866,363	56.2%	1,995,357	444.4%

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
September 30, 2012	-	1,417,521	1,417,521	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>
2007	\$ 262,373 *	100%
2008	395,630	168%
2009	399,375	100%
2010	411,780	100%
2011	455,286	100%
2012	361,228	120%

*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>
2007	\$ 595,577	100%
2008	857,816	100%
2009	908,778	100%
2010	1,270,400	101%
2011	1,449,596	100%
2012	979,748	119%

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.

**COMBINING FUND FINANCIAL
STATEMENTS AND SCHEDULE**

BAL HARBOUR VILLAGE, FLORIDA

BUDGETARY COMPARISON SCHEDULE SECURITY DISTRICT FUND

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Special assessments	\$ 240,839	\$ 775,357	\$534,518
Charges for services	2,000	10,660	8,660
Investment earnings	4,500	-	(4,500)
Miscellaneous	<u>43,656</u>	<u>17,362</u>	<u>(26,294)</u>
Total revenues	290,995	803,379	512,384
Expenditures:			
General government	<u>260,995</u>	<u>543,637</u>	<u>(282,642)</u>
Excess of revenues over expenditures	<u>30,000</u>	<u>259,742</u>	<u>229,742</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>\$ 229,742</u>	<u>\$229,742</u>

BAL HARBOUR VILLAGE, FLORIDA

COMBINING STATEMENT OF FIDUCIARY NET ASSETS PENSION TRUST FUNDS

SEPTEMBER 30, 2012

	General Employees <u>Pension</u>	Police Officers <u>Pension</u>	<u>Totals</u>
<u>ASSETS</u>			
Cash	\$ 3,029	\$ -	\$ 3,029
Investments, at fair value:			
Money market mutual funds	421,156	796,177	1,217,333
Stock mutual funds	4,949,606	-	4,949,606
Bond mutual funds	2,952,578	-	2,952,578
U.S. Government obligations	-	2,027,192	2,027,192
Corporate bonds	-	2,772,621	2,772,621
Common stock	-	8,730,244	8,730,244
Total investments	<u>8,323,340</u>	<u>14,326,234</u>	<u>22,649,574</u>
Accrued interest receivable	-	38,947	38,947
Contributions receivable	-	48,555	48,555
Prepaid expenses	<u>3,486</u>	-	<u>3,486</u>
Total assets	<u>8,329,855</u>	<u>14,413,736</u>	<u>22,743,591</u>
<u>LIABILITIES AND NET ASSETS</u>			
Accounts payable	4,782	35,788	40,570
DROP payable	-	1,014,124	1,014,124
Other liabilities	-	-	-
Total liabilities	<u>4,782</u>	<u>1,049,912</u>	<u>1,054,694</u>
Net assets held in trust for pension benefits	<u>\$8,325,073</u>	<u>\$13,363,824</u>	<u>\$21,688,897</u>

BAL HARBOUR VILLAGE, FLORIDA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS PENSION TRUST FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	General Employees <u>Pension</u>	Police Officers <u>Pension</u>	<u>Totals</u>
ADDITIONS			
Contributions:			
Village	\$ 432,342	\$ 1,127,623	\$ 1,559,965
Employees	86,283	193,346	279,629
Other Village contributions	-	52,191	52,191
State	-	39,186	39,186
Total contributions	<u>518,625</u>	<u>1,412,346</u>	<u>1,930,971</u>
Investment income:			
Interest and dividends	139,463	220,164	359,627
Net appreciation in the fair value of investments	<u>1,120,059</u>	<u>2,074,091</u>	<u>3,194,150</u>
	1,259,522	2,294,255	3,553,777
Less investment expenses	<u>32,818</u>	<u>76,340</u>	<u>109,158</u>
Net investment income	<u>1,226,704</u>	<u>2,217,915</u>	<u>3,444,619</u>
Total additions	<u>1,745,329</u>	<u>3,630,261</u>	<u>5,375,590</u>
DEDUCTIONS			
Benefits paid	534,543	955,722	1,490,265
Administrative expenses	34,735	75,168	109,903
Refunds of contributions	-	12,738	12,738
Total deductions	<u>569,278</u>	<u>1,043,628</u>	<u>1,612,906</u>
Net increase in net assets	1,176,051	2,586,633	3,762,684
Net assets held in trust for pension benefits:			
Beginning of year	<u>7,149,022</u>	<u>10,777,191</u>	<u>17,926,213</u>
End of year	<u>\$8,325,073</u>	<u>\$13,363,824</u>	<u>\$21,688,897</u>

