



# AGENDA ITEM MEMORADUM

**Finance**

**Tony Bryan, Finance Director**

Department

Department Director

COMMISSION MEETING DATE - 7:00 PM	Deadline to Town Clerk
<input type="checkbox"/> Feb 28, 2012	Feb 17
<input type="checkbox"/> Mar 13, 2012	Mar 2
<input type="checkbox"/> Mar 27, 2012	Mar 16
<input checked="" type="checkbox"/> April 10, 2012 *	Mar 30
<input type="checkbox"/> April 24, 2012	Apr 13

**\*Subject to Change**

- Presentation   
 Reports   
 Consent   
 Ordinance  
 Resolution   
 Quasi-Judicial   
 Old Business   
 New Business

**FY2011 DESIGNATED HIGH PRIORITY ITEM - PRIORITY TOPIC**

## SUBJECT TITLE: PRESENTATION OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

### EXPLANATION:

The external audit of the Town's financial records for the fiscal year ended September 30, 2011 has been completed and the staff and auditors have prepared the Comprehensive Annual Financial Report for that fiscal year. The report was provided to the Commission on April 3<sup>rd</sup> along with a cover memo highlighting the items that we thought would be of interest to the Commission including the following:

- Revenues from governmental activities decreased in FY 2010-11 by \$588,622 from the previous year. A significant portion of this was due to a decline in property taxes of nearly \$465,964 because of the Commission's decision to reduce taxes and the continued decline in property values.
- Overall governmental expenditures were down by \$90,319 from the previous year despite an increase of 309,899 in capital spending.
- The Town has \$2,333,105 assigned to an emergency reserve.
- The Town has a balance of \$4,344,074 assigned to capital projects.
- The unassigned balance of the General Fund is \$5,913,624, which represents an increase of \$2,862,256 over prior year.
  - \$1,906,422 of the increase is the result of having reclassified funds that were previously designated for Other Capital Assets.
  - Additionally, revenues and transfers in to the General Fund exceeded expenditures and transfers out of the General Fund by \$842,514.
- The unrestricted balance of the Sewer Fund increased by \$220,962 to \$1,750,052.



- 
- The unrestricted balance of the Parking Fund declined by \$2,334 to \$136,550 because of the pay down of the parking loan.

Staff and a representative from Grau & Associates presented the report to the Audit Committee on April 4<sup>th</sup> and the Audit Committee accepted the report. The Audit Committee has been invited to attend the Commission meeting to provide their comments. A representative from Grau Associates will also be in attendance at the Commission meeting to review the highlights of the CAFR and answer any questions you may have.

**EXHIBITS:**

1. Comprehensive Annual Financial Report for the fiscal year ended September 30, 2011
2. Memo to Commission dated April 3, 2012
3. Minutes of the April 4, 2012 Meeting of the Audit Committee

Reviewed by Town Attorney  
 Yes  No

Town Manager Initials CD

# **EXHIBIT 1**

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED SEPTEMBER 30, 2011**

**Prepared By:**

**The Finance Department**

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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Town of

# **LAUDERDALE-BY-THE-SEA**

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4501 Ocean Drive, Lauderdale-by-the-Sea, Florida 33308-3610

*Telephone: (954) 640-4200 • Fax: (954) 640-4236*

March 20, 2012

Honorable Mayor and Commissioners:

State law requires that all general purpose local governments publish within nine months of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to these requirements, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the Town of Lauderdale-By-The-Sea for the fiscal year ended September 30, 2011.

This report consists of management's representations concerning the finances of the Town of Lauderdale-By-The-Sea. Consequently, we assume 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, the Town has established an internal control framework that is designed both to protect the Town's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town's financial statements in conformity with GAAP (generally Accepted Accounting Principles). Because the cost of internal controls should not outweigh their benefits, the Town'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. We assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Grau & Associates, a licensed certified public accounting firm, has audited the Town's financial statements. The goal of the independent audit was to provide reasonable assurance that the Town's financial statements for the fiscal year ended September 30, 2011, are free of material misstatement. The independent audit involved 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; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon their audit, that there was a reasonable basis for rendering an unqualified opinion that the Town of Lauderdale-By-The-Sea's financial statements for the fiscal year ended September 30, 2011, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Town of Lauderdale-By-The-Sea's MD&A can be found immediately following the report of the independent auditors.

## **Profile of the Government**

The Town of Lauderdale-By-The-Sea, incorporated in 1947, is located between the Atlantic Ocean and the Intracoastal Waterway in the east-central part of Broward County, Florida directly north of Fort Lauderdale and 33 miles south of Palm Beach. The Town of Lauderdale-By-The-Sea is primarily a residential community but, because of the Town's prime seaside location, the hospitality industry has historically been significant to the Town's economy and character. The major industries within the Town are hospitality, retail including restaurants, finance, insurance and real estate. Most residents are retired or employed in South Florida. The Town is 1.5 square miles in land area and has a year-round population of approximately 6,100 residents. We estimate the peak seasonal population to be approximately 11,000

The Town of Lauderdale-By-The-Sea provides a full range of municipal services for its citizens. These include executive administration, financial accounting and reporting, public works, parks and recreation facilities, building inspections, planning and zoning, code enforcement, and parking. Police, fire prevention and suppression, and emergency medical service are all delivered via contracts with third party providers: Broward's Sherriff's Office for police services, the Lauderdale-By-the-Sea Volunteer Fire Department for fire services, and American Medical Response for emergency medical services. Water service is provided our residents and businesses by the cities of Fort Lauderdale and Pompano Beach. Sewer services are provided to residents and commercial businesses in the north end of Town by the City of Pompano Beach. The Town provides sewer collection and transmission services in the south portion of Town, but the wastewater is transmitted to the City of Pompano Beach, which then transports it to Broward County's Wastewater Treatment Plant on Copans Road for treatment and disposal.

The Town operates under a Commission-Manager form of government. Policy-making and legislative authority are vested in the Town Commission, which consists of a Mayor, a Vice-Mayor and three Commissioners. Commissioners (including the Vice Mayor) are elected for four year terms and must live in a specified district, but are elected at large (by voters of the entire Town). The Mayor serves a two year term and is also elected at large. The Town Commission is responsible for setting Town policy, setting most Town fees, passing ordinances, adopting and amending the annual budget, approving large purchases, adopting resolutions, and appointing the Town Manager and Town Attorney.

The Town Manager is the chief executive officer of the Town. The Town Manager is responsible for carrying out the policies of the Commission, enforcing the Town's code of ordinances, appointing, directing, and removing all Town employees, overseeing the Town's contracts, preparing and submitting the annual budget, and overseeing the day-to-day operations of the Town.

The Town Commission meets in regular session on the second and fourth Tuesday of each month at 7:00 p.m. in Jarvis Hall, 4501 Ocean Drive, Lauderdale-By- The-Sea, Florida. The Commission schedules additional workshops and meetings on an as-needed basis.

## **The Town's Budget**

The annual budget serves as the Town of Lauderdale-By-The-Sea's financial planning and control mechanism. All departments of the Town submit requests for funding to the Town Manager and these requests are the starting point for developing a proposed budget. The Finance/Budget Director reviews revenue trends and projects revenue for the current and upcoming fiscal year. The Broward County Property Appraiser advises the Town in late June or early July of the valuation of properties in the Town and the ad valorem tax millage rate required to raise the same amount of tax revenue as in the preceding year.

The Town Manager seeks budget policy direction from the Town Commission, then crafts a budget consistent with that policy direction and presents it to the Commission for review in July of each year. The Commission is required to hold public hearings on the proposed budget and to adopt a final budget no later than September 30, the close of the Town's fiscal year. The budget is legally enacted through the passage of a resolution which adopts the budget by fund and department. Given that, this administration's policy is that the classification detail at which expenditures may not legally exceed appropriations is at the department level. The Town Manager is authorized to transfer part or all of an unencumbered appropriation balance within a department; however, any revisions that alter the total appropriations of any department must be approved by the Town Commission. Transfers of appropriated funds between departments must be approved by the Town Commission.

Budget-to-actual comparisons are reported monthly to the Town Commission by the Finance/Budget Director and revenue and expenditure projections for the entire fiscal year are provided to the Commission midyear and again when the Manager's recommended for the following year is presented to the Commission in July.

### **Factors Affecting Financial Condition**

#### **State economy**

The Town receives significant revenue from the state of Florida and, therefore, our financial condition is significantly affected by the state's economy. Municipal Revenue Sharing, Sales Tax, Local Option Gas Taxes and Communications Service Taxes which are collected and distributed by the State amounted to approximately 8% of the general fund revenues in fiscal year 2011 and are all affected by the economy. The Town has seen these revenues decrease as a result of recent economic conditions. While the U.S. economy is no longer technically in a recession, it has not fully recovered, particularly in the state of Florida which continues to see unemployment rates higher than the national average.

#### **Local economy**

There has been business turnover in the Town this fiscal year as a result of normal business cycles and the lingering economic problems. Despite that, more than 40 new businesses opened in fiscal year 2011 including real estate offices, financial services, professional services, healthcare and retail businesses.

### **Significant Revenue Sources**

Property taxes account for 50.2% of the Town's annual revenue. The Town's final gross property taxable value decreased from \$1,773,134,094 in 2010 to \$1,734,133,452 in 2011 as a result of the continuing decline in the U.S. economy, in general, and the depressed real estate market in South Florida in particular. However, despite this decrease, the Town reduced property taxes for the majority of property owners by maintaining the millage rate at 3.9990 per \$1,000 of assessed property values in fiscal year 2010-2011. This was accomplished primarily by continuing a conservative spending policy.

Franchise fees from the power and natural gas companies, building permit fees, and occupational license fees accounted for approximately 6.2% of General Fund revenues in fiscal year 2011 and are all affected by the prolonged downturn in the South Florida economy.

Fire Assessment Fees were \$1,036,676 in FY 2011 and were sufficient to cover all the costs associated with providing fire suppression and prevention services. Fire Assessment Fees represent 7.5% of total Town revenues.

Sewer Fees were increased significantly in January 2011 as it was determined that sewer fee revenues were not sufficient to cover sewer system operating costs. Sewer fees had not been increased since 2004. In FY 2011, Sewer fees collected were \$1,137,794 and accounted for 8.3% of total Town revenues.

## **Fund Balances**

The Town of Lauderdale-By-The-Sea maintains healthy cash balances in the general fund, the capital projects fund, and the sewer fund. At the end of the current fiscal year, the Town's General Fund balance increased approximately \$843,000, primarily as a result of the Town holding the line on expenditures and revenues being slightly higher than budgeted.

In 2011, the Town staff analyzed factors that could impact the Town's financial ability to recover from a significant hurricane or other natural disaster. After reviewing that analysis, the Town Commission made the determination that the amount of the General Fund balance informally designated to recover from an emergency should remain at its current level of \$2.3 million. The remaining \$6.2 million in the General Fund cash balance is programmed to pay for significant drainage and streetscape capital projects that the Town has planned in its Five Year Capital Improvement Plan.

It is anticipated that almost three quarters of the \$1.6 million cash balance in the Sewer Fund will be used to make capital repairs to the sewer system in FY 2012 and FY 2013.

## **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada's (GFOA) issues a Certificate of Achievement for Excellence in Financial Reporting recognizes conformance with the highest standards for preparation of a state and local government financial report.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Town has received this award in many years. The 2010 CAFR was not submitted to the GFOA for consideration for the Certificate of Achievement program due to other priorities but we will be submitting the 2011 CAFR to the GFOA.

The preparation of this report could not have been accomplished without the efficient and dedicated services of Edner Saint-Jean of our Finance staff. We would also like to extend our thanks to the firm of Grau & Associates for their cooperation, assistance and professional conduct of the Town's annual audit. Finally, we wish to acknowledge the Town Commission for their commitment to sound accounting, transparency, financial management and the diligent manner in which they exercise their financial oversight responsibilities.

Respectfully submitted,

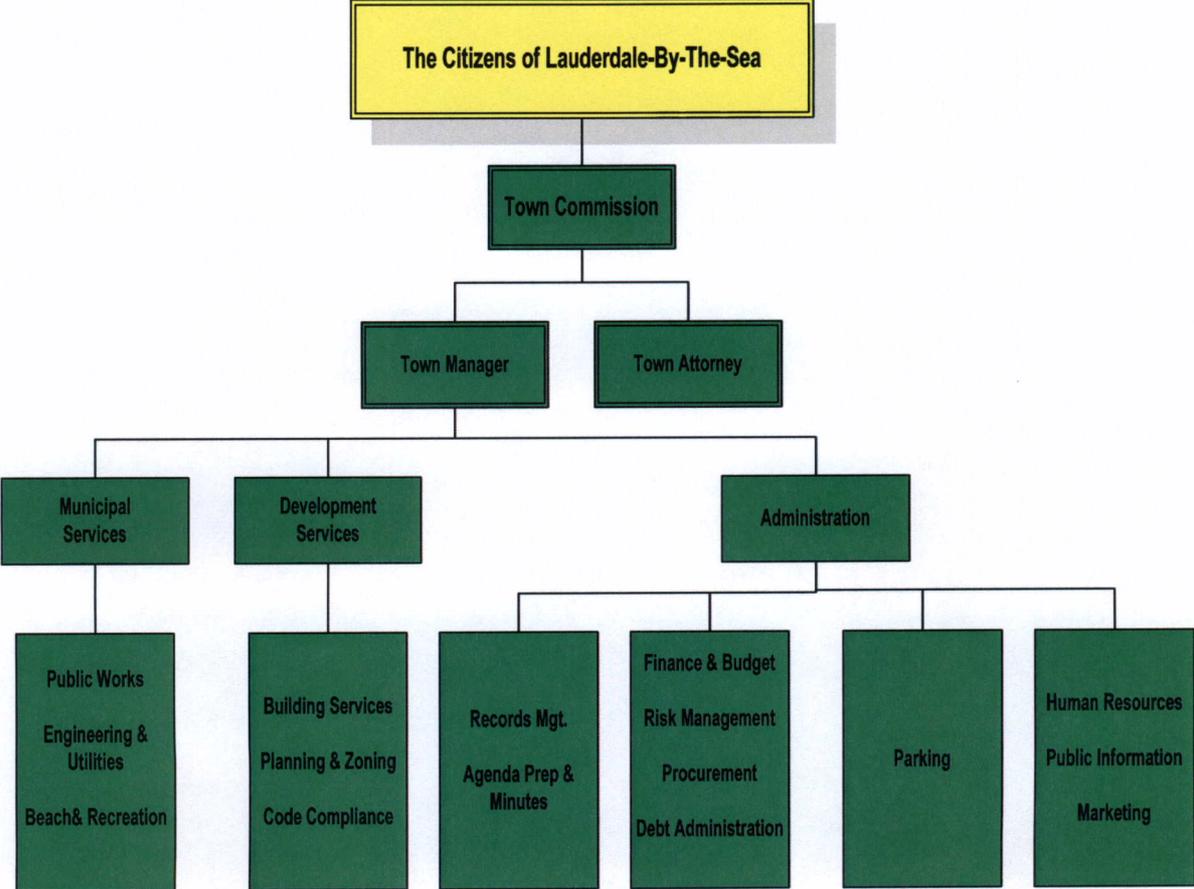
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Constance Hoffmann  
Town Manager

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Gerald Bryan  
Finance Director

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA  
ORGANIZATION CHART  
SEPTEMBER 30, 2011



**TOWN COMMISSIONERS**  
Roseann Minnet, Mayor  
Scot Sasser, Vice-Mayor  
Mark Brown, Commissioner  
Stuart Dodd, Commissioner  
Chris Vincent, Commissioner

**TOWN MANAGER**  
Constance Hoffmann

**TOWN ATTORNEY**  
Susan L. Trevarthen

**TOWN CLERK**  
June White

**DIRECTOR OF FINANCE**  
Gerald Bryan

**TOWN AUDITORS**  
Grau & Associates

**INDEPENDENT AUDITOR'S REPORT**

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**Grau & Associates**  
CERTIFIED PUBLIC ACCOUNTANTS

2700 North Military Trail • Suite 350  
Boca Raton, Florida 33431  
(561) 994-9299 • (800) 299-4728  
Fax (561) 994-5823  
[www.graucpa.com](http://www.graucpa.com)

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, Town Commission and Town Manager  
Town of Lauderdale-By-The-Sea, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Lauderdale By-The-Sea, Florida (the "Town") as of and for the fiscal year ended September 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Volunteer Fire Department's Pension Plan, which represent 100% of the assets and 100% of the revenues of the fiduciary fund totals. Those financial statements were audited by other independent auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town's Volunteer Fire Department's Pension Plan, is based solely on the report of the other independent auditors.

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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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, based on our report and the report of other auditors, 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 the Town as of September 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 21, 2012 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information on pages 3 through 10 and 45 through 49, respectively, 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 and the other auditors 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 regarding 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's financial statements as a whole. The introductory section, combined and combining fund statements, individual fund statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combined and combining fund statements, individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us and the other auditors 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, based on our audit and the report of other auditors, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

March 21, 2012

**MANAGEMENT'S DISCUSSION ANALYSIS  
(MD&A)**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Town of Lauderdale-By-The-Sea financial performance provides an overview of the Town's financial activities for the fiscal year ended September 30, 2011. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal in the introductory section and in conjunction with the Town's basic financial statements, which begins on page 11.

### Financial Highlights

The assets of the Town of Lauderdale-By-The-Sea exceeded its liabilities at the close of the most recent fiscal year by \$37,936,310 (*net assets*). Of this amount, \$14,773,489 (*unrestricted net assets*) may be used to meet the ongoing obligations to citizens and creditors. The Town's net assets increased by \$2,935,710 from the prior fiscal year.

As of the close of the current fiscal year, the Town of Lauderdale-By-The-Sea's governmental funds reported combined ending fund balances of \$14,626,022, an increase of \$2,134,610 from the prior fiscal year.

At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,913,624 or approximately 72% of total general fund expenditures.

### Long-Term Debt

The Town of Lauderdale-By-The-Sea has outstanding debt of \$1,130,723, which is a long-term promissory note with a maturity date extending to June 2020 that was obtained to provide funding for parking improvement projects and associated property acquisition. Principal and interest payments are budgeted in the Parking Fund.

	September 30, 2011	Annual Principal /Interest Payments
Parking Fund (Proprietary Fund)	\$1,130,723	\$381,602

The following chart demonstrates the debt payments in the governmental funds as a percent of debt compared to the Town's property assessed valuation for the past five fiscal years.

<u>Fiscal Year</u>	<u>Property Assessed Valuation</u>	<u>Debt Service Payments</u>	<u>Debt Payment % of Assessed Valuation</u>
2006/2007	2,321,656,228	2,621,382	0.1129%
2007/2008	2,116,655,262	4,733,984	0.2237%
2008/2009	1,935,973,843	7,365,682	0.3805%
2009/2010	1,773,134,094	-	0.0000%
2010/2011	1,734,133,452	-	0.0000%

Additional information on the Town of Lauderdale-By-The-Sea's long-term debt can be found in Note 8 on pages 35 of this report.

## Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 11-12) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start on page 13.

For governmental activities, these statements tell how these services were financed in the short-term as well as funds available for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide financial statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of third parties.

## Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Lauderdale-By-The-Sea's basic financial statements. The Town of Lauderdale-By-The-Sea's basic financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

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

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

The *statement of activities* presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

The government-wide financial statements distinguish functions of the Town of Lauderdale-By-The-Sea that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town of Lauderdale-By-The-Sea include general government, public safety, physical environment, recreation, and transportation services. The business-type activities of the Town of Lauderdale-By-The-Sea include parking and sewer operations.

The government-wide financial statements can be found on pages 11-12 of this report.

**Fund financial statements** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Lauderdale-By-The-Sea, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Lauderdale-By-The-Sea can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Lauderdale-By-The-Sea maintains four individual governmental funds (general, capital projects, and two special revenue funds). Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, capital projects fund, and the total of the two special revenue funds. The general fund and capital projects funds are both considered to be major funds. The two special revenue funds are both considered to be non-major funds.