BAL HARBOUR VILLAGE, FLORIDA

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES PENDING FORFEITURES AGENCY FUND

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Balance October 1, <u>2011</u>	<u>Additions</u>	<u>Reductions</u>	Balance September 30, <u>2012</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>	69-73
Revenue Capacity <i>These schedules contain information to help the reader assess the Village's most significant local revenue source, the property tax.</i>	74-79
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>	80-83
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>	84-85
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>	86-87

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>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>	<u>2012</u>
Government activities:										
Invested in capital assets, net of related debt	\$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	\$10,341,047
Restricted	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	4,147,049
Unrestricted	<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>	<u>8,766,748</u>
Total governmental activities net assets	<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>	<u>\$23,254,844</u>
Business-type activities:										
Invested in capital assets, net of related debt	\$ 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	\$ 6,243,708
Unrestricted	<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>	<u>2,044,968</u>
Total business-type activities net assets	<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>	<u>\$ 8,288,676</u>
Primary government:										
Invested in capital assets, net of related debt	\$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	\$16,584,755
Restricted	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	4,147,049
Unrestricted	<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>	<u>10,811,716</u>
Total primary government net assets	<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>	<u>\$31,543,520</u>

BAL HARBOUR VILLAGE, FLORIDA

Table 2

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

	<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>	<u>2012</u>
Expenses:										
Governmental activities:										
General government	\$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	\$3,844,820
Public safety	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	8,887,246
Community services	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	1,634,541
Tourism development	<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>	<u>3,316,761</u>
Total government activities expenses	<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>	<u>17,683,368</u>
Business-type activities:										
Water and sewer	<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>	<u>3,509,216</u>
Total business-type activities	<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>	<u>3,509,216</u>
Total primary government expenses	<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>	<u>21,192,584</u>
Program revenues:										
Government activities:										
Charges for services:										
General government	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	2,480,346
Public safety	116,289	1,491,913	2,087	921,937	705,182	933,440	3,656,805	705,555	983,943	1,709,421
Community services	-	3,944	3,925	-	-	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-	-	-	-	-	534,769
Capital grants and contributions	<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>	<u>120,623</u>
Total governmental activities and program revenues	<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>	<u>4,845,159</u>
Business-type activities:										
Charges for services										
Water and sewer	<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>	<u>3,657,474</u>
Total business-type activities program revenues	<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>	<u>3,657,474</u>
Total primary government program revenues	<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>	<u>8,502,633</u>

(Continued)

BAL HARBOUR VILLAGE, FLORIDA

Table 2

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

	<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>	<u>2012</u>
Net (expense) revenue:										
Business type activities	30,230	595,404	(306,730)	17,041	(110,061)	157,687	240,175	792,686	1,241,749	148,258
Total primary government net expense	<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>	<u>148,258</u>
General revenues and other changes in net assets:										
Governmental activities										
Taxes:										
Ad-valorem taxes	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	5,801,487
Franchise fees based on gross receipts and utility taxes	1,325,533	1,454,885	1,425,667	1,467,269	1,519,205	1,255,883	1,270,011	1,209,905	1,319,539	1,745,365
Unrestricted intergovernmental revenue	378,670	287,991	267,568	331,003	333,724	554,727	616,943	282,772	301,734	659,868
Special assessments	-	390,235	365,504	210,303	232,166	212,513	-	-	-	-
Tourism tax	1,750,436	2,123,125	2,570,155	2,307,901	1,712,220	805,262	848,975	876,700	1,131,882	2,118,487
Unrestricted investment earnings	97,652	104,219	261,755	537,823	643,888	315,739	43,665	107,731	56,502	65,632
Miscellaneous	78,406	177,301	65,808	143,722	988,969	4,007,410	3,928,477	4,620,851	2,513,442	838,409
Transfers	30,000	60,000	60,000	-	-	60,000	60,000	60,000	60,000	60,000
Total governmental activities	<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>	<u>11,289,248</u>
Business-type activities										
Unrestricted investment earnings	60,944	52,866	89,698	139,063	177,096	66,157	3,715	37,229	18,393	48,636
Miscellaneous	-	-	-	-	3,441	-	-	-	-	-
Transfers	(30,000)	(60,000)	(60,000)	-	-	(60,000)	(60,000)	(60,000)	(60,000)	(60,000)
Total business-type activities	<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>	<u>(11,364)</u>
Total primary government	<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>	<u>11,277,884</u>
Change in net assets										
Governmental activities	(302,431)	1,192,458	523,682	112,289	163,275	2,173,280	1,087,251	(693,183)	1,643,494	(1,548,961)
Business-type activities	61,174	588,270	(277,032)	156,104	70,476	163,844	183,890	769,915	1,200,142	136,894
Total primary government	<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>	<u>\$ (1,412,067)</u>

BAL HARBOUR VILLAGE, FLORIDA

Table 3

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

	<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>	<u>2012</u>
General fund:										
Reserved	\$ 1,382,653	\$ 1,412,502	\$ 2,143,477	\$ 3,212,537	\$ 2,776,093	\$ 2,700,742	\$ 38,357	\$ 574	\$ -	\$ -
Unreserved	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	70,569
Assigned	-	-	-	-	-	-	-	-	1,268,500	2,350,075
Unassigned	-	-	-	-	-	-	-	-	8,400,416	8,158,253
Total general fund	<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>	<u>\$ 10,578,897</u>
All other government funds:										
Reserved, reported in:										
Law enforcement trust	\$ 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	1,495,416	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	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	4,147,049
Total all other governmental funds	<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>	<u>\$ 4,147,049</u>

BAL HARBOUR VILLAGE, FLORIDA

Table 4

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

	<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>	<u>2012</u>
Revenues:										
Ad valorem Taxes	\$ 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	\$ 5,801,487
Utility taxes and franchise fees	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	1,745,365
Licenses and permits	791,680	1,485,744	1,100,109	833,033	728,216	960,400	748,641	724,981	753,931	934,557
Special assessments	-	390,235	365,504	210,303	232,166	212,513	227,555	230,802	252,517	775,357
Intergovernmental	378,670	433,970	408,403	580,854	508,780	413,971	450,190	421,538	6,146,266	1,315,260
Charges for services	28,541	64,506	109,994	184,708	23,801	75,367	27,926	94,055	88,700	770,432
Tourist tax	1,750,436	2,123,125	2,570,155	2,307,901	1,712,220	805,262	848,975	876,700	1,131,882	2,118,487
Fines and forfeitures	268,395	1,619,151	496,306	921,937	534,387	750,151	3,510,922	1,905,226	952,229	1,680,847
Investment earnings	97,652	104,219	261,755	537,823	644,222	316,209	43,758	107,846	56,700	86,484
Developer contribution	-	-	-	-	615,550	3,927,870	3,853,352	4,199,068	2,134,501	733,730
Grants	19,134	-	-	-	-	-	-	113,794	21,206	-
Miscellaneous	<u>78,406</u>	<u>177,301</u>	<u>65,808</u>	<u>143,722</u>	<u>543,882</u>	<u>262,359</u>	<u>220,915</u>	<u>105,387</u>	<u>104,282</u>	<u>112,401</u>
Total revenues	<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>	<u>16,074,407</u>
Expenditures:										
General government	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	3,389,462
Public safety	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	8,960,847
Solid waste	632,847	659,828	699,886	819,910	1,213,386	1,185,033	1,177,483	985,904	965,682	774,206
Road and streets	488,726	454,304	331,042	524,835	496,152	478,889	603,397	608,143	491,071	438,505
Parks and recreation	-	179,618	245,912	378,590	483,017	326,092	393,414	364,497	354,706	374,765
Tourism development	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	3,251,469
Capital outlay	<u>586,712</u>	<u>151,791</u>	<u>113,913</u>	<u>86</u>	<u>284,927</u>	<u>350,258</u>	<u>505,242</u>	<u>1,082,444</u>	<u>404,719</u>	<u>69,488</u>
Total expenditures	<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>	<u>17,258,742</u>
Excess (deficiency) of revenue over expenditures	<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>	<u>(1,184,335)</u>
Other financing sources (uses):										
Bonds Issued	-	-	-	-	-	-	-	-	-	350,000
Transfers in	45,000	97,500	120,000	30,000	49,380	686,647	120,000	120,000	283,000	120,000
Transfers out	<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>	<u>(60,000)</u>
Total other financing sources (uses)	<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>	<u>410,000</u>
Net change in fund balance	<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>	<u>\$ (774,335)</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>
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
2012	2011	5,801,487	1,745,365	2,118,487	9,665,339