The Town of Lauderdale-By-The-Sea adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13-16 of this report.

**Proprietary funds** The Town of Lauderdale-By-The-Sea maintains one type of proprietary fund, enterprise funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town of Lauderdale-By-The-Sea uses enterprise funds to account for its parking and sewer operations.

The proprietary fund provides the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the sewer and parking operations, both of which are considered to be major funds of the Town of Lauderdale-By-The-Sea.

The basic proprietary funds financial statements can be found on pages 17-19 of this report.

**Fiduciary funds** The Town is the trustee, or fiduciary, for the Volunteer Firefighters' Pension Trust Fund. The *Pension Trust Fund* uses the accrual basis of accounting and is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of this fund are included on the balance sheet. We exclude these activities from the Town's other financial statements because the Town cannot use these assets to finance its operations.

The basic fiduciary fund financial statements can be found on pages 20-21 of this report.

**Notes to the basic financial statements** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-44 of this report.

## Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the Town of Lauderdale-By-The-Sea's financial position. The Town's total net assets exceeded liabilities by \$37,936,310 at the close of the most recent fiscal year.

By far the largest portion of the Town of Lauderdale-By-The-Sea's net assets reflects its investment in capital assets (e.g., roadways, improvements, equipment, buildings, and land). The Town uses these capital assets to provide services to citizens; consequently they are not available for future spending.

An additional portion of the Town of Lauderdale-By-The-Sea's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the Town's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town of Lauderdale-By-The-Sea is able to report positive balances in all three categories of net assets, both for the Town as a whole, as well as for its separate governmental and business-type activities.

**Governmental activities** Governmental activities increased the Town of Lauderdale-By-The-Sea's net assets by \$2,090,836. The increase represents the extent to which ongoing program and general revenues exceeded the cost of operations and depreciation expense.

**Business-type activities** Business-type activities increased the Town of Lauderdale-By-The-Sea's net assets by \$844,874. Revenues from business-type activities improved 78% due to an increase in parking revenues (resulting from an increase in parking rates and the implementation of credit card processing), an increase in sewer revenues resulting from a sewer rate increase, and the conveyance of the Wings parking lot to the Town. Expenses rose by approximately 6%, mainly due to prepayments on the parking debt.

Key components of the Town's net assets are reflected in the following table:

	<b>Net Assets</b>					
	<b>September 30,</b>					
	Governmental Activities		Business Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 15,334,584	\$ 13,011,195	\$ 2,226,617	\$ 1,744,734	\$ 17,561,201	\$ 14,755,929
Capital assets, net	15,192,548	15,222,567	7,385,807	7,085,921	22,578,355	22,308,488
Total assets	<u>30,527,132</u>	<u>28,233,762</u>	<u>9,612,424</u>	<u>8,830,655</u>	<u>40,139,556</u>	<u>37,064,417</u>
Long-term liabilities	108,171	94,416	1,131,241	1,457,561	1,239,412	1,551,977
Other Liabilities	624,337	435,558	339,497	76,282	963,834	511,840
Total liabilities	<u>732,508</u>	<u>529,974</u>	<u>1,470,738</u>	<u>1,533,843</u>	<u>2,203,246</u>	<u>2,063,817</u>
Net Assets:						
Invested in capital assets, net of related debt	15,295,980	15,222,567	6,255,084	5,628,878	21,551,064	20,851,445
Restricted for:						
Town beautification per contractual agreement	927,566	1,000,000	-	-	927,566	1,000,000
Fire department	485,980	215,690	-	-	485,980	215,690
Law enforcement	198,211	211,956	-	-	198,211	211,956
Unrestricted	12,886,887	11,053,575	1,886,602	1,667,934	14,773,489	12,721,509
Total net assets	<u>\$ 29,794,624</u>	<u>\$ 27,703,788</u>	<u>\$ 8,141,686</u>	<u>\$ 7,296,812</u>	<u>\$ 37,936,310</u>	<u>\$ 35,000,600</u>

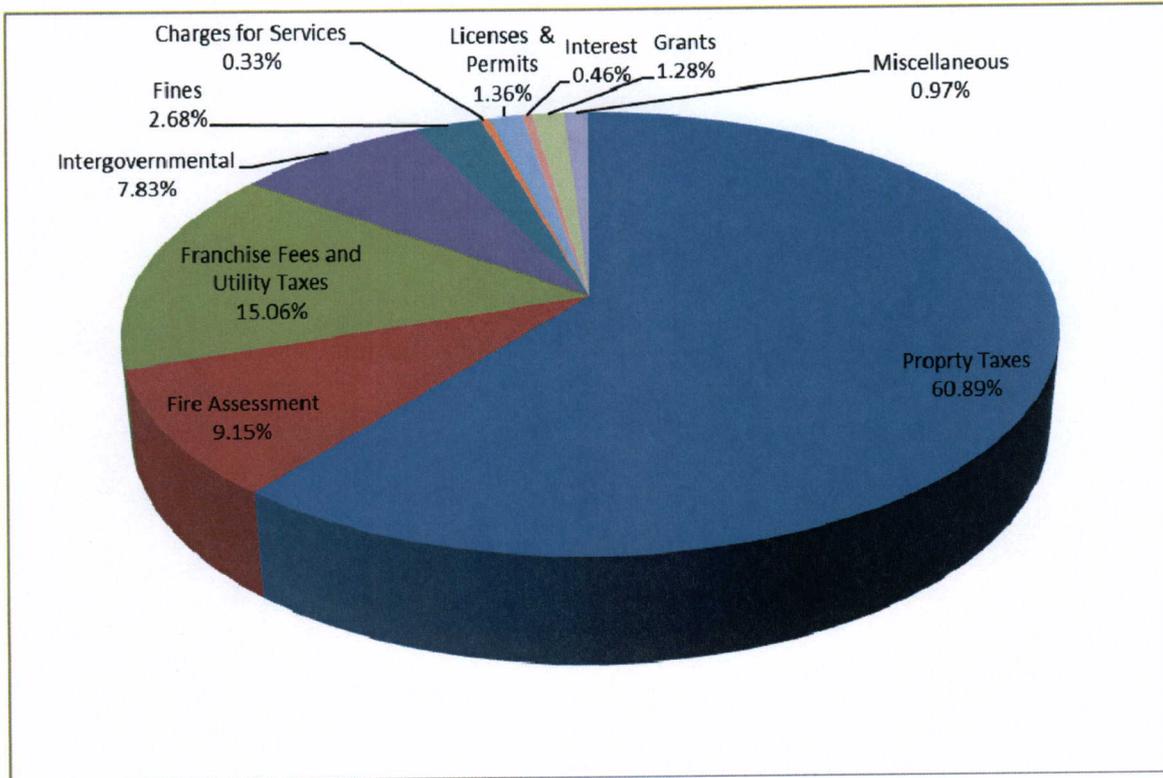
## Government-Wide Financial Analysis (Continued)

Key elements of the change in net assets are reflected in the following table:

	Changes in Net Assets					
	For the Fiscal Year Ended September 30,					
	Governmental Activities		Business Activities		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 495,293	\$ 575,691	\$ 2,101,242	\$ 1,353,006	\$ 2,596,535	\$ 1,928,697
Operating grants and contributions	144,653	106,159	-	-	144,653	106,159
Capital grants and contributions	-	-	295,160	-	295,160	-
General Revenues:						
Property taxes and fire assessments	7,938,090	8,404,054	-	-	7,938,090	8,404,054
Franchise taxes and utility taxes	1,707,308	1,766,623	-	-	1,707,308	1,766,623
Grants and contributions not restricted to specific programs	887,117	905,076	-	-	887,117	905,076
Unrestricted investment earnings	51,906	86,830	2,816	4,320	54,722	91,150
Miscellaneous revenues	109,409	77,965	11,206	-	120,615	77,965
<b>Total revenues</b>	<b>11,333,776</b>	<b>11,922,398</b>	<b>2,410,424</b>	<b>1,357,326</b>	<b>13,744,200</b>	<b>13,279,724</b>
Expenses:						
General government	2,274,520	2,442,168	-	-	2,274,520	2,442,168
Public safety	4,953,249	4,869,111	-	-	4,953,249	4,869,111
Transportation	1,660,312	1,591,898	-	-	1,660,312	1,591,898
Recreation	397,283	417,870	-	-	397,283	417,870
Physical environment	124,576	293,584	-	-	124,576	293,584
Sewer	-	-	974,431	1,105,216	974,431	1,105,216
Parking	-	-	424,119	220,342	424,119	220,342
<b>Total expenses</b>	<b>9,409,940</b>	<b>9,614,631</b>	<b>1,398,550</b>	<b>1,325,558</b>	<b>10,808,490</b>	<b>10,940,189</b>
Change in net assets before transfers and special item	1,923,836	2,307,767	1,011,874	31,768	2,935,710	2,339,535
Transfers in (out), net	167,000	165,645	(167,000)	(165,645)	-	-
<b>Increase (decrease) in net assets</b>	<b>2,090,836</b>	<b>2,473,412</b>	<b>844,874</b>	<b>(133,877)</b>	<b>2,935,710</b>	<b>2,339,535</b>
Net assets, beginning	27,703,788	25,230,376	7,296,812	7,430,689	35,000,600	32,661,065
<b>Net assets, ending</b>	<b>\$ 29,794,624</b>	<b>\$ 27,703,788</b>	<b>\$ 8,141,686</b>	<b>\$ 7,296,812</b>	<b>\$ 37,936,310</b>	<b>\$ 35,000,600</b>

- The decrease in property taxes is due to holding the millage rate the same despite the decline in property values.
- The reduction in general government expenses is primarily due to the fact that a large severance payment was made to the Town's former Town Manager upon termination of the employee's employment during the prior fiscal year.
- The increase in parking expenses is primarily due to prepayment of a portion of the principle balance of the Town's parking debt.

## Revenues – Governmental Activities



## Financial Analysis of the Town's Funds

As noted earlier, the Town of Lauderdale-By-The-Sea uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the Town of Lauderdale-By-The-Sea's *governmental funds* reported combined ending fund balances of \$14,626,022, an increase of \$2,134,610 from the prior fiscal year.

The general fund is the primary operating fund of the Town. At the end of the current fiscal year, the fund balance of the general fund was \$8,670,191, an increase of \$842,515. Revenues in the general fund were only significantly higher than budgeted due to higher than expected Property Taxes and Fines and Forfeitures. The key factor in the increased fund balance was fiscal restraint spending less than was budgeted. The fund balance of the capital projects fund increased \$819,860 to \$5,271,640 due to delays in construction of the North A1A landscape project and the design of several other projects.

**Proprietary funds.** The Town of Lauderdale-By-The-Sea's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Revenues increased substantially from prior year in the proprietary funds, particularly in the parking fund, as a result of the parking rate increase and the implementation of credit card processing. At the same time, operating expenses increased mainly on account of the previously-mentioned prepayment on the Town's parking debt. Consequently, unrestricted net assets of the Sewer and Parking Funds combined at the end of the year amounted to \$1,886,602 an increase of \$218,668 from the prior fiscal year.

### **General Fund Budgetary Highlights**

The differences in the actual revenues and expenditures as compared to the budget are summarized as follows:

- Ad valorem taxes by law are only budgeted at 95% rate of anticipated revenue to provide an allowance for uncollected taxes and adjustment in property values as a result of appeals that occur after the millage rate is set. The Broward County Value Adjustment Board did lower the property valuations of many properties in Town after the millage rate was adopted. Property tax collections amounted to 97.3% of possible revenues.
- Utility taxes came in at 104.5% of budgeted levels but were offset by a shortfall in franchise fee collections which were realized at 94.6% of budgeted levels. Both utility taxes and franchise fees were down from the prior fiscal year, resulting in an overall decline of approximately \$59,000 from fiscal year 2010.
- Intergovernmental revenues collected were 98.6% of budget. This included a shortfall in Communication Service Tax receipts which was partially offset by Sales Tax revenue and Recycling revenue coming in higher than budgeted.
- Licenses, permits and fees were collected at 91.4% of the budget as building activity continued to be slow due to the economy.
- Due to conservative spending, actual expenditures of the general fund were approximately 9% less than budgeted.
- No department exceeded their amended budgets.

Please refer to the Budgetary Comparison Schedule for more detailed information located on page 45.

### **Capital Assets**

The Town of Lauderdale-By-The-Sea's investment in capital assets for its governmental and business type activities as of September 30, 2011, amounts to \$22,578,355 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, and improvements other than buildings, machinery and equipment.

Additional information on the Town of Lauderdale-By-The-Sea's capital assets can be found in Note 7 on pages 33-34 of this report.

### **Economic Factors and Next Year's Budget**

As of December the unemployment rate in Florida was 9.9% versus a national average of 8.5%. While 2011 saw the volume of existing home sales and building permits return to positive territory, statewide approximately half of all residential loans are for homes that are underwater. Nevertheless, the Florida Legislature and Office of Economic and Demographic Research suggests that Florida's growth rates are returning to typical levels but it will take years to recover from the hole left by the recession.

The contract with the Broward Sheriff's Office (BSO) ended on September 30, 2011, and the Town entered into a new contract that resulted in significantly higher costs due to the County's and the Sheriff's position that municipalities must pay the full cost of being served by BSO.

In preparing the fiscal year 2012 budget, the Town provided funding for several important tasks and projects, including:

- Evaluating the sewer system to identify and prioritize repairs, and completing the highest priority repairs;
- Improving the Town's parking system;
- Creating a dynamic streetscape on the two easternmost blocks of Commercial Boulevard;
- Resolving drainage problems in the core of downtown as well as in the northernmost blocks of Bougainvillea Drive, Harbor Drive, and Flamingo Avenue;
- Completing the mostly federally-funded streetscape project on A1A from Pine Avenue to the Town's northern boundary;
- Design streetscape plans for A1A south of Commercial Boulevard and for Commercial Boulevard from the bridge to Seagrape Drive;
- Make grants for neighborhood improvements.

#### **Requests for Information**

This financial report is designed to provide a general overview of the Town of Lauderdale-By-The-Sea's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Budget and Finance, Town of Lauderdale-By-The-Sea, 4501 Ocean Drive, Lauderdale-By-The-Sea, Florida 33308, or, at [fd@lauderdalebythesea-fl.gov](mailto:fd@lauderdalebythesea-fl.gov).

## **BASIC FINANCIAL STATEMENTS**

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**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2011**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 14,455,189	\$ 1,961,955	\$ 16,417,144
Investments	185,551	-	185,551
Interest receivable	11,856	-	11,856
Accounts receivable, net	301,314	255,804	557,118
Due from business/governmental type activities	220,007	8,858	228,865
Prepaid items	76,442	-	76,442
Net pension asset	84,225	-	84,225
Capital assets:			
Nondepreciable capital assets	2,966,918	5,767,324	8,734,242
Depreciable capital assets, net	12,225,630	1,618,483	13,844,113
Total assets	<u>30,527,132</u>	<u>9,612,424</u>	<u>40,139,556</u>
<b><u>LIABILITIES</u></b>			
Accounts payable and other liabilities	245,489	113,240	358,729
Contracts and retainage payable	143,535	-	143,535
Accrued liabilities	98,906	6,250	105,156
Due to business/governmental type activities	8,858	220,007	228,865
Unearned revenues	119,552	-	119,552
Deposits	7,997	-	7,997
Noncurrent liabilities due within one year	10,343	281,693	292,036
Noncurrent liabilities:			
Net OPEB obligation	4,739	518	5,257
Due in more than one year	93,089	849,030	942,119
Total liabilities	<u>732,508</u>	<u>1,470,738</u>	<u>2,203,246</u>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	15,295,980	6,255,084	21,551,064
Restricted for:			
Town beautification per contractual agreement	927,566	-	927,566
Law enforcement	198,211	-	198,211
Fire department	485,980	-	485,980
Unrestricted	12,886,887	1,886,602	14,773,489
Total net assets	<u>\$ 29,794,624</u>	<u>\$ 8,141,686</u>	<u>\$ 37,936,310</u>

See notes to the financial statements.

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**STATEMENT OF ACTIVITIES**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grant and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 2,274,520	\$ 153,933	\$ -	\$ -	\$ (2,120,587)	\$ -	\$ (2,120,587)
Public safety	4,953,249	37,593	-	-	(4,915,656)	-	(4,915,656)
Transportation	1,660,312	-	-	-	(1,660,312)	-	(1,660,312)
Recreation	397,283	303,767	144,653	-	51,137	-	51,137
Physical environment	124,576	-	-	-	(124,576)	-	(124,576)
<b>Total governmental activities</b>	<b>9,409,940</b>	<b>495,293</b>	<b>144,653</b>	<b>-</b>	<b>(8,769,994)</b>	<b>-</b>	<b>(8,769,994)</b>
Business-type activities:							
Sewer	974,431	1,153,342	-	-	-	178,911	178,911
Parking	424,119	947,900	-	295,160	-	818,941	818,941
<b>Total business-type activities</b>	<b>1,398,550</b>	<b>2,101,242</b>	<b>-</b>	<b>295,160</b>	<b>-</b>	<b>997,852</b>	<b>997,852</b>
<b>Total primary government</b>	<b>\$ 10,808,490</b>	<b>\$ 2,596,535</b>	<b>\$ 144,653</b>	<b>\$ 295,160</b>	<b>(8,769,994)</b>	<b>997,852</b>	<b>(7,772,142)</b>
General revenues:							
Property taxes and fire assessments					7,938,090	-	7,938,090
Franchise taxes and utility taxes					1,707,308	-	1,707,308
Grants and contributions not restricted to specific programs					887,117	-	887,117
Unrestricted investment earnings					51,906	2,816	54,722
Miscellaneous revenues					109,409	11,206	120,615
Transfers					167,000	(167,000)	-
<b>Total general revenues and transfers</b>					<b>10,860,830</b>	<b>(152,978)</b>	<b>10,707,852</b>
Change in net assets					2,090,836	844,874	2,935,710
Net assets, beginning					27,703,788	7,296,812	35,000,600
<b>Net assets, ending</b>					<b>\$ 29,794,624</b>	<b>\$ 8,141,686</b>	<b>\$ 37,936,310</b>

See notes to the financial statements.

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2011**

	<u>Major Funds</u>			<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Non-Major Funds</b>	
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 8,555,803	\$ 5,409,247	\$ 490,139	\$ 14,455,189
Investments	185,551	-	-	185,551
Interest receivable	5,928	5,928	-	11,856
Accounts receivable, net	301,314	-	-	301,314
Due from other funds	220,007	-	215,690	435,697
Prepaid items	76,442	-	-	76,442
Total assets	<u>\$ 9,345,045</u>	<u>\$ 5,415,175</u>	<u>\$ 705,829</u>	<u>\$ 15,466,049</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities:				
Accounts payable and other liabilities	\$ 232,928	\$ -	\$ 12,561	\$ 245,489
Contracts and retainage payable	-	143,535	-	143,535
Accrued liabilities	98,906	-	-	98,906
Due to other funds	224,548	-	-	224,548
Unearned revenue	110,475	-	9,077	119,552
Deposits	7,997	-	-	7,997
Total liabilities	<u>674,854</u>	<u>143,535</u>	<u>21,638</u>	<u>840,027</u>
Fund balances:				
Nonspendable:				
Prepaid items	76,442	-	-	76,442
Restricted for:				
Fire department	-	-	485,980	485,980
Law enforcement	-	-	198,211	198,211
El Mar Drive improvements	-	927,566	-	927,566
Assigned to:				
Emergency reserve	2,333,105	-	-	2,333,105
Vehicle and equipment reserve	183,285	-	-	183,285
Capital projects	-	4,344,074	-	4,344,074
Subsequent year's expenditures	163,735	-	-	163,735
Unassigned	5,913,624	-	-	5,913,624
Total fund balances	<u>8,670,191</u>	<u>5,271,640</u>	<u>684,191</u>	<u>14,626,022</u>
Total liabilities and fund balances	<u>\$ 9,345,045</u>	<u>\$ 5,415,175</u>	<u>\$ 705,829</u>	<u>\$ 15,466,049</u>

See notes to the financial statements.

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2011**

Fund balance - governmental funds \$ 14,626,022

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

Capital assets used in governmental activities are not financial assets therefore, are not reported as assets in the governmental funds. The statement of net assets includes those capital assets, net of any accumulated depreciation, in the net assets of the government as a whole.

Cost of capital assets	\$ 25,979,445	
Accumulated depreciation	<u>(10,786,897)</u>	15,192,548

The net pension asset is not reported as a fund asset in the fund financial statements, but is reported as an asset in the government-wide financial statements. 84,225

Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund statements. All liabilities, both current and long-term, are reported in the government-wide financial statements.

Compensated absences		(103,432)
OPEB obligation		<u>(4,739)</u>
Net assets of governmental activities		<u>\$ 29,794,624</u>

See notes to the financial statements.

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	<u>Major Funds</u>			<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Non-Major Funds</b>	
<b>Revenues:</b>				
Property taxes and fire assessments	\$ 6,901,414	\$ -	\$ 1,036,676	\$ 7,938,090
Franchise fees and utility taxes	1,707,308	-	-	1,707,308
Intergovernmental	887,117	-	-	887,117
Fines and forfeitures	303,767	-	-	303,767
Charges for services	9,901	-	27,692	37,593
Licenses and permits	153,933	-	-	153,933
Interest income and other	38,789	12,761	356	51,906
Grant revenue	86,353	58,300	-	144,653
Miscellaneous revenues	96,114	-	13,295	109,409
<b>Total revenues</b>	<b>10,184,696</b>	<b>71,061</b>	<b>1,078,019</b>	<b>11,333,776</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	2,064,508	42,385	-	2,106,893
Public safety	4,172,578	-	750,446	4,923,024
Transportation	1,434,324	-	-	1,434,324
Recreation	304,613	-	-	304,613
Physical environment	-	-	-	-
Capital outlay	197,469	358,816	41,027	597,312
<b>Total expenditures</b>	<b>8,173,492</b>	<b>401,201</b>	<b>791,473</b>	<b>9,366,166</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>2,011,204</b>	<b>(330,140)</b>	<b>286,546</b>	<b>1,967,610</b>
<b>Other financing sources (uses):</b>				
Transfers in	197,000	1,150,000	215,690	1,562,690
Transfers out	(1,365,690)	-	(30,000)	(1,395,690)
<b>Total other financing sources (uses)</b>	<b>(1,168,690)</b>	<b>1,150,000</b>	<b>185,690</b>	<b>167,000</b>
<b>Net change in fund balances</b>	<b>842,514</b>	<b>819,860</b>	<b>472,236</b>	<b>2,134,610</b>
<b>Fund balances, beginning</b>	<b>7,827,677</b>	<b>4,451,780</b>	<b>211,955</b>	<b>12,491,412</b>
<b>Fund balances, ending</b>	<b>\$ 8,670,191</b>	<b>\$ 5,271,640</b>	<b>\$ 684,191</b>	<b>\$ 14,626,022</b>

See notes to the financial statements.

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2011**

Net change in fund balances - total governmental funds	\$ 2,134,610
Amounts reported for governmental activities in the statement of activities are different because:	
Capital assets are reported in the governmental fund as expenditures. However, in the statement of activities, the cost of certain of those assets is eliminated and capitalized as capital assets.	547,933
Depreciation of capital assets is not recognized in the governmental fund statement but is reported as an expense on the statement of activities.	(577,952)
Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the fund financial statements. The details of the differences are as follows:	
Current change in compensated absence	(13,755)
Change in net assets of governmental activities	<u><u>\$ 2,090,836</u></u>

See notes to the financial statements.

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2011**

	<u>Enterprise Funds</u>		
	<u>Sewer Utility System</u>	<u>Parking Revenue Improvement</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Current Assets:			
Cash and cash equivalents	\$ 1,610,008	\$ 351,947	\$ 1,961,955
Accounts receivable, net	243,821	11,983	255,804
Due from funds	-	8,858	8,858
Total current assets	<u>1,853,829</u>	<u>372,788</u>	<u>2,226,617</u>
Noncurrent Assets:			
Capital Assets:			
Land	-	5,767,324	5,767,324
Equipment	13,275	59,450	72,725
Buildings and utility plant	2,613,255	263,639	2,876,894
Total capital assets	<u>2,626,530</u>	<u>6,090,413</u>	<u>8,716,943</u>
Less accumulated depreciation	<u>(1,200,414)</u>	<u>(130,722)</u>	<u>(1,331,136)</u>
Net capital assets	<u>1,426,116</u>	<u>5,959,691</u>	<u>7,385,807</u>
Total noncurrent assets	<u>1,426,116</u>	<u>5,959,691</u>	<u>7,385,807</u>
Total assets	<u>3,279,945</u>	<u>6,332,479</u>	<u>9,612,424</u>
<b><u>LIABILITIES</u></b>			
Current Liabilities:			
Accounts payable	99,757	13,483	113,240
Accrued liabilities	-	6,250	6,250
Due to other funds	3,861	216,146	220,007
Current portion of revenue notes payable	-	281,693	281,693
Total current liabilities	<u>103,618</u>	<u>517,572</u>	<u>621,190</u>
Long-Term Liabilities:			
Revenue notes payable	-	849,030	849,030
OPEB Obligation	159	359	518
Total long-term liabilities	<u>159</u>	<u>849,389</u>	<u>849,548</u>
Total Liabilities	<u>103,777</u>	<u>1,366,961</u>	<u>1,470,738</u>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	1,426,116	4,828,968	6,255,084
Unrestricted	1,750,052	136,550	1,886,602
Total net assets	<u>\$ 3,176,168</u>	<u>\$ 4,965,518</u>	<u>\$ 8,141,686</u>

See notes to the financial statements.

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	<b>Enterprise Funds</b>		
	<b>Sewer Utility System</b>	<b>Parking Revenue Improvement</b>	<b>Total</b>
Operating revenues:			
Charges for services	\$ 1,153,342	\$ 947,900	\$ 2,101,242
Other operating revenues	-	11,206	11,206
Total operating revenues	<u>1,153,342</u>	<u>959,106</u>	<u>2,112,448</u>
Operating expenses:			
Operating, administrative and maintenance	921,515	353,753	1,275,268
Depreciation and amortization	52,916	15,084	68,000
Total operating expenses	<u>974,431</u>	<u>368,837</u>	<u>1,343,268</u>
Operating income (loss)	<u>178,911</u>	<u>590,269</u>	<u>769,180</u>
Nonoperating revenues (expenses):			
Interest income	2,410	406	2,816
Interest expense	-	(55,282)	(55,282)
Total nonoperating revenues (expenses)	<u>2,410</u>	<u>(54,876)</u>	<u>(52,466)</u>
Income (loss) before contributions and transfers	181,321	535,393	716,714
Capital contributions	-	295,160	295,160
Transfers out	-	(167,000)	(167,000)
Change in net assets	181,321	663,553	844,874
Total net assets, beginning	2,994,847	4,301,965	7,296,812
Total net assets, ending	<u>\$ 3,176,168</u>	<u>\$ 4,965,518</u>	<u>\$ 8,141,686</u>

See notes to the financial statements.

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	<b>Enterprise Funds</b>		
	<b>Sewer Utility System</b>	<b>Parking Revenue Improvement</b>	<b>Total</b>
<b>Cash Flows From Operating Activities</b>			
Receipts from customers and users	\$ 1,097,410	\$ 1,166,359	\$ 2,263,769
Payments to suppliers	(683,204)	(276,006)	(959,210)
Payments to employees	(214,157)	(58,628)	(272,785)
Net cash provided (used) by operating activities	<u>200,049</u>	<u>831,725</u>	<u>1,031,774</u>
<b>Cash Flows Provided (Used) By Noncapital Financing Activities</b>			
Transfers to other funds	-	(167,000)	(167,000)
Net cash provided (used) by noncapital financing	<u>-</u>	<u>(167,000)</u>	<u>(167,000)</u>
<b>Cash Flows Provided (Used) By Capital and Related Financing Activities</b>			
Purchase of capital assets	(13,275)	(59,450)	(72,725)
Interest paid on long-term debt	-	(55,282)	(55,282)
Principal paid on notes payable	-	(326,320)	(326,320)
Net cash provided (used) by capital and related financing activities	<u>(13,275)</u>	<u>(441,052)</u>	<u>(454,327)</u>
<b>Cash Flows Provided (Used) By Investing Activities</b>			
Interest received	2,410	406	2,816
Net cash provided (used) by investing activities	<u>2,410</u>	<u>406</u>	<u>2,816</u>
Net increase (decrease) in cash	189,184	224,079	413,263
Cash and cash equivalents, beginning	1,420,824	127,868	1,548,692
Cash and cash equivalents, ending	<u>\$ 1,610,008</u>	<u>\$ 351,947</u>	<u>\$ 1,961,955</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>			
Operating income (loss)	\$ 178,911	\$ 590,269	\$ 769,180
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	52,916	15,084	68,000
Changes in assets and liabilities:			
(Increase)/Decrease in accounts receivable	(59,793)	31	(59,762)
(Increase)/Decrease in interfund receivable	-	(8,858)	(8,858)
Increase/(Decrease) in accounts payable	24,154	12,869	37,023
Increase/(Decrease) in accrued liabilities	-	6,250	6,250
Increase/(Decrease) in interfund payable	3,861	216,146	220,007
Increase/(Decrease) in unearned revenue	-	(66)	(66)
Total adjustments	<u>21,138</u>	<u>241,456</u>	<u>262,594</u>
Net cash provided (used) by operating activities	<u>\$ 200,049</u>	<u>\$ 831,725</u>	<u>\$ 1,031,774</u>
<b>Non Cash Capital and Related Financing:</b>			
Developer Contribution of land	\$ -	\$ 295,160	\$ 295,160

See notes to the financial statements.

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUND**  
**SEPTEMBER 30, 2011**

	<b>Pension Trust Fund</b>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 138,326
Investments, at fair value	908,265
Receivables:	
Due from State	32,844
Due from Town	1,262
Due from Plan members	1,262
Total assets	1,081,959
<u>NET ASSETS</u>	
Net assets held in trust for pension benefits	\$ 1,081,959

See notes to the financial statements.

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	<u><b>Pension Trust Fund</b></u>
<b>ADDITIONS</b>	
Contributions:	
Plan member	\$ 16,989
Town	<u>16,989</u>
Total contributions	<u><u>33,978</u></u>
Other contributions:	
State, transferred from general fund	<u>101,480</u>
Total other contributions	<u><u>101,480</u></u>
Investment income (loss):	
Net appreciation in fair value of investments	(3,297)
Interest	<u>2</u>
Net investment income (loss)	<u>(3,295)</u>
Total additions	<u><u>132,163</u></u>
<b>DEDUCTIONS</b>	
Pension benefits	15,194
Refunds of contributions	5,825
Administrative expenses	<u>4,104</u>
Total deductions	<u><u>25,123</u></u>
Net increase (decrease)	107,040
Net assets held in trust for pension benefits:	
Beginning	<u>974,919</u>
Ending	<u><u>\$ 1,081,959</u></u>

See notes to the financial statements.

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**NOTES TO BASIC FINANCIAL STATEMENTS**

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**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2011**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Lauderdale-By-The-Sea, Florida (the "Town") was incorporated in 1947. The Town operates under a Commission-Manager form of government and provides a full range of municipal services, including public safety (police and fire), parks and recreation, public works, building, zoning and code enforcement, and general administrative services. The Town also operates two enterprise activities: sewer and parking improvement.

The basic financial statements of the Town have been prepared in accordance 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 Town's accounting policies are described below.

**1. Financial Reporting Entity**

The financial statements were prepared in accordance with governmental accounting standards, which establish standards for defining and reporting on the financial reporting entity. The definition of the financial reporting entity is based upon the concept that elected officials are accountable to their constituents for their actions. One of the objectives of financial reporting is to provide users of financial statements with a basis for assessing the accountability of the elected officials. The financial reporting entity consists of the Town, organizations for which the Town is financially accountable and other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Town is financially accountable for a component unit if it appoints a voting majority of the organization's governing board and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Town. A blended component unit, although a legally separate entity, is, in substance, part of the Town's operations and so data from this unit is combined with data of the Town. 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 Town. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and inter-governmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Interfund services provided and used are not eliminated in the process of consolidation.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific or segment. *Program revenues* include: 1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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.

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, if any, are recorded only when payment is due.

The Town's fiduciary fund is presented in the fund financial statements. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the Town, these funds are not incorporated into the government-wide financial statements.

Property taxes, charges for services, franchise fees and other taxes, intergovernmental revenues, and interest associated with the current fiscal period are considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. Revenues for expenditure driven grants are recognized when the qualifying expenditures are incurred. Other receipts and fees become measurable and available when cash is received by the Town and are recognized as revenue at that time.

The Town reports the following major governmental funds:

The *General Fund* is the Town's primary operating fund. It accounts for all or most of the Town's general activities except those required to be accounted for in another fund.

The *Capital Projects Fund* is used to account for the acquisition and construction of major capital facilities.

The Town reports the following non-major governmental funds:

The *Police Training and Forfeiture Fund* is used to account for the portion of traffic citation revenue dedicated to police training, the confiscation of property and the related authorized law enforcement expenditures.

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

The *Fire Fund* is used to account for the fire assessment revenues dedicated to fire protection and fire prevention services and the related authorized volunteer fire department expenditures.

The Town reports the following major proprietary funds:

The *Sewer Utility Fund* accounts for the activities associated with providing sewer services within the Town.

The *Parking Revenue Improvement Fund* accounts for parking meter revenue in the Town's business district.

Additionally, the Town reports the following fund type:

The *Pension Trust Fund* accounts for the activities of the Volunteer Fire Department's Pension Plan and the accumulation of resources for pension benefits.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Town has the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

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

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**4. Capital Assets**

Capital assets which include property, plant and equipment, and all infrastructure assets (e.g., roads, bridges, sidewalks, bike paths, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

The Town has elected to retroactively apply the capitalization requirements of GASB Statement No. 34 to major general infrastructure assets acquired since 1980.

The costs of normal maintenance and repairs that does not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred in both the Sewer Fund and the Parking Revenue Improvement Fund was \$55,282. During the fiscal year ended 2011, there was no interest to be capitalized.

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

<u>Assets</u>	<u>Years</u>
Buildings	30 - 50
Utility plant	25 - 75
Infrastructure	50
Improvements other than buildings	25
Furniture, fixtures, machinery and equipment	5 - 10
Motor vehicles	5 - 7

**5. Deposits and Investments**

Town administration is authorized to invest in those instruments authorized by the Florida statutes.

All investments, except the Florida PRIME (formerly known as the Local Government Surplus Funds Trust Fund (LGIP) and Fund B, are reported at fair value. The Florida PRIME is recorded 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.

Cash and cash equivalents, for purposes of the statement of cash flows, include cash and investments which are defined as short-term, highly liquid investments with original maturities of twelve months or less.

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**6. Interfund Receivables and Payables**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

**7. Receivables**

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

**8. Prepaid Items**

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

**9. Compensated Absences**

Town employees are granted vacation in varying amounts based on length of service and sick leave at the rate of one day per month. For employees hired after September 30, 2011, up to 15 days of annual leave may be carried forward from one calendar year into the next calendar year. Accumulated leave in excess of 15 days must be used by December 31st of each calendar year or it will be lost. Employees hired before October 1, 2011 have until December 31, 2012 to bring the number of accrued vacation hours down to 15 days or they will forfeit the overage on January 1, 2013, as employees were previously permitted to carry forward 30 days of vacation time. Thereafter, they too may only carry forward a maximum of 15 days of vacation leave from one calendar year into the next calendar year. In the event of termination, an employee is reimbursed for accumulated vacation days. Up to 60 days of sick leave may be accrued and carried forward into the next year. Employees hired prior to October 1, 2011 are reimbursed for 25% of accumulated sick leave upon leaving Town employment in good standing. Employees hired after September 30, 2011 will be reimbursed for 0% - 15% of accumulated sick leave, depending on their number of years of continuous service.

The cost of accumulated vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee retirements or resignations. The general fund has been used to liquidate these amounts.

**10. Long-Term Obligations**

In the government-wide financial statements, and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**10. Long-Term Obligations (Continued)**

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**11. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General, Special Revenue, and Capital Projects Funds. Encumbrances outstanding at year end are reported as assigned fund balance since they do not constitute expenditures or liabilities.

**12. Net Assets**

Net assets of the government-wide and proprietary funds are categorized as invested in capital assets, net of related debt; restricted or unrestricted. Invested in capital assets, net of related debt, is that portion of net assets that relates to the Town's capital assets reduced by accumulated depreciation and by any outstanding debt incurred to acquire, construct or improve those assets, excluding unexpended proceeds.

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.

**13. Fund Equity**

During the fiscal year ended September 30, 2011, the Town implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The requirements of the statement were implemented prospectively.

In the fund financial statements, governmental funds report non spendable and restricted fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assignments of fund balance represent tentative management plans that are subject to change. Under GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balances are required to be reported according to the following classifications:

Non-spendable fund balance – Amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. "Not in spendable form" includes items that are not expected to be converted to cash (such as inventories and prepaid amounts) and items such as long-term amount of loans and notes receivable, as well as property acquired for resale. The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact.

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**13. Fund Equity (Continued)**

Restricted fund balance – 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 – Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Town Commission. Commitments may be changed or lifted only by the Town Commission taking the same formal action (resolution) that imposed the constraint originally. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

Assigned fund balance – Includes spendable fund balance amounts established by the Town Commission that are intended to be used for specific purposes that are neither considered restricted nor committed.

Unassigned fund balance – Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The Town first uses 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.

**14. Use of Estimates**

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States of America. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenditures/expenses during the period reported. These estimates include assessing the collectability of accounts receivable, the use and recoverability of inventory, pension and postretirement obligations, and useful lives and impairment of tangible and intangible assets, among others. Actual results could differ from these estimates.

**15. Deferred and Unearned Revenues**

Unearned revenue arises when resources are received by the Town before it has a legal claim to them. In addition, in the governmental funds, deferred revenue is reported for receivables arising from revenues which are not received in the available period.

**16. Pension Accounting**

Pension Trust Fund:

Plan member contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**16. Pension Accounting (Continued)**

Funding policy:

The Town funds the contributions to its pension plan based on the actuarial required contribution.

A net pension asset is reported in the government-wide financial statements and represents the cumulative difference between pension expense and actual contributions since implementation.

**NOTE 2 – DEPOSITS AND INVESTMENTS**

**Deposits**

All of the Town's deposits are held in qualified public depositories pursuant to State of Florida Statutes, Chapter 280, *Florida Security for Public Deposits Act*. Under the Act, every qualified public depository shall deposit with the Treasurer eligible collateral of the depository to be held subject to his or her order. The Treasurer, by rule, shall establish minimum required collateral pledging levels. The pledging level may range from 25% to 125% of the average monthly balance of public deposits depending upon the depository's financial condition and establishment period. All collateral must be deposited with an approved financial institution. Any potential losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default.

**Investments - Town**

The Town has adopted an investment policy in accordance with Florida Statutes to establish guidelines for the efficient management of its cash reserves. The Town is authorized to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, certificates of deposit, the State Board of Administration investment pool, any intergovernmental investment pools authorized pursuant to Chapter 163 of the Florida Statutes, SEC registered money market funds with the highest credit quality rating from a nationally recognized rating agency, and securities of any interest in any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, provided that the portfolio is limited to obligations of the U.S. government, its agencies and instrumentalities and to repurchase agreements fully collateralized by such U.S. government obligations and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian.

The State Board of Administration (SBA) administers the Florida PRIME (formerly known as the Local Government Surplus Funds Trust Fund (LGIP)), 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. The Florida PRIME is not a registrant with the Securities and Exchange Commission (SEC); however, the Board 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 is accounted for as a fluctuating NAV pool. As of September 30, 2011, the fair value factor for Fund B was \$.7568386 per share. The 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, 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 the Florida PRIME. The investments in the Florida PRIME and Fund B are not insured by FDIC or any other governmental agency.