BAL HARBOUR VILLAGE, FLORIDA

Table 6

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>
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
2012	7,546,852	780,491	934,557	759,772	507,366	48,525	87,318	93,544	10,758,425

BAL HARBOUR VILLAGE, FLORIDA

Table 7

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

Calendar <u>Year</u>	Residential <u>Property</u>	Commercial <u>Property</u>	Personal <u>Property</u>	Other <u>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>
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%
2012	2,188,130,203	250,911,836	40,696,631	134,178,126	2,613,916,796	270,471,618	2,343,445,178	2.2678	89.65%

(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 2012			Fiscal Year 2003		
	Taxable Assessed	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed	Rank	Percentage of Total Taxable Assessed Value
	Value		Assessed Value	Value		Assessed Value
9701 Collins Avenue, LLC (1)/Sheraton	\$171,000,000	1	5.48%	\$ 64,411,155	2	4.72%
S F Whitman & D A Whitman	162,500,000	2	5.21%	87,655,075	1	6.42%
Bal Harbour Club, Inc.	47,766,224	3	1.53%	11,194,222	5	0.82%
Sea View Hotel, Inc.	33,150,315	4	1.06%	17,271,290	4	1.26%
Elcom Condo LLC	27,810,766	5	0.89%			
TRG Harbour House Ltd.	20,841,973	6	0.67%			
HH Condo Invest LLC	20,526,310	7	0.66%			
276 Bal Bay Dr. LLC	9,629,364	8	0.31%			
Bal Harbour Quarzo LLC	9,043,593	9	0.29%			
Bal Harbour Shops Tract A LLC	6,358,628	10	0.20%	9,780,238	7	0.72%
Sheraton Bal Harbour (1)	-		0.00%			
Harbo Limited Partnership	-		0.00%	46,045,900	3	3.37%
Pru-Shel Dev Partnership III	-		0.00%	9,854,256	6	0.72%
Infinaco Int'le Finanzananstalt	-		0.00%	5,878,467	8	0.43%
John Lang Looby	-		0.00%	3,155,707	9	0.23%
Orchid Overseas Corp.	-		0.00%	2,709,461	10	0.20%
Total	<u>\$508,627,173</u>		<u>16.31%</u>	<u>\$257,955,772</u>		<u>18.89%</u>

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

Note: Values for 2003 are estimates

Total taxable value for	2012	\$ 3,118,305,103
	2003	\$ 1,365,793,826 Imputed

BAL HARBOUR VILLAGE, FLORIDA

Table 9

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

Fiscal Year Ended September 30,	Taxes Levied for the Fiscal Year			Collected within the Fiscal Year of the Levy		Collection in Subsequent Year	Total Collections to Date	
	Gross Levy	Discount	Net Levy	Amount	Percentage of Levy		Amount	Percentage of Net Levy
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%
2011								
2012								

Note: Information for 2011 and 2012 is not available.