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)**

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

	<u>Fair Value</u>	<u>Credit Risk</u>	<u>Weighted Average Maturity</u>
Florida PRIME	\$ 63,124	S&P AAAM	38 days
Fund B	122,427	Not rated	4.82 years
	<u>\$ 185,551</u>		

*Custodial credit risk* – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The investment policy of the Town minimizes this risk by establishing minimum standards for institutions and dealers used by the Town.

*Interest Rate Risk* - The Town has an investment policy of structuring the investment portfolio in such a manner as to provide sufficient liquidity to pay obligations as they come due. The Town's investment policy limits the maturities on individual investments to no more than two years.

*Credit Risk* - The Town's investment policy limits investments to the highest ratings issued by two of the nationally recognized statistical rating organizations (NRSRO) (Standard and Poor's and Moody's investment services).

*Concentration of Credit Risk* - The Town's investment policy states that assets shall be diversified 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.

**Investments - Volunteer Firefighter's Pension Plan**

*Custodial credit risk* – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Pension Plan ("Plan") will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The investment policy of the Plan minimizes this risk by establishing minimum standards for institutions and dealers used by the Plan.

*Interest Rate Risk* - Since all investments for the plan are in both outside managed open-end mutual funds (American Funds) and closed-end funds (Nuveen & Blackrock), and each has a mixture of both fixed income and equities within their portfolios, the information on the underlying fixed income securities is not available for disclosure. The risk related to these mutual funds is the extent of the interest rate risk on the underlying securities.

*Credit Risk* - All investments are limited to the highest ratings by two of the nationally recognized rating organizations (NRSRO) (Standard and Poor's and Moody's investment services). Investments in mutual fund equities with underlying fixed income securities are all rated AAA and AA.

*Concentration of Credit Risk* - The Plan's investment policy limits the investment in equities to no more than 70% of the fund's assets at cost. GASB Statement 40 requires disclosure when the percent is 5% or more in anyone issuer. The investment in equities and mutual fund equities is 95.5%. Given the restriction to the highest rating, the additional concentration is not viewed to be an additional risk to the Plan.

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)**

As of September 30, 2011, the Pension Plan had the following investments:

<b>Equities</b>	
Equity	\$ 88,204
<b>Mutual funds</b>	
Equity	263,898
Fixed income	515,255
<b>Cash and cash equivalents</b>	
Money markets	40,908
	<u>\$ 908,265</u>

**NOTE 3 – PROPERTY TAXES**

Property taxes are assessed as of January 1 each year and are first billed (levied) and due the following November 1.

Under Florida law, the assessment of all properties and the collection of all county, municipal, school board and special district property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws for 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 mills (\$10 per \$1,000 of assessed taxable valuation). The millage rate assessed by the Town for the fiscal year ended September 30, 2011 was 3.9990 mills.

The tax levy of the Town is established by the Commission prior to October 1 of each year, and the County Property Appraiser incorporates the millage into the local tax levy, which includes Broward County, Broward County School Board and special taxing districts.

All property is reassessed according to its fair market value as of January 1 of 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. Broward County mails to each property owner on the assessment roll a notice of the taxes due and Broward County also collects the taxes for the Town. Taxes may be paid upon receipt of such notice from Broward 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 of the year following the year in which taxes were assessed. Procedures for the collection of delinquent taxes by Broward County are provided for in the Laws of Florida. There were no material delinquent property taxes at September 30, 2011.

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**NOTE 4 – RECEIVABLES**

Receivables for the Town's individual major funds including the applicable allowances for uncollectible accounts as of September 30, 2011 were as follows:

Receivables:	General	Sewer	Parking	Total
Billed	\$ -	\$ 363,467	\$ 11,983	\$ 375,450
Utility tax	75,250	-	-	75,250
Intergovernmental	246,856	-	-	246,856
Other	539	-	-	539
Gross receivables	<u>322,645</u>	<u>363,467</u>	<u>11,983</u>	<u>698,095</u>
Less allowance for uncollectibles	(21,331)	(119,646)	-	(140,977)
Net total receivables	<u>\$ 301,314</u>	<u>\$ 243,821</u>	<u>\$ 11,983</u>	<u>\$ 557,118</u>

**NOTE 5 – UNEARNED REVENUES**

Unearned revenue reported in the governmental funds and the basic financial statements as of September 30, 2011 was as follows:

Occupational licenses	\$ 28,721
Planning advances	4,760
Advertisement advances	803
Right of way advances	42,649
Other	42,619
	<u>\$ 119,552</u>

**NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund receivables and payables at September 30, 2011 were as follows:

	Receivable	Payable
General Fund	\$ 220,007	\$ 224,548
Fire Fund	215,690	-
Sewer Utility System Fund	-	3,861
Parking Revenue Improvement Fund	8,858	216,146
	<u>\$ 444,555</u>	<u>\$ 444,555</u>

The outstanding balances between funds result primarily from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made. The balances between the general fund and the parking revenue improvement fund relate to debt service payments made by the general fund that had not been reimbursed by the parking revenue improvement fund at September 30, 2011. The balances between the general fund and the fire fund relate to excess fire assessments collected by the general fund in prior fiscal years that have been allocated for use by the fire fund, but had not been transferred at September 30, 2011.

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund transfers for the fiscal year ended September 30, 2011 were as follows:

	<b>Transfers In</b>	<b>Transfers Out</b>
General Fund	\$ 197,000	\$ 1,365,690
Capital Projects Fund	1,150,000	-
Fire Fund	215,690	30,000
Parking Revenue Improvement Fund	-	167,000
	<u>\$ 1,562,690</u>	<u>\$ 1,562,690</u>

Transfers between the general fund and capital projects fund were to fund capital improvement projects. Transfers from the parking revenue improvement fund and fire fund to the general fund were to move revenues from the fund where collection occurred to the fund where funds have been reallocated for use, in accordance with the fiscal year 2011 budget. Transfers from the general fund to the fire fund were to move revenues from the fund where collection occurred in prior fiscal years to the fund where funds have been reallocated for use.

**NOTE 7 – CAPITAL ASSETS**

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

	Beginning Balance	Additions	Deductions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,592,732	\$ -	\$ -	\$ 1,592,732
Construction in progress	1,378,323	25,647	(29,784)	1,374,186
Total capital assets, not being depreciated	<u>2,971,055</u>	<u>25,647</u>	<u>(29,784)</u>	<u>2,966,918</u>
Capital assets, being depreciated:				
Building and building improvements	4,218,067	18,632	(79,127)	4,157,572
Improvements other than buildings	11,025,508	353,834	-	11,379,342
Furniture, fixtures, machinery and equipment	803,845	164,603	-	968,448
Motor vehicles	590,043	15,001	-	605,044
Infrastructure	5,902,121	-	-	5,902,121
Total capital assets, being depreciated	<u>22,539,584</u>	<u>552,070</u>	<u>(79,127)</u>	<u>23,012,527</u>
Less accumulated depreciation:				
Building and building improvements	939,683	70,961	(79,127)	931,517
Improvements other than buildings	4,252,908	252,201	-	4,505,109
Furniture, fixtures, machinery and equipment	482,048	72,050	-	554,098
Motor vehicles	414,037	70,132	-	484,169
Infrastructure	4,199,396	112,608	-	4,312,004
Total accumulated depreciation	<u>10,288,072</u>	<u>577,952</u>	<u>(79,127)</u>	<u>10,786,897</u>
Total capital assets, being depreciated, net	<u>12,251,512</u>	<u>(25,882)</u>	<u>-</u>	<u>12,225,630</u>
Governmental activities capital assets, net	<u>\$15,222,567</u>	<u>\$ (235)</u>	<u>\$ (29,784)</u>	<u>\$ 15,192,548</u>

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**NOTE 7 – CAPITAL ASSETS (Continued)**

Capital assets for the business-type activities for the fiscal year ended September 30, 2011 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 5,483,384	\$ 283,940	\$ -	\$ 5,767,324
Total capital assets, not being depreciated	<u>5,483,384</u>	<u>283,940</u>	<u>-</u>	<u>5,767,324</u>
Capital assets, being depreciated:				
Buildings and utility plant	2,865,673	11,221	-	2,876,894
Equipment	-	72,725	-	72,725
Total capital assets, being depreciated	<u>2,865,673</u>	<u>83,946</u>	<u>-</u>	<u>2,949,619</u>
Less accumulated depreciation:				
Buildings and utility plant	1,263,136	65,826	-	1,328,962
Equipment	-	2,174	-	2,174
Total accumulated depreciation	<u>1,263,136</u>	<u>68,000</u>	<u>-</u>	<u>1,331,136</u>
Total capital assets, being depreciated, net	<u>1,602,537</u>	<u>15,946</u>	<u>-</u>	<u>1,618,483</u>
Business-type activities capital assets, net	<u>\$ 7,085,921</u>	<u>\$ 299,886</u>	<u>\$ -</u>	<u>\$ 7,385,807</u>

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

Governmental activities:	
General government	\$ 153,872
Public safety	30,225
Transportation	225,988
Recreation	92,670
Physical environment	75,197
Total depreciation expense, governmental activities	<u>\$ 577,952</u>
Business-type activities:	
Sewer utility	\$ 52,916
Parking revenue improvement	15,084
Total depreciation expense, business-type activities	<u>\$ 68,000</u>

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**NOTE 8 – LONG-TERM DEBT**

**Business-Type Activities**

In October 2005, the Town borrowed \$2,000,000 at a 3.950% interest rate compounded monthly from SunTrust Bank with a maturity date of September 30, 2020 ("Series 2005B Promissory Note"). The funds were used for major parking improvement projects and property acquisitions. The note is secured by the pledge of and lien on parking meter fees, fines and non-ad valorem revenues if a shortfall occurs. Parking meter fees have averaged approximately \$331,000 annually in the past eight years whereas parking fines have averaged approximately \$121,000 in the past four years. The total principal and interest remaining on the note is \$1,247,051. For the current fiscal year, principal and interest paid and net revenues were \$381,602 and \$947,900, respectively.

During the current fiscal year, the Town approved an accelerated loan payoff on the Series 2005B Promissory Note. An amendment to the promissory note agreement with SunTrust was approved in the current fiscal year which permits the Town to make prepayments up to 15% of the principal amount then owing under the Note each calendar year, without any additional fees. The Town made a prepayment of 15%, or \$204,972, during the current fiscal year and intends to make prepayments of 15% in the subsequent fiscal years until the loan has been paid in full. As a result, it is anticipated that the outstanding loan balance will be paid off during the fiscal year ending September 30, 2017.

Changes in long-term liabilities for both governmental activities and business-type activities the fiscal year ended September 30, 2011 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
<u>Governmental activities:</u>					
Compensated absences	\$ 89,677	\$ 102,701	\$ (88,946)	\$ 103,432	\$ 10,343
	<u>\$ 89,677</u>	<u>\$ 102,701</u>	<u>\$ (88,946)</u>	<u>\$ 103,432</u>	<u>\$ 10,343</u>
<u>Business-type activities:</u>					
Series 2005B Promissory Note	\$ 1,457,043	\$ -	\$ (326,320)	\$ 1,130,723	\$ 281,693
	<u>\$ 1,457,043</u>	<u>\$ -</u>	<u>\$ (326,320)</u>	<u>\$ 1,130,723</u>	<u>\$ 281,693</u>

Annual debt service requirements to maturity on the enterprise notes are as follows:

Year Ending September 30,	Business-type Activities		
	Principal	Interest	Total
2012	\$ 281,693	\$ 42,809	\$ 324,502
2013	243,932	31,608	275,540
2014	212,016	21,896	233,912
2015	185,074	13,440	198,514
2016	162,369	6,046	168,415
2017	45,639	528	46,167
	<u>\$ 1,130,723</u>	<u>\$ 116,327</u>	<u>\$ 1,247,050</u>

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**NOTE 9 – COMMITMENTS AND CONTINGENCIES**

**Interlocal Agreement**

The Town entered into an interlocal agreement with Broward Sheriff's Office on February 23, 2001 with an effective date of March 1, 2001 for police services in the Town. The agreement is for a five (5) year period and can be renewed for an additional two periods of five (5) years each, for a total of fifteen (15) years, without further action of the parties, unless terminated by either party as provided in the agreement. During the fiscal year ended September 30, 2011, the Town paid \$3,156,891 under this agreement.

The Town entered into an interlocal agreement with Broward County Building and Permitting Division on July 27, 2004 to conduct plan examinations and inspection pursuant to the South Florida Building Code. The agreement shall continue in full force and effect unless written notice of termination by either party. During the fiscal year ended September 30, 2011, Broward County collected \$468,074 under this agreement and the Town received \$43,855 from Broward County for surcharges.

**Litigation, Claims and Assessments**

The Town is the defendant in four lawsuits related to the Charter building height limitations. Count I sought recovery under the Bert J. Harris, Jr. Private Property Rights Protection Act and collectively asserted that the Town deprived the private property owners of the reasonably expected investment-backed right to use their property due to land development regulations adopted by the Town. Count II alleged that the Town was estopped from applying the charter height limitations because an annexation agreement between the Town and the South Beach Civic Association provided that the Broward County height regulations then in effect would continue to apply post-annexation. One of the lawsuits also claims breach of a contract to install sanitary sewers. The Town is vigorously defending these claims, which have been consolidated as to liability under the Charter building height limitations.

During a prior fiscal year, the Town filed a motion to dismiss, as well as written discovery. A hearing was held on the motion to dismiss which concluded during the prior fiscal year. The Court granted the Town's motion to dismiss. The plaintiffs filed an amended complaint, reasserting both counts of the Charter height limit related claims, and the Town again moved to dismiss. A hearing on the motion to dismiss the amended claim was held on July 8, 2011. On September 1, 2011, the Judge entered an Order granting in part and denying in part the Town's motions to dismiss Counts I and II of the amended complaints filed in these consolidated cases. The Judge again dismissed the first Count, which sought compensation under the Bert J. Harris Act. However, the motion was denied as to the Count II estoppel claims. Under this claim, the four property owners claim that certain promises contained in an annexation agreement preclude application of the subsequently enacted charter height limits. No monetary damages are sought in connection with Count II. The Town filed an Answer to Count II. There have been no discovery requests, motions, hearings or other filings since the Town filed its Answer. Additionally, the Court denied the Town's motion to dismiss as it pertained to the sewer related claims. The Town filed an Answer to the sewer related claims.

The Charter height limit-related claims in Count II seeks only equitable relief, and therefore does not introduce the possibility of substantial monetary exposure. In the event that the Bert J. Harris claim contained in Count I are revived, the Plaintiffs presented the Town with a pre-suit appraisal quantifying the value of the purported loss of development rights at approximately \$21 million. Given that Claim I has been dismissed, the likelihood of an unfavorable monetary outcome is deemed to be minimal.

As for the sewer-related claims, the Plaintiff seeks to either compel the Town to connect it to the sanitary sewer system, or to pay the cost of installing a sewer system, which the Complaint alleges to be approximately \$3.35 million. As of the report date, the outcome cannot be determined; therefore, no amounts related to the outcome of this matter have been reflected in the financial statements.

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**NOTE 9 – COMMITMENTS AND CONTINGENCIES (Continued)**

**Grants**

Grant monies received and disbursed by the Town are 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. Based upon prior experience, the Town 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 Town.

During the current fiscal year, the Town was awarded a grant from the Florida Department of Transportation for State Road A1A landscaping and hardscape enhancements in the amount of \$441,700. Construction on the project commenced during September 2011.

**Construction Contracts**

As of September 30, 2011, the Town had open contracts for various construction projects. The contracts totaled approximately \$569,000, of which approximately \$554,000 was uncompleted at September 30, 2011.

**NOTE 10 – FLORIDA RETIREMENT SYSTEM**

**Plan Description**

The Town participates in the Florida Retirement System (FRS), a defined benefit cost-sharing multiple employer Public Employee Retirement System (PERS). The FRS issues a publicly available financial report that includes financial statements and required supplementary information for the PERS. Copies of the FRS's annual report for the fiscal year ended June 30, 2011 may be obtained by writing to the Division of Retirement, P.O. Box 9000, Tallahassee, Florida 32315-9000. Payroll for Town employees covered by the System for the year ended September 30, 2011 was approximately \$1.3 million.

All full-time Town employees are eligible to participate in the FRS. Normal retirement is at 6 years of credited service and age 62 or at 30 years of credited service regardless of age for regular members.

Benefits vest after six years of credited service. Early retirement may be taken any time after vesting; however, there is a five percent benefit reduction for each year prior to normal retirement age or date. The FRS also provides disability and survivor benefits. Benefits are established by State statute.

**Funding Policy**

Employees are not required to contribute to the FRS. The Town is required to contribute a certain percentage of employee compensation per year.

The following are the required contributions and the percentage contributed by the Town for the current fiscal year and the preceding two fiscal years:

Fiscal Year Ended September 30,	Required Contribution	Actual Contribution	Percentage Contributed
2009	\$ 191,424	\$ 200,538	105%
2010	187,882	193,645	103%
2011	179,679	180,132	100%

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**NOTE 11 – VOLUNTEER FIREFIGHTERS PENSION FUND**

**Plan Description**

The Volunteer Firefighters Pension Plan is a single-employer Public Employee Retirement System (PERS) defined benefit pension plan. Volunteer firefighters do not receive salaries but receive incentive pay based on calls to which they respond. Participants should refer to the Plan documents for more complete information. A publicly available financial statement for the Plan can be obtained from the Board of Trustees, 4442 Sea Grape Drive, Lauderdale-By-The-Sea, Florida, 33308.

As of October 1, 2009, the date of the latest actuarial valuation, firefighters' membership data related to the Plan as stated in the actuarial valuation was as follows:

Retirees and beneficiaries currently receiving benefits and former volunteers entitled to receive benefits but not yet receiving them	<u>8</u>
Current volunteers:	
Fully vested	5
Non-vested	<u>70</u>
Total	<u><u>75</u></u>

All volunteer firefighters of the Town are eligible for membership in the Plan; eligibility is determined by a point system whereby a firefighter must accumulate 30 points during a Plan year to be credited for one year of service. Points are accumulated by attendance at meetings, drills, fires and false alarms. Normal retirement is at age 55 and 10 years of credited service. The benefit is \$10 per month for each year of credited service payable in a life annuity, with other options available. Disability benefits are available for total and permanent disability payable at \$10 per month for each year of credited service. Death benefits are available under the same terms as normal retirement benefits.

**Basis of Accounting**

The Volunteer Firefighters Pension Plan (the "Plan") financial statements are prepared on the accrual basis of accounting. All contributions are recognized when due, pursuant to formal commitments, as well as statutory or contractual requirements.

**Investments**

Investments, which consist primarily of mutual funds, are carried at fair value. Interest is recognized when earned. Purchases and sales are recorded on a trade-date basis.

Within certain limitations as specified in the Plan, the investment policy is determined by the Board of Trustees and is implemented by the Plan's investment advisor.

**Funding Policy**

Firefighters are not required to contribute to the Plan but may voluntarily do so. Contributions from the State of Florida are based on the amount of fire insurance premiums written by private insurers on property within Town limits. The Town is required to contribute if there is any shortfall between the State's contributions and funding requirements of the Plan.

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**NOTE 11 – VOLUNTEER FIREFIGHTERS PENSION FUND (Continued)**

**Funding Policy (Continued)**

Funding is based on actuarial determined required contributions using the aggregate actuarial cost method. The annual required contribution for the fiscal year ended September 30, 2011 was determined by the October 1, 2009 actuarial valuation report, using the aggregate actuarial cost method. The State contributions are received by the Town and are recorded as a revenue and expenditure in the General Fund and remitted to the Volunteer Fire Department treasurer for deposit to the pension bank account. This amount totaled \$101,480 for the fiscal year ended September 30, 2011.

**Funding Status and Funding Progress**

The funded status of the plan as of October 1, 2009, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL), Entry Age (b)	(Over) Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as Percent of Covered Payroll [(b-a)/c]
October 1, 2009*	\$ 515,934	\$ 325,837	\$ (190,097)	158.3%	\$ 286,224	-66.4%

\*For purposes of this schedule, the AAL for the Plan is determined using the entry age actuarial cost method. Note that the ARC for the Plan is calculated using the aggregate actuarial cost method.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multi-year 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, 2009
Contribution Rates:	
Employer and State	9.45%
Plan Member	5%
Actuarial cost method	Aggregate
Amortization method*	NA
Remaining amortization period*	NA
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.0%
Projected salary increases	5.5%
Includes inflation and other general increases at	3.0%
Cost-of-living adjustments	NA

\*The actuarial cost method used by the Plan is the Aggregate Method which does not have an explicit amortization method of period. Instead, the total cost is paid for over the expected future active lifetimes which is approximately 10 years for the Plan.

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**NOTE 11 – VOLUNTEER FIREFIGHTERS PENSION FUND (Continued)**

**Annual Pension Cost and Net Pension Asset**

The annual pension cost and net pension asset as of the latest actuarial valuation are as follows:

Annual required contribution (ARC)	\$	27,036
Interest on net pension obligation (NPO)		(5,098)
Adjustment to ARC		6,893
Annual pension cost (APC)		<u>28,831</u>
Contributions made		<u>40,224</u>
Increase (decrease) in NPO		<u>(11,393)</u>
NPO (asset), beginning		<u>(72,832)</u>
NPO (asset), ending	\$	<u><u>(84,225)</u></u>

Since the Plan elected not to have an actuarial valuation performed as of October 1, 2010, the information above reflects the Net Pension Asset as of September 30, 2010 and the Trend Information below does not include the data for the fiscal year ended September 30, 2011. The annual required contribution for fiscal year 2011 was determined as part of the most recent actuarial report dated October 1, 2009, using the aggregate actuarial cost method. Because the method does not identify or separately amortize unfunded actuarial liabilities, information about the Plan's funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and the information presented is intended to serve as a surrogate for the funded status and funding progress of the Plan.

Trend Information			
Fiscal Year Ended September 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Assets)
2008	\$ 16,810	92.6%	\$ (63,777)
2009	32,122	128.2%	(72,832)
2010	28,831	139.5%	(84,225)

The following are the required contributions and the percentage contributed by the Town for the current fiscal year and the preceding two fiscal years:

Fiscal Year Ended September 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2009	\$ 30,674	\$ 41,177	134.2%
2010	27,036	40,224	148.8%
2011	27,036	40,460	149.7%

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**NOTE 12 – OTHER POST EMPLOYMENT BENEFITS**

During the fiscal year ended September 30, 2010, the Town implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits other than Pensions* (OPEB) for certain postemployment health care benefits. The requirements of the statement were implemented prospectively.

**Plan Description:** Pursuant to Section 112.081, Florida Statutes, the Town is required to permit eligible retirees and their eligible dependents to participate in the Town's health insurance program at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. These retirees pay 100% of the blended rate for active and retired employees. Because the blended rate is greater than that of a plan including active employees only and less than that of a plan including retirees only, the amount the Town expends for active employees includes an implicit subsidy for participating retirees and dependents.

**Funding Policy:** An actuarial valuation was performed as of October 1, 2009, for the purpose of enhancing the Town's understanding of the OPEB obligation and to establish policy implications regarding the funding of this obligation. The actuary's estimate, using the Entry Age Normal Cost Method, included other actuarial assumptions as classified below. The calculation produced an unfunded actuarially accrued liability (UAAL) of \$42,184, and an estimated net OPEB obligation of \$5,257. At this time, the Town has opted to pay as you go rather than fund a portion or the entire net OPEB obligation.

Calculation of the net OPEB obligation as of the latest actuarial valuation is as follows:

Annual Required Contribution (ARC)	\$ 11,560
Interest on Net OPEB Obligation (NPO)	-
Adjustment to ARC	-
Annual OPEB Cost/(Expense)	11,560
Estimated net contributions made	(6,303)
Increase/(Decrease) in NPO	5,257
Net OPEB obligation/(asset), beginning	-
Net OPEB obligation/(asset), ending*	\$ 5,257

Since the Town elected not to have an actuarial valuation performed as of October 1, 2010, the information above reflects the Net OPEB obligation as of September 30, 2010. Actuarial methods and significant actuarial assumptions used to determine the annual required contribution for the prior fiscal year were as follows:

Valuation date	October 1, 2009
Actuarial cost method	Entry age normal
Amortization method for unfunded actuarial liability	Level percentage of payroll, closed
Amortization period - closed	30 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	4.50%
Projected salary increases	0.00%
Health Care inflation:	
Pre-Medicare	8% (trending to 5% in 2012)
Post-Medicare	8% (trending to 5% in 2012)

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**NOTE 12 – OTHER POST EMPLOYMENT BENEFITS (Continued)**

The actuarial valuation of the calculation of OPEB involves estimates of reported amounts and assumptions about the probability of events in the future. 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 to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information is designed to provide multi-year trend information to how whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Fiscal year 2010 was the initial year of implementation. The Town has not contributed assets to the plan at this time.

Funding progress of the OPEB liability as of October 1, 2009 valuation date, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL), Entry Age (b)	(Over) Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as Percent of Covered Payroll [(b-a)/c]
October 1, 2009	\$ -	\$ 42,184	\$ 42,184	0%	\$ 1,257,243	3.4%

Participants of the plan consisted of the following at September 30, 2010:

Retirees and beneficiaries currently receiving benefits	2
Active employees	32
Total	<u>34</u>

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Three year information for the years ended September 30, is presented as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation/ (Asset)
September 30, 2010	\$ 11,560	54.5%	\$ 5,257
September 30, 2009	N/A	N/A	N/A
September 30, 2008	N/A	N/A	N/A

Since the Town elected not to have an actuarial valuation performed as of October 1, 2010, the Trend Information above does not include the data for the fiscal year ended September 30, 2011. The net OPEB obligation is reported as a liability in the statement of net assets of the Town.

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**NOTE 13 – RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters for which the Town carries commercial insurance. There were no significant reductions in insurance coverage from the prior fiscal year. The Town provides employee medical benefits through commercial insurance coverage. Settlements during the previous three years did not exceed insurance coverage.

**NOTE 14 – PRONOUNCEMENTS ISSUED, BUT NOT YET ADOPTED**

*GASB Statement No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*  
This statement is intended to improve consistency in the measurement and financial reporting of other post employment benefits (OPEB) such as retiree health insurance. This statement is effective for actuarial evaluations first used to report funded status information in OPEB plan financial statements for periods beginning after June 15, 2011.

*GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements*  
This statement addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. The requirements for Statement 60 are effective for financial statements for periods beginning after December 15, 2011. In general, its provisions are required to be applied retroactively for all periods presented.

*GASB Statement No. 61, The Financial Reporting Entity: Omnibus*  
This statement is designed to improve financial reporting for governmental entities by amending the requirements of Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, to better meet user needs and address reporting entity issues that have come to light since those Statements were issued in 1991 and 1999, respectively. The Statement will improve the information presented about the financial reporting entity, which is comprised of a primary government and related entities (component units). The Statement is effective for financial statements for periods beginning after June 15, 2012.

*GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*  
This Statement is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements. The requirements of Statement 62 are effective for financial statements for periods beginning after December 15, 2011.

*GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*  
This Statement is intended to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources and their effects on a government’s net position. The requirements of Statement 63 are effective for financial statements for periods beginning after December 15, 2011.

*GASB Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions*  
This Statement is intended to enhance comparability and improve financial reporting by clarifying the circumstances in which hedge accounting should continue when a swap counterparty, or a swap counterparty’s credit support provider, is replaced. The requirements of Statement 63 are effective for financial statements for periods beginning after June 15, 2011.

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**NOTE 14 – PRONOUNCEMENTS ISSUED, BUT NOT YET ADOPTED (Continued)**

The Town's management has not yet determined the effect these Statements will have on the Town's financial statements.

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

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**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property taxes	\$ 6,736,225	\$ 6,736,225	\$ 6,901,414	\$ 165,189
Franchise fees and utility taxes	1,704,132	1,704,132	1,707,308	3,176
Intergovernmental	899,616	899,616	887,117	(12,499)
Fines and forfeitures	92,516	92,516	303,767	211,251
Charges for services	8,000	8,000	9,901	1,901
Licenses and permits	168,353	168,353	153,933	(14,420)
Interest income and other	40,000	40,000	38,789	(1,211)
Grant revenue	85,841	85,841	86,353	512
Miscellaneous revenues	53,745	53,745	96,114	42,369
Total revenues	9,788,428	9,788,428	10,184,696	396,268
<b>Expenditures:</b>				
<b>Current:</b>				
General government	2,603,381	2,512,998	2,064,508	448,490
Public safety	4,243,188	4,243,188	4,172,578	70,610
Transportation	1,591,418	1,675,901	1,434,324	241,577
Recreation	340,902	346,802	304,613	42,189
Capital outlay	203,613	203,613	197,469	6,144
Total expenditures	8,982,502	8,982,502	8,173,492	809,010
Excess (deficiency) of revenues over (under) expenditures	805,926	805,926	2,011,204	1,205,278
<b>Other financing sources (uses):</b>				
Use of fund balance	137,000	137,000	-	(137,000)
Transfers in	207,074	207,074	197,000	(10,074)
Transfers out	(1,150,000)	(1,150,000)	(1,365,690)	(215,690)
Total other financing sources (uses)	(805,926)	(805,926)	(1,168,690)	(362,764)
Net change in fund balance	\$ -	\$ -	842,514	\$ 842,514
Fund balance, beginning			7,827,677	
Fund balance, ending			\$ 8,670,191	

See notes to Required Supplementary Information.

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**NOTE TO BUDGETARY COMPARISON SCHEDULE**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2011**

**NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING**

Annual appropriated budgets are adopted for all governmental funds on a basis consistent with accounting principles generally accepted in the United States.

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

- (a) The Town Manager submits to the Commission a proposed operating and capital budget for the ensuing fiscal year. The budget includes proposed expenditures and the means of financing them.
- (b) Public hearings are conducted to obtain taxpayer comments.
- (c) Prior to October 1, the budget is legally enacted through passage of an ordinance.
- (d) The Town Commission, by motion, may make supplemental appropriations for the fiscal year.
- (e) Formal budgetary integration is employed as a management control device during the fiscal year for the general fund.
- (f) The Town Manager is authorized to transfer part or all of an unencumbered appropriation balance within a fund; however, any revisions that alter the total appropriations of any fund must be approved by the Town Commission. The classification detail at which expenditures may not legally exceed appropriations is at the fund level.
- (g) Unencumbered appropriations lapse at fiscal year end. Unencumbered amounts are reappropriated in the following fiscal year's budget.
- (h) Budgeted amounts are as originally adopted or as amended.

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CONTRIBUTIONS FROM THE TOWN**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2011**

RETIREMENT PLAN FOR VOLUNTEER FIREFIGHTERS

Fiscal Year Ended September 30,	Annual		
	Required Contribution	Amounts Contributed	Percentage Contributed
2006	\$ 43,382	\$ 35,281	81.3%
2007	36,648	36,648	100.0%
2008	15,495	15,569	100.5%
2009	30,674	41,177	134.2%
2010	27,036	40,224	148.8%
2011	27,036	40,460	149.7%

The amounts reported above as "Amounts Contributed" may also include a portion of the State contributions as reported on the Statement of Changes in Fiduciary Net Assets thereby accounting for any differences in reporting.

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS**  
**VOLUNTEER FIREFIGHTERS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2011**

RETIREMENT PLAN FOR VOLUNTEER FIREFIGHTERS

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL), Entry Age (b)	(Over) Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as Percent of Covered Payroll [(b-a)/c]
October 1, 2004	\$ 321,168	\$ 374,168	\$ 53,000	85.8%	\$ 250,205	21.2%
October 1, 2005	370,278	368,144	(2,134)	100.6%	225,310	-0.9%
October 1, 2006	470,369	396,486	(73,883)	118.6%	249,866	-29.6%
October 1, 2007	579,283	351,231	(228,052)	164.9%	198,451	-114.9%
October 1, 2008	412,514	273,795	(138,719)	150.7%	111,182	-124.8%
October 1, 2009*	515,934	325,837	(190,097)	158.3%	286,224	-66.4%

\*The latest actuarial valuation is as of October 1, 2009, as the Plan elected not to have an actuarial valuation performed as of October 1, 2010.

GASB No. 50, Pension Disclosures - an amendment of GASB Statements No. 25 and No. 27, requires plans using the aggregate actuarial cost method to also prepare information about the funded status and funding progress using the entry age actuarial cost method. Plans are required to disclose that because the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial unfunded actuarial liabilities, information about the funded status and funding progress has been prepared using the entry age actuarial cost method and is intended to serve as a surrogate for the funded status and funding progress.

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS**  
**OTHER POST EMPLOYMENT BENEFIT PLAN**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2011**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL), Entry Age (b)	(Over) Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as Percent of Covered Payroll [(b-a)/c]
October 1, 2009	\$ -	\$ 42,184	\$ 42,184	0%	\$ 1,257,243	3.4%

\*The actuarial valuation is as of October 1, 2009, as the Town elected not to have an actuarial valuation performed as of October 1, 2010.

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**COMBINED AND COMBINING FUND STATEMENTS**

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**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**COMBINED BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2011**

	<b>Special Revenue Funds</b>		
	<b>Police</b>		<b>Total</b>
	<b>Training and</b>	<b>Fire</b>	<b>Non-Major</b>
	<b>Forfeiture</b>	<b>Fund</b>	<b>Funds</b>
<u><b>ASSETS</b></u>			
Cash and cash equivalents	\$ 198,211	\$ 291,928	\$ 490,139
Due from other funds	-	215,690	215,690
Total assets	\$ 198,211	\$ 507,618	\$ 705,829
<u><b>LIABILITIES AND FUND BALANCES</b></u>			
Liabilities:			
Contracts and retainage payable	\$ -	\$ 12,561	\$ 12,561
Unearned revenue	-	9,077	9,077
Total liabilities	-	21,638	21,638
Fund balances:			
Restricted for:			
Fire department	-	485,980	485,980
Law enforcement	198,211	-	198,211
Total fund balances	198,211	485,980	684,191
Total liabilities and fund balances	\$ 198,211	\$ 507,618	\$ 705,829

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	<u>Special Revenue Funds</u>		<u>Total Non-Major Funds</u>
	<u>Police Training and Forfeiture</u>	<u>Fire Fund</u>	
Revenues:			
Fire assessments	\$ -	\$ 1,036,676	\$ 1,036,676
Charges for services	-	27,692	27,692
Interest income and other	356	-	356
Miscellaneous revenues	13,295	-	13,295
Total revenues	<u>13,651</u>	<u>1,064,368</u>	<u>1,078,019</u>
Expenditures:			
Current:			
Public safety	-	750,446	750,446
Capital outlay	27,395	13,632	41,027
Total expenditures	<u>27,395</u>	<u>764,078</u>	<u>791,473</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(13,744)</u>	<u>300,290</u>	<u>286,546</u>
Other financing sources (uses):			
Transfers in	-	215,690	215,690
Transfers out	-	(30,000)	(30,000)
Total other financing sources (uses)	<u>-</u>	<u>185,690</u>	<u>185,690</u>
Net change in fund balances	<u>(13,744)</u>	<u>485,980</u>	<u>472,236</u>
Fund balances, beginning	<u>211,955</u>	<u>-</u>	<u>211,955</u>
Fund balances, ending	<u>\$ 198,211</u>	<u>\$ 485,980</u>	<u>\$ 684,191</u>

**INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

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**BUDGET AND ACTUAL SCHEDULES**

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**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –**  
**BUDGET AND ACTUAL**  
**CAPITAL PROJECTS FUND**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Grant revenue	\$ 505,400	\$ 505,400	\$ 58,300	\$ (447,100)
Interest income and other	24,000	24,000	12,761	(11,239)
Total revenues	529,400	529,400	71,061	(458,339)
<b>Expenditures:</b>				
Current:				
General government	287,325	287,325	42,385	244,940
Capital outlay	1,527,400	1,527,400	358,816	1,168,584
Total expenditures	1,814,725	1,814,725	401,201	1,413,524
Excess (deficiency) of revenues over (under) expenditures	(1,285,325)	(1,285,325)	(330,140)	955,185
<b>Other financing sources (uses):</b>				
Transfers in	1,150,000	1,150,000	1,150,000	-
Use of fund balance	135,325	135,325	-	(135,325)
Total other financing sources (uses)	1,285,325	1,285,325	1,150,000	(135,325)
Net change in fund balance	\$ -	\$ -	819,860	\$ 819,860
Fund balance, beginning			4,451,780	
Fund balance, ending			\$ 5,271,640	

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –**  
**BUDGET AND ACTUAL**  
**SPECIAL REVENUE FUND**  
**POLICE TRAINING AND FORFEITURE FUND**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance With</u> <u>Final Budget-</u> <u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Interest income and other	\$ 880	\$ 880	\$ 13,651	\$ 12,771
Total revenues	880	880	13,651	12,771
<b>Expenditures:</b>				
<b>Current:</b>				
Public Safety	1,500	1,500	-	1,500
Capital outlay	35,500	35,500	27,395	8,105
Total expenditures	37,000	37,000	27,395	9,605
Excess (deficiency) of revenues over (under) expenditures	(36,120)	(36,120)	(13,744)	22,376
<b>Other financing sources (uses):</b>				
Use of fund balance	36,120	36,120	-	(36,120)
Total other financing sources (uses)	36,120	36,120	-	(36,120)
Net change in fund balances	\$ -	\$ -	(13,744)	\$ (13,744)
Fund balance, beginning			211,955	
Fund balance, ending			\$ 198,211	

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –**  
**BUDGET AND ACTUAL**  
**SPECIAL REVENUE FUND**  
**FIRE FUND**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance With</u> <u>Final Budget -</u> <u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Fire assessments	\$ 1,009,251	\$ 1,009,251	\$ 1,036,676	\$ 27,425
Charges for services	35,000	35,000	27,692	(7,308)
Total revenues	<u>1,044,251</u>	<u>1,044,251</u>	<u>1,064,368</u>	<u>20,117</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Public Safety	997,451	997,451	750,446	247,005
Capital outlay	20,800	20,800	13,632	7,168
Total expenditures	<u>1,018,251</u>	<u>1,018,251</u>	<u>764,078</u>	<u>254,173</u>
Excess (deficiency) of revenues over (under) expenditures	<u>26,000</u>	<u>26,000</u>	<u>300,290</u>	<u>274,290</u>
<b>Other financing sources (uses):</b>				
Use of fund balance	14,000	14,000	-	(14,000)
Transfers in	-	-	215,690	215,690
Transfers out	(40,000)	(40,000)	(30,000)	10,000
Total other financing sources (uses)	<u>(26,000)</u>	<u>(26,000)</u>	<u>185,690</u>	<u>211,690</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>485,980</u>	<u>\$ 485,980</u>
Fund balance, beginning			<u>-</u>	
Fund balance, ending			<u>\$ 485,980</u>	

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## STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time. These schedules include:	<b>55-61</b>
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax	<b>62-65</b>
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.	<b>66-68</b>
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.	<b>69-70</b>
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.	<b>71-73</b>

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

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**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**TABLE 1**  
**NET ASSETS BY COMPONENT**  
**LAST NINE FISCAL YEARS**  
**(ACCRUAL BASIS OF ACCOUNTING)**  
**(ACCOUNTS EXPRESSED IN THOUSANDS)**

	<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>
<b>Governmental activities:</b>									
Invested in capital assets, net of related debt	\$ 8,288	\$ 6,585	\$ 5,736	\$ 380	\$ 11,756	\$ 17,822	\$ 15,518	\$ 15,222	\$ 15,296
Retricted for:									
Town beautification per contractual agreement	-	-	-	-	-	-	1,000	1,000	928
Law enforcement	-	-	-	-	-	-	291	212	198
Fire enforcement	-	-	-	-	-	-	63	216	486
Unrestricted	<u>3,652</u>	<u>7,145</u>	<u>10,156</u>	<u>19,993</u>	<u>13,473</u>	<u>11,901</u>	<u>8,358</u>	<u>11,054</u>	<u>12,887</u>
Total governmental activities net assets	<u>11,940</u>	<u>13,730</u>	<u>15,892</u>	<u>20,373</u>	<u>25,229</u>	<u>29,723</u>	<u>25,230</u>	<u>\$ 27,704</u>	<u>\$ 29,795</u>
<b>Business-type activities:</b>									
Invested in capital assets, net of related debt	2,328	2,734	3,782	4,518	6,156	5,955	5,578	5,629	6,255
Unrestricted	<u>1,366</u>	<u>1,749</u>	<u>1,615</u>	<u>2,759</u>	<u>2,818</u>	<u>1,839</u>	<u>1,853</u>	<u>1,668</u>	<u>1,887</u>
Total business-type activities net assets	<u>3,694</u>	<u>\$ 4,483</u>	<u>\$ 5,397</u>	<u>\$ 7,277</u>	<u>\$ 8,974</u>	<u>\$ 7,794</u>	<u>\$ 7,431</u>	<u>\$ 7,297</u>	<u>\$ 8,142</u>
<b>Primary government:</b>									
Invested in capital assets, net of related debt	10,616	9,319	9,518	4,898	17,912	23,777	21,096	20,851	21,551
Restricted for:									
Town beautification per contractual agreement	-	-	-	-	-	-	1,000	1,000	928
Law enforcement	-	-	-	-	-	-	291	212	198
Fire enforcement	-	-	-	-	-	-	63	216	486
Unrestricted	<u>5,018</u>	<u>8,894</u>	<u>11,771</u>	<u>22,752</u>	<u>16,291</u>	<u>13,740</u>	<u>10,211</u>	<u>12,722</u>	<u>14,773</u>
Total primary government net assets	<u>\$ 15,634</u>	<u>\$ 18,213</u>	<u>\$ 21,289</u>	<u>\$ 27,650</u>	<u>\$ 34,203</u>	<u>\$ 37,517</u>	<u>\$ 32,661</u>	<u>\$ 35,001</u>	<u>\$ 37,936</u>

The Town-of-Lauderdale-By-The-Sea implemented GASB 34 in fiscal year 2003. Prior to that date, this data was not maintained.