BAL HARBOUR VILLAGE, FLORIDA

Table 10

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>Water</u> <u>Management</u> <u>District</u>	<u>Florida</u> <u>Inland</u> <u>Navigation</u> <u>District</u>	<u>Operating</u>	<u>Service</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>Millage</u>	<u>Millage</u>	<u>Trust</u>	<u>Rescue</u>	<u>Debt</u>	
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	0.0200	20.4320
2011	2010	2.4468	7.7650	0.2400	0.0624	0.3739	0.0345	4.8050	0.2850	0.5000	2.4496	0.0131	18.9753
2012	2011	2.2678	7.7650	0.2330	0.0613	0.3676	0.0345	4.7035	0.2850	0.5000	2.4496	0.0131	18.6804

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 <u>September 30,</u>	<u>Governmental Activities</u>			<u>Business-type Activities</u>		Per Capita Personal Income (1)	Percentage of Total Personal Income	<u>Population**</u>	Net Debt per Capita
	<u>General Obligation (GO) Bonds</u>	<u>Revenue Bonds</u>	<u>Line of Credit</u>	<u>Outstanding Non-GO Bonds</u>	<u>Total Primary Government</u>				
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	54,512	0.07%	3,058	41
2008	-	-	-	84,596	84,596	54,512	0.05%	3,299	26
2009	-	-	-	-	-	54,512	0.00%	3,320	-
2010	-	-	-	-	-	54,512	0.00%	3,320	-
2011	-	-	-	-	-	54,512	0.00%	2,515	-
2012	-	350,000	-	9,039,725	9,389,725	54,512	5.79%	2,976	3,155

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.

BAL HARBOUR VILLAGE, FLORIDA

Table 12

RATIOS 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>				
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	-
2012	9,389,725	-	9,389,725	2,613,916,796	0.359%	2,976	3,155

BAL HARBOUR VILLAGE, FLORIDA

Table 13

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITY DEBT
SEPTEMBER 30, 2012

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	\$ 9,389,725	100.00%	\$ 9,389,725
Overlapping:			
Miami-Dade Board of County Commissioners (2)	3,626,520,000	1.66%	60,340,090
Miami-Dade County School Board (2)	<u>3,278,381,000</u>	1.54%	<u>50,587,581</u>
Total direct and overlapping	<u>\$ 6,914,290,725</u>		<u>\$ 120,317,396</u>

Notes:

(1) Based on ratio of assessed taxable value obtained from Miami-Dade County Property Appraiser.

(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, FLORIDA

Table 15

DEMOGRAPHIC 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
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%	166,697,696	54,512
2008	3,299	2,466,827	347,774	5.8%	179,835,088	54,512
2009	3,320	2,472,344	345,150	9.6%	180,979,840	54,512
2010	3,320	2,496,435	345,458	12.4%	180,979,840	54,512
2011	2,515	2,496,435	347,133	12.0%	137,097,680	54,512
2012	2,976	2,541,928	349,945	9.4%	162,227,712	54,512

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>2012</u>			<u>2003</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	44,132	1	3.39%	37,500	1	3.46%
Miami-Dade County	26,351	2	2.03%	30,000	2	2.77%
U.S. Federal Government	19,400	3	1.49%	18,416	4	1.70%
State of Florida	17,600	4	1.35%	19,958	3	1.84%
Baptist Health South Florida	14,864	5	1.14%	7,500	8	0.69%
University of Miami	13,233	6	1.02%	8,000	7	0.74%
Jackson Health System	10,809	7	0.83%	10,000	5	0.92%
Publix Supermarket	10,800	8	0.83%	4,000	10	0.37%
American Airlines	9,000	9	0.69%	9,000	6	0.83%
Florida International University	8,000	10	0.62%	2,591	13	1.61%
Miami-Dade College	6,200	11	0.48%	2,400	14	1.49%
Precision Response Corporation	5,000	12	0.38%	4,346	8	2.70%
City of Miami	4,309	13	0.33%	3,400	12	2.11%
Florida Power & Light Company	3,840	14	0.30%	3,823	11	0.35%
Carnival Cruise Lines	<u>3,500</u>	<u>15</u>	<u>0.27%</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>
Total Labor Force Employment	<u>197,038</u>		<u>15.16%</u>	<u>160,934</u>		<u>14.86%</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