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**TABLE 2**  
**CHANGES IN NET ASSETS**  
**LAST NINE FISCAL YEARS**  
**(ACCRUAL BASIS OF ACCOUNTING)**  
**(AMOUNTS EXPRESSED IN THOUSANDS)**

Expenses:	<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>
Governmental activities:									
General government	\$ 1,625	\$ 1,914	\$ 1,642	\$ 2,294	\$ 1,828	\$ 1,981	\$ 2,153	\$ 2,442	\$ 2,275
Public safety	3,506	6,082	5,831	5,835	6,193	6,426	4,795	4,869	4,953
Transportation	868	1,276	1,522	1,442	1,430	1,286	1,602	1,592	1,660
Recreation	277	367	435	436	486	483	400	418	397
Physical environment	107	138	148	175	206	313	320	294	125
Interest on long-term debt	430	406	404	570	491	458	551	-	-
Total governmental activities	<u>6,813</u>	<u>10,183</u>	<u>9,982</u>	<u>10,752</u>	<u>10,634</u>	<u>10,947</u>	<u>9,821</u>	<u>9,615</u>	<u>9,410</u>
Business-type activities:									
Sewer	1,012	817	888	928	1,011	1,008	1,062	1,105	974
Stormwater	66	126	59	79	190	229	-	-	-
Parking	147	83	92	77	174	376	201	220	424
Interest on long-term debt	-	-	-	114	-	-	-	-	-
Total business-type activities	<u>1,225</u>	<u>1,026</u>	<u>1,039</u>	<u>1,198</u>	<u>1,375</u>	<u>1,613</u>	<u>1,263</u>	<u>1,325</u>	<u>1,398</u>
Total primary government	<u>\$ 8,038</u>	<u>\$ 11,209</u>	<u>\$ 11,021</u>	<u>\$ 11,950</u>	<u>\$ 12,009</u>	<u>\$ 12,560</u>	<u>\$ 11,084</u>	<u>\$ 10,940</u>	<u>\$ 10,808</u>
Program revenues:									
Governmental activities:									
Charges for services:									
General government	\$ 63	\$ 574	\$ 802	\$ 984	\$ 898	\$ 826	\$ 244	\$ 148	\$ 154
Public safety	138	271	8	4	2,048	6	-	202	38
Transportation	943	1,002	887	570	392	215	299	-	-
Recreation	4	6	6	6	5	6	6	226	303
Physical environment	7	50	53	78	123	118	19	-	-
Operating grants and contributions	530	265	140	1,397	34	26	71	107	145
Capital grants and contributions	28	116	74	920	769	96	1,201	-	-
Total governmental activities program revenues	<u>1,713</u>	<u>2,284</u>	<u>1,970</u>	<u>3,959</u>	<u>4,269</u>	<u>1,293</u>	<u>1,840</u>	<u>683</u>	<u>640</u>
Business type activities:									
Charges for services:									
Sewer	1,111	1,176	1,054	1,000	1,010	1,100	1,002	964	1,153
Stormwater	-	-	36	197	218	-	-	-	-
Parking	51	67	99	432	642	602	481	389	948
Capital grants and contributions	-	-	-	-	332	-	34	-	295
Total business-type activities program revenues	<u>1,162</u>	<u>1,243</u>	<u>1,189</u>	<u>1,629</u>	<u>2,202</u>	<u>1,702</u>	<u>1,517</u>	<u>1,353</u>	<u>2,396</u>
Total primary government program revenues	<u>\$ 2,875</u>	<u>\$ 3,527</u>	<u>\$ 3,159</u>	<u>\$ 5,588</u>	<u>\$ 6,471</u>	<u>\$ 2,995</u>	<u>\$ 3,357</u>	<u>\$ 2,036</u>	<u>\$ 3,036</u>

(Continued)

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**

TABLE 2 (Continued)  
**CHANGES IN NET ASSETS  
 LAST NINE FISCAL YEARS  
 (ACCRUAL BASIS OF ACCOUNTING)  
 (AMOUNTS EXPRESSED IN THOUSANDS)**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Net (expense) revenue:									
Governmental activities	\$ (5,100)	\$ (7,899)	\$ (8,012)	\$ (6,793)	\$ (6,365)	\$ (9,654)	\$ (7,981)	\$ (8,932)	\$ (8,770)
Business-type activities	(63)	217	150	431	827	89	254	28	998
Total primary government net expense	<u>\$ (5,163)</u>	<u>\$ (7,682)</u>	<u>\$ (7,862)</u>	<u>\$ (6,362)</u>	<u>\$ (5,538)</u>	<u>\$ (9,565)</u>	<u>\$ (7,727)</u>	<u>\$ (8,904)</u>	<u>\$ (7,772)</u>
<b>General revenues and other changes in net assets:</b>									
Governmental activities:									
Property taxes and fire assessments	\$ 5,531	\$ 7,833	\$ 8,565	\$ 9,937	\$ 9,029	10,092	\$ 9,196	\$ 8,404	\$ 7,938
Utility taxes based on gross receipts	763	760	785	782	844	907	943	1,033	1,006
Franchise fees based on gross receipts	536	565	583	655	777	817	822	734	701
Communications services tax	468	376	372	350	353	358	434	366	330
Intergovernmental	852	321	-	-	-	-	556	539	557
Unrestricted Interest earnings	691	171	593	637	790	428	34	86	52
Miscellaneous	210	223	4	240	172	171	73	78	109
Transfers	(526)	(560)	(728)	(1,327)	(744)	1,375	624	166	167
Special item-contribution to other government unit	-	-	-	-	-	-	(9,194)	-	-
Total governmental activities	<u>8,525</u>	<u>9,689</u>	<u>10,174</u>	<u>11,274</u>	<u>11,221</u>	<u>14,148</u>	<u>3,488</u>	<u>11,406</u>	<u>10,860</u>
Business-type activities:									
Unrestricted Interest earnings	13	12	36	122	126	73	7	4	3
Miscellaneous	-	-	-	-	-	-	-	-	11
Gain on sale of assets	-	-	-	-	-	33	-	-	-
Transfers	526	560	728	1,327	744	(1,375)	(624)	(166)	(167)
Total business-type activities	<u>539</u>	<u>572</u>	<u>764</u>	<u>1,449</u>	<u>870</u>	<u>(1,269)</u>	<u>(617)</u>	<u>(162)</u>	<u>(153)</u>
Total primary government	<u>\$ 9,064</u>	<u>\$ 10,261</u>	<u>\$ 10,938</u>	<u>\$ 12,723</u>	<u>\$ 12,091</u>	<u>\$ 12,879</u>	<u>\$ 2,871</u>	<u>\$ 11,244</u>	<u>\$ 10,707</u>
Changes in net assets:									
Government activities	\$ 3,425	\$ 1,790	\$ 2,162	\$ 4,481	\$ 4,856	\$ 4,494	\$ (4,493)	\$ 2,474	\$ 2,091
Business-type activities	476	789	914	1,880	1,697	(1,180)	(363)	(134)	845
Total primary government	<u>\$ 3,901</u>	<u>\$ 2,579</u>	<u>\$ 3,076</u>	<u>\$ 6,361</u>	<u>\$ 6,553</u>	<u>\$ 3,314</u>	<u>\$ (4,856)</u>	<u>\$ 2,340</u>	<u>\$ 2,936</u>

The Town-of-Lauderdale-By-The-Sea implemented GASB 34 in fiscal year 2003. Prior to that date, this data was not maintained.

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**TABLE 3**  
**GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE**  
**LAST NINE FISCAL YEARS**  
**(ACCRUAL BASIS OF ACCOUNTING)**  
**(AMOUNTS EXPRESSED IN THOUSANDS)**

<u>Fiscal Year</u>	<u>Ad Valorem and Fire Taxes</u>	<u>Franchise Fees on Services</u>	<u>Utility Tax</u>	<u>Communications Service Tax</u>	<u>Transportation Tax</u>	<u>Total</u>
2003	\$ 5,531	\$ 536	\$ 763	\$ 468	\$ 167	\$ 7,465
2004	7,833	565	760	376	120	9,654
2005	8,565	583	785	372	119	10,424
2006	9,937	655	782	350	119	11,843
2007	9,029	777	844	353	116	11,119
2008	10,092	817	907	358	106	12,280
2009	9,196	822	943	434	109	11,504
2010	8,404	734	1,033	366	102	10,639
2011	7,938	701	1,006	330	104	10,079

The Town-of-Lauderdale-By-The-Sea implemented GASB 34 in fiscal year 2003. Prior to that date, this data was not maintained.

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**TABLE 4**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**  
**(AMOUNTS EXPRESSED IN THOUSANDS)**

	<b>Pre-GASB 54</b>								
	<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>
<b>General fund:</b>									
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 56	\$ 60	\$ 179	\$ 250	\$ 220
Unreserved, designated	1,368	2,070	2,475	3,389	3,310	5,222	3,743	4,163	4,556
Unreserved, undesignated	1,796	2,676	3,818	4,374	9,451	8,740	7,242	2,189	3,052
<b>Total general fund</b>	<b><u>\$ 3,164</u></b>	<b><u>\$ 4,746</u></b>	<b><u>\$ 6,293</u></b>	<b><u>\$ 7,763</u></b>	<b><u>\$ 12,817</u></b>	<b><u>\$ 14,022</u></b>	<b><u>\$ 11,164</u></b>	<b><u>\$ 6,602</u></b>	<b><u>\$ 7,828</u></b>
<b>All other governmental funds:</b>									
Reserved									
Capital project funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,000	\$ 1,000
Unreserved, undesignated	9,750	9,835	3,005	2,880	(2)	(2)	(2)	(2)	-
Special revenue funds	-	-	-	-	363	378	301	140	176
Capital project funds	-	-	-	-	550	(222)	-	1,805	3,236
Unreserved, undesignated :									
Special revenue funds	-	-	-	-	-	-	4	151	36
Capital project funds	-	-	4,415	6,047	6,206	6,596	1,300	162	215
<b>Total all other governmental funds</b>	<b><u>\$ 9,750</u></b>	<b><u>\$ 9,835</u></b>	<b><u>\$ 7,420</u></b>	<b><u>\$ 8,927</u></b>	<b><u>\$ 7,119</u></b>	<b><u>\$ 6,752</u></b>	<b><u>\$ 1,605</u></b>	<b><u>\$ 3,258</u></b>	<b><u>\$ 4,663</u></b>
	<b>Post-GASB 54</b>								
	<u>2010</u>	<u>2011</u>							
<b>General fund:</b>									
Nonspendable	\$ 4	\$ 76							
Restricted	216	-							
Assigned	4,556	2,680							
Unassigned	3,052	5,914							
<b>Total general fund</b>	<b><u>\$ 7,828</u></b>	<b><u>\$ 8,670</u></b>							
<b>All other governmental funds:</b>									
Restricted	\$ 1,000	\$ 1,612							
Assigned	3,663	4,344							
<b>her governmental funds</b>	<b><u>\$ 4,663</u></b>	<b><u>\$ 5,956</u></b>							

Note: Nine years of data available for GASB 34 compliance.  
Two years of data available for GASB 54 compliance which was adopted in 2011  
2010 data was restated for GASB 54 comparable presentation.

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**TABLE 5**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>Revenues:</b>										
Property taxes and fire assessments	\$ 7,938,090	\$ 8,404,054	\$ 9,195,526	\$ 10,092,717	\$ 11,070,231	\$ 9,936,889	\$ 8,565,376	\$ 7,833,400	\$ 5,531,092	\$ 4,814,157
Franchise fees and utility taxes	1,707,308	1,766,623	1,765,462	1,723,546	1,621,017	1,436,887	1,367,937	1,324,511	1,298,731	1,278,311
Intergovernmental	887,117	905,076	989,834	1,036,497	1,105,240	1,117,108	1,029,253	1,236,821	1,326,982	732,080
Fines and forfeitures	303,767	226,089	254,080	245,270	261,746	484,816	451,109	584,927	522,436	599,220
Charges for services	37,593	202,053	159,131	79,196	209,990	198,798	540,762	696,934	558,188	559,787
Interest and other	51,906	86,830	33,821	427,693	790,138	637,029	593,123	170,729	690,604	382,058
Licenses and permits	153,933	147,549	154,835	167,373	200,610	191,363	106,684	80,573	67,035	66,369
Grants	144,653	106,159	272,262	123,155	154,875	1,475,654	213,335	325,481	558,331	41,638
Miscellaneous revenues	109,409	77,965	1,073,158	170,782	172,465	240,127	4,258	223,720	76,599	-
<b>Total revenues</b>	<b>11,333,776</b>	<b>11,922,398</b>	<b>13,898,109</b>	<b>14,066,229</b>	<b>15,586,312</b>	<b>15,718,671</b>	<b>12,871,837</b>	<b>12,477,096</b>	<b>10,629,998</b>	<b>8,473,620</b>
<b>Expenditures:</b>										
<b>Current:</b>										
General government	2,106,893	2,410,124	1,803,315	1,566,541	1,931,495	2,174,935	1,550,657	1,528,070	1,461,860	1,219,149
Public safety	4,923,024	4,868,578	4,774,384	6,419,902	6,174,381	5,800,530	5,794,821	6,026,492	3,398,569	3,049,746
Transportation	1,434,324	1,366,145	1,272,675	1,185,116	1,226,939	1,215,885	1,373,894	1,131,320	868,121	802,256
Recreation	304,613	325,912	307,685	397,597	400,533	349,687	364,797	300,690	277,542	210,875
Physical environment	-	198,313	311,328	167,986	174,499	146,417	104,002	103,193	107,469	69,301
Capital outlay	597,312	287,413	1,138,153	8,974,468	1,474,802	3,015,369	1,140,175	1,998,326	3,444,555	1,471,042
<b>Debt service:</b>										
Principal	-	-	6,814,833	4,275,881	2,129,786	1,835,615	1,384,254	1,291,439	1,161,654	829,951
Interest	-	-	550,849	458,103	491,596	607,376	403,442	406,104	429,724	464,295
<b>Total expenditures</b>	<b>9,366,166</b>	<b>9,456,485</b>	<b>16,973,222</b>	<b>23,445,594</b>	<b>14,004,031</b>	<b>15,145,814</b>	<b>12,116,042</b>	<b>12,785,634</b>	<b>11,149,494</b>	<b>8,116,615</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>1,967,610</b>	<b>2,465,913</b>	<b>(3,075,113)</b>	<b>(9,379,365)</b>	<b>1,582,281</b>	<b>572,857</b>	<b>755,795</b>	<b>(308,538)</b>	<b>(519,496)</b>	<b>357,005</b>
<b>Other financing sources (uses):</b>										
Proceeds from notes payable and capital leases	-	-	-	-	-	-	-	-	2,712,658	28,281
Transfers in	1,562,690	1,781,401	2,365,244	6,340,968	2,711,647	1,927,969	1,393,519	1,179,854	1,795,944	1,984,776
Transfers out	(1,395,690)	(1,615,756)	(2,199,599)	(4,966,393)	(3,456,105)	(3,254,565)	(2,121,866)	(1,739,771)	(2,321,745)	(2,447,042)
Debt issued	-	-	-	-	-	4,000,000	2,950,000	-	-	-
<b>Total other financing sources (uses)</b>	<b>167,000</b>	<b>165,645</b>	<b>165,645</b>	<b>1,374,575</b>	<b>(744,458)</b>	<b>2,673,404</b>	<b>2,221,653</b>	<b>(559,917)</b>	<b>2,186,857</b>	<b>(433,985)</b>
<b>Net change in fund balances</b>	<b>2,134,610</b>	<b>2,631,558</b>	<b>(2,909,468)</b>	<b>(8,004,790)</b>	<b>837,823</b>	<b>3,246,261</b>	<b>2,977,448</b>	<b>(868,455)</b>	<b>1,667,361</b>	<b>(76,980)</b>
<b>Fund balances - beginning</b>	<b>12,491,412</b>	<b>9,859,854</b>	<b>12,769,322</b>	<b>20,774,112</b>	<b>19,936,289</b>	<b>16,690,028</b>	<b>13,712,581</b>	<b>14,581,036</b>	<b>12,913,674</b>	<b>12,990,654</b>
<b>Fund balances - ending</b>	<b>\$ 14,626,022</b>	<b>\$ 12,491,412</b>	<b>\$ 9,859,854</b>	<b>\$ 12,769,322</b>	<b>\$ 20,774,112</b>	<b>\$ 19,936,289</b>	<b>\$ 16,690,029</b>	<b>\$ 13,712,581</b>	<b>\$ 14,581,035</b>	<b>\$ 12,913,674</b>

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**TABLE 6**  
**GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)**  
**LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Property Taxes and Fire Assessment Fees</u>	<u>Franchise Fees and Utility Taxes</u>	<u>Parking Meters</u>	<u>Licenses and Permits</u>	<u>Inter-Gov't</u>	<u>Charges Services</u>	<u>Fines and Forfeitures</u>	<u>Grants</u>	<u>Interest and Other</u>	<u>Total</u>
2002	\$ 4,814,157	\$ 1,278,311	\$ 496,185	\$ 66,369	\$ 732,080	\$ 63,601	\$ 599,220	\$ 41,638	\$ 382,058	\$ 8,473,620
2003	5,531,092	1,298,731	484,563	67,035	1,326,982	73,625	522,436	558,331	767,203	10,629,998
2004	7,833,400	1,324,511	526,748	80,573	1,236,821	170,186	584,927	325,481	394,449	12,477,096
2005	8,565,376	1,367,937	478,406	106,684	1,029,253	62,356	451,109	213,335	597,381	12,871,837
2006	9,936,889	1,436,887	146,804	191,363	1,117,108	51,994	484,816	1,475,654	877,156	15,718,671
2007	11,070,231	1,621,017	137,561	200,610	1,105,240	72,429	261,746	154,875	962,603	15,586,312
2008	10,092,717	1,723,546	55,448	167,373	1,036,497	23,748	245,270	123,155	598,475	14,066,229
2009	9,195,526	1,765,462	118,431	154,835	989,834	40,700	254,080	272,262	1,106,979	13,898,109
2010	8,404,054	1,766,623	156,585	147,549	905,076	45,468	226,089	106,159	164,795	11,922,398
2011	7,938,090	1,707,308	-	153,933	887,117	37,593	303,767	144,653	161,315	11,333,776

(1) Governmental Fund Types: General, Special Revenue and Capital Projects.