Table 17

OPERATING INDICATORS BY FUNCTION/PROGRAM LAST TEN FISCAL YEARS

<u>Function/Program</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>	<u>2012</u>	
General government:											
Non-sworn personnel	34	36	35	34	34	34	34	31	30	30	
Square miles	.6 miles	.6 miles	.6 miles	.6 miles	.6 miles	.6 miles	.6 miles	.6 miles	.6 miles	.6 miles	
Elections:	1	0	1	1	1	0	1	1	0	0	
Registered voters	Data Unavailable			1,578	1,460	Data Not Available		1,661	1,631	1,631	1,631
Votes cast in last election	Data Unavailable			762	503	Data Not Available		419	251	0	0
Ordinances prepared and adopted	8	5	9	10	11	8	8	8	6	6	
Resolutions prepared and adopted	15	15	11	14	8	6	14	16	12	17	
Commission minutes prepared/approved	18	18	15	17	17	17	26	21	26	15	
Public safety:											
Police											
Stations	1	1	1	1	1	1	1	1	1	1	
Uniformed employees	24	26	31	33	28	26	26	25	25	25	
Calls for service handled	2,978	2,759	3,199	2,639	2,433	2,345	2,553	3,302	3,165	3,644	
Traffic accidents handled	159	179	151	148	130	148	129	133	142	135	
Traffic citations/warnings issued	5,494	7,374	9,345	6,823	11,911	10,298	7,915	4,428	4,433	4,438	
Part 1 crimes reported	113	101	88	97	72	57	70	85	66	80	
Arrests	39	59	112	89	91	62	63	55	54	51	
Building:											
Permits issued	Data Not Available				897	2484	1718	862	650	1123	
Value of construction	Data Not Available				19,808,669	909,022,971	48,920,059	15,095,972	12,650,022	21,849,415	
Business tax receipts issued	121	118	107	119	115	123	126	124	133	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.

Police and Building elements estimated for 2012

BAL HARBOUR VILLAGE, FLORIDA

Table 18

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>	<u>2012</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	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	1
Acres of parks	.44 acres										
Number of parks	1	1	1	1	1	1	1	1	1	1	1
Acres of beaches	12.73 acres										

Source: Village of Bal Harbour

REPORTING 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 year ended September 30, 2012, which collectively comprise the Village's basic financial statements and have issued our report thereon dated June 28, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Village is responsible for establishing and maintaining effective 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 opinions on the 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 a 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 the 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*.

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

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
June 28, 2013

**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 each of the Village's federal programs for the year ended September 30, 2012. 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 on the Village's compliance with those requirements.

As described in item 2011-02 in the accompanying schedule of findings and questioned costs, the Village did not comply with requirements regarding asset tracking for equipment that are applicable to its Equitable Sharing Arrangement, Justice Asset Forfeiture Program. Compliance with such requirements is necessary, in our opinion, for the Village to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Bal Harbour Village complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

Internal Control Over Financial Reporting

Management of the Village is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Bal Harbour Village's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with 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 Bal Harbour Village's internal control over compliance.

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

A deficiency in internal control over compliance 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 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 a 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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-02 to be a material weakness.

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

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

Marcum LLP

Miami, FL
June 28, 2013

BAL HARBOUR VILLAGE, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>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	16.922	FL0130100	<u>\$ 2,020,861</u>
<i>U.S. Department of Treasury</i>			
Equitable Sharing Agreement, Treasury Asset Forfeiture Program	21.000	FL0130100	<u>99,940</u>
<i>U.S. Department of Transportation - Federal Highway Administration</i>			
Passed Through Program from:			
South Florida Regional Transportation Authority - Bus Shelter Replacement	20.500	E2012-BUSP-047	<u>14,473</u>
<i>Total Expenditures of Federal Awards</i>			<u>\$ 2,135,274</u>

See notes to the 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, 2012

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, 2012. 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.