Note: From fiscal year 2002 and forward, parking meter revenue is reflected in charges for services as included in the government-wide financial statements. However, for the purpose of this table, parking meter revenue has been separated. For the fiscal year 2006, business parking meter revenue is reported in the Parking Revenue Improvement Fund.

From fiscal year 2001 and forward, sewer fees are reflected in the Sewer Fund as included in the Statement of Revenue, Expenses and Changes in Net Assets for the Proprietary Funds.

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**TABLE 7**  
**PRELIMINARY RECAPITULATION OF THE AD VALOREM ASSESSMENT ROLLS**  
**LAST TEN FISCAL YEARS**

Fiscal Year	Real Property Assessed Value	Personal Property Assessed Value	Exemptions		Assessed Property Value	Final Actual Taxable Value	(1). Total Direct Tax Rate
			Real	Personal			
2002	1,162,796,770	13,701,721	62,867,630	2,634	1,113,628,227	1,141,197,502	4.7000
2003	1,333,494,270	14,684,976	67,100,270	2,634	1,281,076,342	1,259,147,591	4.7000
2004	1,504,774,160	16,453,097	72,512,650	2,634	1,448,711,973	1,453,739,511	4.7000
2005	2,107,212,880	15,785,123	77,200,430	2,700	2,045,794,873	1,728,223,953	4.7000
2006	2,689,777,920	17,527,962	82,761,920	2,700	2,624,541,262	2,140,677,012	4.7000
2007	2,395,129,720	16,740,144	88,825,630	1,564	2,323,042,670	2,321,656,228	4.1012
2008	2,325,239,690	16,120,707	147,379,890	3,786,923	2,190,193,584	2,116,655,262	3.9990
2009	2,141,321,800	15,575,063	147,738,830	3,582,380	2,005,575,653	1,935,973,843	3.9990
2010	1,901,968,310	15,105,857	143,291,270	4,214,572	1,769,568,325	1,773,134,094	3.9990
2011	1,860,076,290	16,804,874	141,590,530	4,362,075	1,730,928,559	1,734,133,452	3.9990

Source: Broward County, Florida, Property Appraiser

Note: Property in Broward County is reassessed once every year, on average. The county assesses property at approximately 85-100 percent of actual value for commercial and industrial property and 85-100 percent for residential property, as required by Florida law. Estimated actual taxable value is calculated by dividing taxable value by those percentages. Tax rates are per \$1,000 of assessed value.

(1) From Table 10.

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**TABLE 8**  
**PRINCIPAL PROPERTY TAXPAYERS**  
**SEPTEMBER 30, 2011**

<u>Taxpayer</u>	<u>Type of Use</u>	<u>2011</u>			<u>2002</u>		
		<u>Assessed Valuation</u>	<u>Rank</u>	<u>Percentage of Total Assessed Valuation</u>	<u>Assessed Valuation</u>	<u>Rank</u>	<u>Percentage of Total Assessed Valuation</u>
Walnut & Vine Properties II LLC	Hotel	14,698,180	1	0.79%	N/A	N/A	N/A
Ocean 4660 LLC	Hotel	10,068,340	2	0.54%	N/A	N/A	N/A
Edmondson, James P. - Seawatch	Restaurant	8,619,580	3	0.46%	N/A	N/A	N/A
White Cap of FL, Inc.	Condominiums	6,837,910	4	0.37%	N/A	N/A	N/A
Minto Villas-By-The-Sea	Condominiums	5,525,170	5	0.30%	N/A	N/A	N/A
Gorana International Inc	Hotel	4,198,720	6	0.23%	N/A	N/A	N/A
Little Italy Oceanside	Condominiums	3,647,760	7	0.20%	N/A	N/A	N/A
Demko Family Holdings LTD	Restaurant/Prk. Lot	3,527,990	8	0.19%	N/A	N/A	N/A
Benihama National of FL Corp	Restaurant	3,493,100	9	0.19%	N/A	N/A	N/A
Surf Rider Condo Association	Condominiums	3,404,200	10	0.18%	N/A	N/A	N/A

Source: Tax Roll of Broward County, Florida

Note: Information for 2002 was not available

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**TABLE 9**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST TEN FISCAL YEARS**

<u>Fiscal Year Ended September 30.</u>	<u>Total Tax Levy</u>	<u>Current Tax Collected</u>	<u>Percentage of Current Taxes Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collections to Total Tax Levy</u>
2002	\$ 5,095,447	\$ 5,175,981	101.58%	-	\$ 5,175,981	101.58%
2003	5,686,237	5,757,106	101.25%	-	5,757,106	101.25%
2004	6,490,947	6,545,557	100.84%	-	6,545,557	100.84%
2005	7,716,520	7,855,365	101.80%	-	7,855,365	101.80%
2006	8,864,711	9,028,855	101.85%	-	9,028,855	101.85%
2007	9,565,704	9,087,410	95.00%	9	9,087,419	95.00%
2008	9,636,602	9,094,308	94.37%	1,707	9,096,015	94.39%
2009	8,077,919	8,176,504	101.22%	-	8,176,504	101.22%
2010	7,354,861	7,376,067	100.29%	-	7,376,067	100.29%
2011	6,736,225	6,901,414	102.45%	-	6,901,414	102.45%

Source: Town of Lauderdale-By-The-Sea budget

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**TABLE 10**  
**PROPERTY TAX RATES (PER \$1,000)**  
**DIRECT AND OVERLAPPING GOVERNMENTS**  
**LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Lauderdale By-The-Sea</u>	<u>Broward County</u>	<u>Broward County Schools</u>	<u>State Special Districts</u>				<u>Total</u>
				<u>Florida Inland Navigation</u>	<u>South Florida Water Management</u>	<u>North Broward Hospital</u>	<u>Hillsboro Inlet</u>	
2002	4.7000	7.3650	8.8825	0.0385	0.6970	2.4803	0.1170	24.2803
2003	4.7000	7.1880	8.4176	0.0385	0.6970	2.5000	0.2490	23.7901
2004	4.7000	7.0230	8.2695	0.0385	0.6970	2.4803	0.1845	23.3928
2005	4.7000	6.7830	8.0623	0.0385	0.6970	2.1746	0.1845	22.6399
2006	4.7000	6.0661	7.8687	0.0385	0.6970	1.8317	0.1170	21.3190
2007	4.1012	5.2868	7.6484	0.0345	0.6240	1.6255	0.4432	19.7636
2008	3.9990	5.3145	7.4170	0.0345	0.6240	1.7059	0.4614	19.5563
2009	3.9990	5.8132	7.4310	0.0345	0.6240	1.7059	0.0860	19.6936
2010	3.9990	5.5530	7.6310	0.0345	0.6240	1.8750	0.0860	19.8025
2011	3.9990	5.5530	7.4180	0.0345	0.1785	1.9187	0.0860	19.1877

Source: Broward County, Florida, Property Appraiser

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**TABLE 11**  
**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES TO**  
**TOTAL GENERAL GOVERNMENTAL EXPENDITURES**  
**LAST TEN YEARS**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service (1)</u>	<u>Total General Governmental Expenditures (2)</u>	<u>Ratio of Debt</u>
2002	829,951	464,295	1,294,246	10,563,657	12.25%
2003	1,161,654	429,724	1,591,378	13,471,239	11.81%
2004	1,291,439	406,104	1,697,543	14,525,405	11.69%
2005	1,384,254	403,442	1,787,696	14,237,908	12.56%
2006	1,835,615	607,376	2,442,991	18,400,379	13.28%
2007	2,129,786	491,596	2,621,382	17,460,136	15.01%
2008	4,275,881	458,103	4,733,984	28,411,987	16.66%
2009	6,814,833	550,849	7,365,682	19,172,821	38.42%
2010	-	-	-	11,072,241	0.00%
2011	-	-	-	9,366,166	0.00%

(1) No general obligation debt 2001 - 2002 or 2011. Promissory note obligation 2001-2002.

(2) Includes general, special, and capital projects funds, and transfers out.

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**TABLE 12**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**LAST EIGHT FISCAL YEARS**

<u>Fiscal Year</u>	<u>Governmental Activities</u>			<u>Business-type Activities</u>		<u>Population (1)</u>	<u>Per Capita</u>	<u>Personal Income</u>	<u>Percentage of Personal Income</u>
	<u>Promissory Notes</u>	<u>Line of Credit</u>	<u>Capital Leases</u>	<u>Promissory Notes</u>	<u>Primary Government</u>				
2004	9,485,165	41,800	61,816	-	9,588,781	9,800	978	23,170	4.22%
2005	11,093,058	-	-	-	11,093,058	9,800	1,132	29,314	3.86%
2006	10,561,894	2,658,606	-	2,847,397	16,067,897	9,800	1,640	29,935	5.48%
2007	11,090,714	-	-	2,691,644	13,782,358	9,800	1,406	36,595	3.84%
2008	6,814,833	-	-	1,685,889	8,500,722	9,800	867	38,944	2.23%
2009	-	-	-	1,573,714	1,573,714	9,800	161	39,267	0.41%
2010	-	-	-	1,457,042	1,457,042	11,000	132	41,352	0.32%
2011	-	-	-	1,130,723	1,130,723	11,000	103	48,773	0.21%

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

(1) Information prior to 2003 is unavailable.

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**TABLE 13**  
**COMPUTATION OF DIRECT AND OVERLAPPING DEBT**  
**GENERAL OBLIGATION BONDS**  
**SEPTEMBER 30, 2011**

<u>Name of Governmental Unit</u>	<u>Net Debt Outstanding September 30, 2011</u>	<u>Percent of Debt Applied to Town Lauderdale By-The-Sea (1)</u>	<u>Amount of Debt Applied Town of Lauderdale By-The-Sea</u>
Town of Lauderdale-By-The-Sea	None		
Broward County School District	\$ 1,971,332,000	1.3%	\$ 26,612,772
Broward County	<u>356,215,000</u>	1.3%	<u>\$ 4,808,865</u>
Total direct and overlapping debt	<u>\$ 2,327,547,000</u>		<u>\$ 31,421,637</u>

(1) Based on ratio of assessed valuation for:  
Town of Lauderdale-By-The-Sea 1,734,133,452  
Broward County 128,455,341,428

Source: Broward County Revenue Collection  
Broward County School Board

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the Town. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the Town. This process recognizes that, when considering the Town's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**

TABLE 14  
STATISTICS

DEMOGRAPHICS AND ECONOMICS  
SEPTEMBER 30, 2011

Date of Incorporation:	November 30, 1947	
Year of Charter Adoption:	1947	
Form of Town Government:	Commission-Manager	
Location:	Lauderdale-By-The-Sea is in the east-central part of Broward County and shares boundaries with three other municipalities. Its eastern boundary is the Atlantic Ocean. It is 30 miles north of Miami and 33 miles south of Palm Beach. The Town is just over 8.5 square miles in area and has a population of 6,100 with a peak seasonal population of 11,000. It is a seaside community with primary industries being retail trade, tourism/hospitality, finance, insurance and real estate.	
Number of Employees:	Full and Part-Time, Permanent Contractual	131.2
Recreation facilities:	Miles of Public Beach	2.3
	Miles of Navigable Water	2.3
	Parks	3
	Tennis Courts	2
	Shuffleboard Courts	2
	Bocce Ball Court	1
	Basketball Court	1
Infrastructure:	Town Buildings	7
	Fire Stations	1
	Fire Rescue Stations	1
	Surface Parking Lot	7
	Wastewater Pump Stations	2
	Miles of Sewer Lines	10.5
Socio-Economic Data:	Consumer Price Index (1)C	3.100%
	Per Capita Personal Income (2)	41,352
Population Statistics:	Civilian Labor Force (1)A	979
	Unemployment Rate (1)B	8.6%

Source:

(1) United States Department of Labor - Bureau of Labor Statistics  
Broward County, Florida

A. Number of persons, in thousands, not seasonally adjusted

B. In percent, not seasonally adjusted

C. All urban consumers, base: 1982-84+100, not seasonally adjusted

(2) Bureau of Economic Analysis - U.S. Department of Commerce - Florida - Released 8/9/10

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**TABLE 15**  
**PRINCIPAL EMPLOYERS**  
**SEPTEMBER 30, 2011**

<u>Employer</u>	<u>2011</u>			<u>2002</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Town Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Town Employment</u>
Aruba's Beach Café Restaurant	177	1	NA	NA	NA	NA
Sea Watch Restaurant	100	2	NA	NA	NA	NA
Blue Moon Fish Company - Restaurant	75	3	NA	NA	NA	NA
Benihana - Restaurant	70	4	NA	NA	NA	NA
Lauderdale-By-The-Sea Resort & Beach Club	30	5	NA	NA	NA	NA
Lauderdale Beachside Hotel - Hotel and Restaurant	30	6	NA	NA	NA	NA
<b>Total</b>	<b>482</b>					

Source: Lauderdale-By-The-Sea Development Services  
Note: Information for 2002 was unavailable.

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**TABLE 16**  
**FULL TIME EQUIVALENT GOVERNMENT POSITIONS BY FUNCTION**  
**LAST TEN FISCAL YEARS**

<u>Function</u>	<u>Full time Equivalent Positions as of September 30</u>									
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Administration	8.3	8.3	8.5	10.0	11.0	11.0	11.0	10.5	9.5	9.5
Public Works	15.0	15.0	15.0	15.0	16.0	17.0	17.5	16.5	12.5	12.5
Development services	3.8	4.8	4.8	6.0	6.0	6.0	6.0	7.0	6.0	6.0
Parking	4.9	4.0	4.0	4.0	4.0	4.0	5.0	5.5	5.5	5.5
Sewer	1.3	1.3	1.3	1.0	1.0	0.5	0.5	0.5	0.5	0.5
Stormwater	-	-	-	1.0	-	-	-	-	-	-
	<u>33.2</u>	<u>33.4</u>	<u>33.5</u>	<u>37.0</u>	<u>38.0</u>	<u>38.5</u>	<u>40.0</u>	<u>40.0</u>	<u>34.0</u>	<u>34.0</u>

Source: Lauderdale-By-The-Sea Finance Department.

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**TABLE 17**  
**OPERATING INDICATORS BY FUNCTION**  
**LAST SEVEN FISCAL YEARS**

<u>Function</u>	<u>Fiscal Year</u>							
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>General Government:</b>								
Informational calls received	8,071	7,413	11,131	13,828	6,250	11,500	15,000	13,000
Public records request	99	277	294	223	191	218	216	214
Resolutions	44	39	29	24	21	24	19	27
Ordinances	20	16	28	16	19	11	16	23
Commission meetings	36	55	26	36	32	59	53	41
Cash receipts - general operating	2,608	2,539	2,346	2,075	2,615	2,367	3,013	N/A
Cash disbursements - general operating	2,932	2,110	2,314	2,684	2,204	2,033	2,159	2,620
Payroll disbursements - general operating	1,380	1,248	1,082	1,018	1,248	1,245	1,222	1,274
Purchase orders issued	190	197	208	235	285	165	166	N/A
Claims processed - general liability and workers comp	17	8	13	-	15	12	18	11
Records management scheduled by tonnage	N/A	N/A	0.80	0.40	0.40	0.34	1.91	-
Hours of information technology services	256.37	111	90.0	161.0	92.8	61.5	133.0	N/A
<b>Public safety:</b>								
Informational calls received	4,941	5,185	7,660	4,952	7,764	8,868	8,694	5,307
Public records request	-	-	32	85	57	75	148	194
Citizen on patrol membership	26	23	21	19	29	37	34	33
Neighborhood crime watch membership	-	-	55	26	50	59	44	N/A
Fire responses	411	345	349	514	485	533	463	355
Fire medical services (EMS)	874	943	1,056	826	874	877	782	934
Notices of violations code compliance	375	573	844	524	595	495	717	461
Citations issued code compliance	-	5	13	4	14	19	43	25
Complaints investigated	151	334	246	381	331	285	119	410
Parking citations	8,289	6,846	9,555	13,253	16,505	16,475	15,740	16,778
<b>Municipal services:</b>								
Parking maintenance (hours)	359	89	1,221	1,650	2,550	4,661	1,818	N/A
Street maintenance and repairs (hours)	952	668	206	226	252	283	136	N/A
Ground maintenance and repairs (hours)	7,508	7,277	1,572	1,507	1,658	1,084	576	N/A
Building maintenance and repairs (hours)	2,884	3,371	6,784	5,704	6,491	5,009	2,716	N/A
<b>Cultural - recreation:</b>								
Scheduled recreation activities	1,002	1,131	804	972	1,047	955	1,423	N/A
Recreation Volunteer hours	1,769	1,511	356	617	825	598	891	870
Recreation activity participants	5,740	4,116	5,263	5,465	5,596	5,553	5,096	5,591
Recreation areas maintenance (hours)	3,136	2,771	1,604	1,932	1,932	1,780	554	N/A

Note: Information prior to 2004 is unavailable.

N/A- Information not available

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA**  
**TABLE 18**  
**CAPITAL ASSETS BY FUNCTION**  
**LAST TEN FISCAL YEARS**

<u>Function</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>General Government Facilities:</b>										
Town Buildings	7	7	7	7	6	6	6	6	5	5
<b>Recreation Facilities:</b>										
Miles of Public Beach	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Parks	3	3	3	3	1	1	1	1	1	1
Tennis Courts	2	2	2	2	2	2	2	2	2	2
Shuffleboard Court	2	2	2	2	2	2	2	2	2	2
Bocce Ball Court	1	1	1	1	1	1	1	1	1	1
Basketball Court	1	1	1	1	1	1	1	1	1	1
Beach Portals	6	6	6	6	6	6	6	2	1	1
<b>Public Safety Facilities:</b>										
Police Station	1	1	1	1	1	1	1	1	1	1
Police Vehicles	30	30	30	30	30	30	30	30	30	29
Fire Stations	1	1	1	2	2	2	2	2	2	2
Fire Rescue Station	1	1	1	2	1	1	1	1	1	1
Fire Vehicles	2	2	2	2	2	2	2	2	2	2
Fire Rescue Vehicle	2	2	2	1	1	1	1	1	1	1
<b>Infrastructure:</b>										
Miles of paved roads	16.68	16.68	16.68	16.68	16.68	16.68	16.68	16.68	16.68	16.68
Surface Parking Lot	7	7	7	7	7	6	6	5	5	5

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**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, Town Commission and Town Manager  
Town Of Lauderdale-By-The-Sea, 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 the Town of Lauderdale-By-The-Sea, Florida (the "Town") as of and for the fiscal year ended September 30, 2011, which collectively comprise the Town's basic financial statements and have issued our report thereon dated March 21, 2012. We did not audit the financial statements of the Volunteer Fire Department's Pension Plan, which represent 100% of the assets and 100% of the revenues of the fiduciary fund totals, which are included in the fund financial statements. Those financial statements were audited by other independent auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town's Volunteer Fire Department's Pension Plan, is based solely on the report of the other independent auditors. Our report herein does not address their respective internal control or compliance. 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 of America.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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. However, as discussed in the accompanying report to management dated March 21, 2011, we consider deficiencies 2011-01, 2011-02 and 2011-03 to be significant deficiencies in internal control over financial reporting.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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*.

We noted another matter involving the internal control over financial reporting that we have reported to management of the Town in a separate letter dated March 21, 2012.