The Schedule does not include any of the activity of the separately identified task force of the Village's Police Department nor did the auditors perform and report on any of that activity.

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, except for the Equitable Sharing programs for Justice and Treasury which follows, *Guide to Equitable Sharing for State and Local Law Enforcement Agencies*, and for Treasury which follows, *Guide to Equitable Sharing For Foreign Countries and Federal, State, and Local Law Enforcement Agencies*.

BAL HARBOUR VILLAGE, FLORIDA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

PRIOR YEAR FINANCIAL STATEMENT FINDINGS

The following addresses the status of financial statement findings reported in the fiscal year ended September 30, 2012 schedule of findings and questioned costs:

Matters that are not repeated in the schedule of findings and questioned costs:

- 2011-02 – Capital Assets Inventory and Records

Note: Financial audit is not yet complete.

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, 2012 schedule of findings and questioned costs:

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

- 2011-02 – Capital Assets Inventory and Records (Partially Repeated and Included as 2011-02)

Matters that are not repeated in the schedule of findings and questioned costs:

- 2011-01 – Questioned Costs for Allowable Activities
- 2011-03 – Reporting
- 2011-04 – Cash Management
- 2011-05 – Noncompliance with Requirements over Preparation of the Schedule of Expenditures of Federal Awards

BAL HARBOUR VILLAGE, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

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:

Qualified 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

16.922

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

21.000

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

\$300,000

Auditee qualified as low-risk auditee?

___ yes X no

BAL HARBOUR VILLAGE, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

SECTION II – FINANCIAL STATEMENT FINDINGS

None.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Material Noncompliance/Material Weaknesses

2011-02 Equipment and Real Property Management

CFDA – 16.922 – Equitable Sharing Agreement – Justice Asset Forfeiture Program

Condition

We noted that as of September 30, 2012, assets acquired with federal funds are not being properly identified and aggregated into the capital asset system and therefore are not being tracked while in use, as assets acquired with federal funds, and when disposed of as required per the criteria of The Guides to Equitable Sharing.

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.

Cause

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

Effect

Due to there being a lack of adequate controls in place to track and monitor capital assets purchased with federal monies, 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 separately for items purchased with forfeiture funds, upon the time of disposal it makes it very difficult to distinguish whether the asset was purchased through federal forfeiture monies and the proceeds are deposited back to the Village's federal forfeiture account as required per The Guides to Equitable Sharing. This lack of compliance can eventually lead to the loss of future funding from federal forfeiture programs.

BAL HARBOUR VILLAGE, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

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

2011-02 Equipment and Real Property Management (Continued)

Recommendation

We recommend that the Village implement controls to separately identify, aggregate, track and monitor assets acquired with federal funds.

View of Responsible Officials and Planned Corrective Actions

The Village is in the process of a complete conversion of its fixed asset system. An annual inventory has been completed for FY2012 and the conversion will be completed during FY2013. While the Police Department does keep track of its assigned equipment, they do not maintain it all within one system. The Police Department will utilize this Village-wide asset system in order to comply with the needs of the Federal Equitable Sharing Program (FESP) and other grant and special revenue-related activities. Unlike the State of Florida's requirements, the FESP has no minimum amount below which assets need not be tracked. The Police Department will review prior year's FESP expenditures for all tangible property with a useful life of more than one year and provide the asset tracking information to the Finance Department for inclusion in the new system. The assets, when practical, will maintain their asset identification decal and the asset monitoring system will track the ultimate disposition of the asset. The Police Department will conduct an annual inventory near each fiscal year end of all reportable assets and will provide the inventory results to the Finance Department by the end of November of each year.

**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, 2012, and have issued our report thereon dated June 28, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 June 28, 2013, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which 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 except as noted in the 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, there were no matters to report.

- 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, there were no matters to report.
- 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, there were no matters to report.
- 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, 2012. 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
June 28, 2013