The Town's responses to the findings identified in our audit are described in the accompanying management responses. We did not audit the Town's responses, and, accordingly, we express no opinion on them.

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

March 21, 2012



**Grau & Associates**  
CERTIFIED PUBLIC ACCOUNTANTS

2700 North Military Trail • Suite 350  
Boca Raton, Florida 33431  
(561) 994-9299 • (800) 299-4728  
Fax (561) 994-5823  
[www.graucpa.com](http://www.graucpa.com)

**MANAGEMENT LETTER PURSUANT TO THE RULES OF  
THE AUDITOR GENERAL FOR THE STATE OF FLORIDA**

Honorable Mayor, Town Commission and Town Manager  
Town of Lauderdale-By-The-Sea, Florida

We have audited the financial statements of the Town of Lauderdale-By-The-Sea, Florida (the "Town") as of and for the fiscal year ended September 30, 2011, and have issued our report thereon dated March 21, 2012.

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

In addition, we have issued our Report on Internal Control over Financial Reporting and Compliance and Other Matters dated March 21, 2012. Disclosures in that report should be considered in conjunction with this management letter.

The purpose of this letter is to comment on those matters required by Chapter 10.550 of the Rules of the Auditor General for the State of Florida. Accordingly, in connection with our audit of the financial statements of the Town, as described in the first paragraph, we report the following:

- I. Current year findings and recommendations.**
- II. Status of prior year findings and recommendations.**
- III. Compliance with the Provisions of the Auditor General of the State of Florida.**

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. This letter is intended for the information and use of the Mayor, Town Commission, Town Manager, and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

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

March 21, 2012

## REPORT TO MANAGEMENT

### I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

#### *Significant Deficiencies*

##### 2011-01 Accounting

Finding: During the course of conducting procedures for the audit of the fiscal year ended September 30, 2011, we noted the following accounting issues:

- Proper reconciliations had not been completed for accounts payable resulting in an understatement of liabilities at September 30, 2011.
- Proper reconciliations had not been completed for accounts receivable resulting in an overstatement of assets at September 30, 2011.
- Proper reconciliations had not been completed for interfund receivables and payables resulting in the activity not netting to zero.
- Proper reconciliations had not been completed for fund balances/net assets resulting in an understatement of fund balances/net assets at September 30, 2011.

Recommendation: We recommend that the Town reconcile its accounts and compare reconciled amounts to the general ledger and any corresponding supporting documentation on a monthly basis. Journal entries and reclassification entries should be recorded before audit procedures have commenced.

Management Response: Are responses are as follows:

- a) *Accounts payable reconciliations* – This issue has to do with a coding error that occurred in December 2010 associated with the transition of certain activities from the General Fund to the Parking Fund and is not related to any ongoing issues. The issue was identified and corrected when the balances were reconciled as part of the 2011 audit. Nevertheless, staff will ensure that the accounts payable balances are reconciled prior to the start of the next year-end audit.
- b) *Accounts receivable reconciliations* – The Town has contracted with the City of Fort Lauderdale to administer water and sewer billings. Accordingly, the Town records water and sewer revenues and receivables based on summary information provided by Fort Lauderdale. In response to our request for a detailed aging report we were informed that the report would have to be created. We will work with the City to get aging reports that we will then reconcile to the Town's receivable balance quarterly.
- c) *Reconciliation of interfund payables and receivables* – Historically, interfund receivables were recorded independently of the corresponding payables which created timing differences that made them difficult to reconcile and increased the potential for keying errors. Going forward both payables and receivables will be recorded as part of the same journal entry (thereby eliminating the timing differences) and interfund payables and receivables will be reconciled quarterly.
- d) *Reconciliation of fund balances / net assets* – We concur. The Commission budgeted an appropriation of \$240,710 from the Parking Fund balance primarily to cover the prepayment on the parking debt. During the year when the appropriation was recorded, it was incorrectly debited to the Parking Fund balance causing a difference. Additionally, the Capital Fund balance was off by \$37,859, the General Fund balance was off by \$8,558, the Fire Fund balance was off by \$1,173, and the Sewer Fund balance was off by \$159. Fund balances and net asset balances will be reconciled prior to the start of the next year-end audit.

**REPORT TO MANAGEMENT  
(Continued)**

**I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS (Continued)**

***Significant Deficiencies (Continued)***

**2011-02 Not Maintaining Fixed Assets Schedules**

Finding: During the course of conducting procedures for the audit of the fiscal year ended September 30, 2011, it came to our attention that the Town has not been maintaining its capital asset schedules for all funds during the course of the fiscal year. By not maintaining the capital asset schedules, the result could include the following: theft of the Town's assets; failure to account for conveyances, disposals or fully depreciated assets; and overestimating/underestimating depreciation. Additionally, in the current fiscal year, the Town was conveyed a parking lot that it plans to own and operate which it failed to account for in its general ledger or the capital asset schedule of its parking revenue improvement fund.

Recommendation: The Town should be maintaining its capital asset schedules throughout the course of the fiscal year and accounting for any capital assets constructed, purchased, or otherwise acquired in its general ledger, as applicable. The Town's policies for accounting for capital assets and generally accepted accounting principles should be taken into consideration in doing so.

Management Response: We concur with the recommendation. The significant fixed asset that was not recorded was the transfer of the Wings parking lot to Town ownership. That occurred because of the change in Finance Directors and a lack of communication on that issue during the transition period. Fixed asset schedules will be updated quarterly in the future.

**2011-03 Internal Controls**

Finding: During the course of conducting procedures for the audit of the fiscal year ended September 30, 2011, we noted the following internal control issues:

- Certain invoices had been paid twice resulting in the Town having to request credits/refunds back from certain vendors.
- Certain expenditures that had been recorded during the fiscal year ended September 30, 2010 were recorded again in the current fiscal year.
- Certain revenue items were incorrectly classified in the general ledger.
- Network access of recently terminated employees is not removed immediately upon employee's termination.

Recommendation: The Town has certain controls in place for its disbursement procedures which should be followed. The Town has certain controls in place for its revenue classification which should be followed. Network access of terminated employees should be removed immediately upon an employee's termination

**REPORT TO MANAGEMENT  
(Continued)**

**I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS (Continued)**

***Significant Deficiencies (Continued)***

**2011-03 Internal Controls (Continued)**

Management Response: Are responses are as follows:

- a) *Certain invoices had been paid twice* – We concur. This is an item that Town staff actually identified and corrected last year. The auditors were advised of the issue when they asked if there had been any matters of concern in the prior year.

Specifically, during late May / early June of 2011, during a routine check review, staff identified a double payment. We then performed a comprehensive analysis of the Town's disbursement activity for the fiscal year-to-date and identified double payments totaling \$13,149. We promptly requested, and received, refunds or credits for all of the double payments and addressed the control deficiencies that allowed the double payments to occur. We found that the double payment control in the system had been turned off but due to the lack of an audit trail it is not clear when the change was made or by whom. It appears to have been unintentional and we believe it happened when a software update to the financial system was installed. Corrective action included a comprehensive review of user access profiles within the financial system and granting access on a "need to know" "need to do" basis. We re-performed our analysis of the Town's disbursement activity for the period fiscal 2011 and fiscal 2012 year-to-date through January and no other double payments were identified. Additional corrective action does not appear warranted.

- b) *Certain expenditures recorded twice* – We concur. At the end of fiscal 2010 audit the adjusting entries proposed by the external auditor were entered by staff without realizing that some of the entries had already been entered during the normal course of business and some of the entries were duplicated. Seemingly due to a lack of coordination, the account balances were not reviewed by staff and the errors were not identified. Upon the completion of the 2011 audit, all the adjusting entries were reviewed to ensure that they had not already been entered previously and the ending balances were reconciled to the CAFR.
- c) *Certain revenue items were classified incorrectly in the general ledger.* – In fiscal 2010 and prior fiscal years, some parking revenues were recorded to the General Fund. In the fiscal year 2011 budget, the decision was made to consolidate all parking revenues and expenditures in the Parking Fund. One parking payment of \$3,011 was overlooked in the transition. Given that this finding appears to be related to a non-recurring event, additional corrective action is not warranted.
- d) *Network access not removed immediately upon termination* – Network access is removed after allowing a reasonable transition period during which time incoming e-mails are monitored and senders are instructed to send future correspondence to another member of staff. Terminating user accounts immediately upon termination would increase the risk that important correspondence would not be received timely or at all.

**REPORT TO MANAGEMENT  
(Continued)**

**I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS (Continued)**

***Other Findings***

**2011-04 Interfund Transfers**

**Finding:** The fiscal year 2011 budget approved a transfer of \$40,000 from the fire fund to the general fund; however, only \$30,000 was transferred in the current fiscal year. Additionally, during the May 24, 2011 Town meeting, the Commission approved a transfer of \$70,384 from the general fund to the fire fund which was never recorded. Further, the Town created a fire fund in the current fiscal year to separately account for the fire assessment revenues dedicated to fire protection and fire prevention services and the related authorized volunteer fire department expenditures. During prior fiscal years, the general fund had been accounting for the excess fire assessments collected over expenditures incurred and reporting these amounts as reserved for the fire department. When the fire fund was created, these reserves should have been transferred from the general fund to the fire fund as that is where funds have been allocated for use. Instead, journal entries were incorrectly recorded to the fund balance of the fire fund.

**Recommendation:** Approved transfers need to be recorded in the general ledger.

**Management Response:** Are responses are as follows:

- a) *Quarterly transfer from Fire Fund to General Fund* – We concur. To prevent this issue from recurring, we have established automatic recurring cash transfers with the bank and recurring journal entries for all budgeted transfers.
- b) *Commission approved transfer of \$70,384 not recorded* – The agenda item in question referenced two different transactions, one of which involved an inter-fund transfer. The motion that was approved by the Commission (as it is documented in the May 24, 2011 minutes) co-mingled the two transactions and did not reflect the intention of the agenda item. We will ask the Commission to amend the error in the motion to correct the inconsistency.
- c) *Transfer journalized incorrectly* – We concur. This was the result of human error.

**II. PRIOR YEAR FINDINGS**

***Significant Deficiencies***

**2010-01 Accounting – See finding 2011-01**

**2010-02 Not Maintaining Fixed Assets Schedules – See finding 2011-02**

***Other Findings***

**2010-03 Incorrect Payout to Terminated Employee – Recommendation implemented**

**2010-04 Payroll Controls – Recommendation implemented**

## REPORT TO MANAGEMENT (Continued)

### III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Unless otherwise required to be reported in the auditor's report on compliance and internal controls, the management letter shall include, but not be limited to the following:

1. A statement as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2010, except as noted above.

2. A statement as to whether or not the local governmental entity complied with Section 218.415, Florida Statutes, regarding the investment of public funds.

The Town complied with Section 218.415, Florida Statutes, regarding the investment of public funds.

3. Any recommendations to improve the local governmental entity's financial management.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2011, except as noted above.

4. Violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2011, except as noted above.

5. For matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors, the following may be reported based on professional judgment:

- a. Violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse.
- b. Deficiencies in internal control that are not significant deficiencies.

There were no such matters discovered by, or that came to the attention of, the auditor, that, in our judgment, are required to be reported, for the fiscal year ended September 30, 2011, except as noted above.

6. The name or official title and legal authority of the Town are disclosed in the notes to the financial statements.
7. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2011 financial audit report.
8. The Town has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.
9. We applied financial condition assessment procedures pursuant to Rule 10.556(7) and no deteriorating financial conditions were noted. It is management's responsibility to monitor 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.

## EXHIBIT 2



Town of  
**LAUDERDALE-BY-THE-SEA**

4501 Ocean Drive, Lauderdale-by-the-Sea, Florida 33308-3610  
Telephone: (954) 776-0576 / Fax (954)776-1857

Date: April 3, 2012  
To: Mayor and Commission  
Via: Connie Hoffmann, Town Manager  
From: Tony Bryan, Finance Director *T. Bryan*  
Subject: Audit Report for Fiscal Year 2010 - 2011

I am pleased to present the audit report for fiscal year 2010 – 2011 as prepared by the Finance Department and audited by Grau & Associates. We are submitting this in advance of the Town Commission Meeting on April 10, 2012 so that you have sufficient time to review it and prepare any comments or questions you have for staff or the auditors.

The Audit Committee will meet to review the report at their meeting on April 4, 2012. They have been invited to attend the Commission Meeting to comment on issues of continuing interest to them. The Chairman of the Audit Committee will present their recommendations at the Commission meeting.

A representative from Grau & Associates will also be attending to present the audit and answer your questions.

Some highlights from the report include the following:

**Governmental Funds**  
(General Fund, Capital Fund, Fire Fund, and Police Fund)

Revenues

Revenues from governmental activities decreased in FY 2010-11 by \$588,622 from the previous year. A significant portion of this was due to a decline in property taxes of nearly \$465,964 because of the Commission's decision to reduce taxes and the continued decline in property values.

Expenditures

Overall governmental expenditures were down by \$90,319 from the previous year despite an increase of 309,899 in capital spending.



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Financial Reporting

During the fiscal year ended September 30, 2011, the Town was required by accounting rules to implement Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The statement requires the Town to report non spendable and restricted fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assignments of fund balance represent tentative management plans that are subject to change.

Fund Balances

The fund balance section of the balance sheet (page 13) is one of the key indicators of the financial health of a municipality. With the adoption of GASB 54 new terms have been introduced to report on fund balances. A quick summary is provided below:

The first is *Non-spendable* which identifies funds that are that are (a) not in spendable form (e.g., inventory) or (b) legally or contractually required to be maintained intact (e.g., the principle balance of a permanent fund). The audit report identifies one item classified as *Non-spendable*:

Prepaid items	\$76,442	This is an accounting requirement for any expenses that were paid in advance but are attributed to the subsequent fiscal year.
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The next classification within fund balance is *Restricted*. This consists of amounts that can be spent only for specific purposes stipulated by (a) external resource providers, laws or regulations of other governments; or (b) imposed by law enacted by the Town Commission.

There are a number of line items that have been classified as *Restricted*:

Fire Department	\$ 485,980	State law requires that the excess of fire assessment fees over expenditures be Restricted as the use of these funds is limited to fire service related expenditures.
Law Enforcement	\$ 198,211	State law requires that proceeds from the sale of confiscated property be Restricted as the use of these funds is limited to law enforcement purposes.
El Mar Drive Improvements	\$927,556	These are restricted because there is a contractual agreement governing the use of these funds.

The next classification is *Assigned* fund balance. This represents amounts that the Town Commission has expressed an intention to use for specific purposes that are neither restricted nor



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committed. The Commission has the authority to assign, commit, or restrict these funds to another use; or to unassign these funds.

Emergency Reserve	\$2,333,105	The Commission established this emergency account in 1995 and it is subject to annual review through the budget process. During the October 11, 2011 meeting the Town Commission reaffirmed their desire to maintain a reserve to deal with the consequences of a hurricane or other natural disaster and indicated that \$2.3 million was sufficient.
Vehicle & equipment	\$183,285	This amount was designated by a previous Commission for vehicle and equipment.
Capital projects	\$4,344,074	Under GASB 34 this amount would have been reported as the undesignated balance of the Capital Fund. However, with the implementation of GASB 54, we are prohibited from reporting an unassigned balance in any fund other than the General Fund. The GASB reasoned that resources in governmental funds other than the General Fund, at a minimum, are intended to be used for the purpose of that fund.
Subsequent years expend.	\$ 163,735	This amount represents the difference between FY 2011-12 budgeted expenditures and revenues. In the budget, this amount is shown as an appropriation from the prior year fund balance.

The final classification is *Unassigned* fund balance. This amount is the residual balance of the General Fund. These amounts are available for any purpose.

General Fund	\$5,913,624	The General Fund unassigned amount increased by \$2,862,256 from the previous year's figure of \$3,051,368. This is due primarily due to having reclassified \$1,906,422 which was previously designated as being for Other Capital Assets as unassigned. The \$1,906,422 that was reclassified is part of the annual cash transfers to depreciation accounts that were made by the previous administration. Grau & Associates previously confirmed that the Commission can determine how
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these funds will be spent. In addition, FY 2010-11 revenues and transfers in to the General Fund exceeded expenditures and transfers out of the General Fund by \$842,514. The most significant factors in creating the \$842,514 balance were:

a) Property tax collections exceeded budget by \$165,000,

b) Implementation of the code enforcement lien mitigation program spurred code enforcement fine settlements to exceed budget by \$223,000,

c) We did not make the budgeted depreciation allocation in the General Fund once we determined depreciation allocations made by the prior administration were simply falling into the fund balance anyway,

d) We only spent \$43,000 of the budgeted \$170,000 General Fund contingency, and only \$60,000 of the \$113,000 budgeted for technology upgrades.

e) We had a \$42,000 savings in rehab costs for star drain outfalls versus what was budgeted.

GASB 54 also provides another classification called *Committed* fund balance which includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. As of September 30, 2011 the Town did not have any Committed fund balance.

**Proprietary Funds**  
(Sewer and Parking Funds)

Sewer Fund

Due to the Commission having approved a rate increase, the unrestricted balance of the Sewer Fund increased by \$220,962 to \$1,750,052.



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Parking Fund

The unrestricted balance of the Parking Fund declined by \$2,334 to \$136,550 because of the pay down of the parking loan. Given the recent trend in parking revenues, this number will likely improve during 2011-12.

Cc Audit Committee Members

**TOWN OF LAUDERDALE-BY-THE-SEA  
AUDIT COMMITTEE  
MINUTES**

Town Hall Conference Room  
**4501 Ocean Drive**  
**Wednesday, April 4, 2012**  
**10:30 A.M.**

**1. CALL TO ORDER**

The meeting was called to order at 10:40 a.m. Committee member – Pat Murphy  
Committee member - John Oughton, Finance Director – Tony Bryan, Tony Grau of  
Grau & Associates, Accountant – Edner Saint-Jean, and Deputy Town Clerk – Glenn  
McCormick were in attendance.

**2. ITEMS OF BUSINESS**

- a. Review of the Comprehensive Annual Financial Report (CAFR) for the  
fiscal year ended September 30, 2011.

Tony Bryan opened the meeting by thanking Grau & Associates for their  
assistance in preparing the CAFR and reviewing the highlights of the  
report including:

- Revenues from governmental activities decreased by approximately  
\$589,000 primarily due to a reduction in property taxes.
- Governmental expenditures decreased by approximately \$90,000  
despite a \$310,000 increase in capital spending.
- The implementation of GASB 54 during the year ended September 30,  
2011.
- A review of the Town's fund balances and factors contributing to  
significant changes from prior year.

John Oughton inquired if there are any legal or regulatory requirements  
preventing the Town from using the emergency reserve for purposes  
other than recovery from a natural disaster. Tony Bryan responded that  
those monies are assigned to an emergency reserve because that was  
the intent expressed by the Commission in October 2011. However, there  
were no legal or regulatory requirements limiting the use of those funds to  
disaster recovery and that the Commission could utilize those funds for  
any purpose they deem appropriate.

Tony Bryan reviewed the findings noted in the report and status of the  
corrective actions taken to resolve the findings.

During the discussion of finding 2011-03 Internal Controls, John Oughton inquired whether all of the duplicate payments that were identified had been recovered. Tony Bryan indicated that all of duplicate payments had either been refunded or credited to subsequent billings. Tony Bryan also provided everyone present with a copy of a memo to the Town manager dated August 23, 2011 that outlined how the duplicate payments were initially identified, the corrective action that was taken to prevent future duplicate payments (including a comprehensive review of the user security profiles within the Town's financial system), and a status of all the duplicate payments.

John Oughton also inquired about whether there was any risk that unauthorized persons could access the Town's financial system. Tony Bryan explained that he controls access to the financial system. He went on to explain that users need a user id and password to access the system and currently only the Finance Department, the receptionist, and the Deputy Town Clerk have access to the system. He further went on to explain that different users are assigned different levels of access based on their responsibilities. For example, the receptionist and Deputy Town Clerk only have access to post receipts.

Pat Murphy asked Tony Bryan if there were any additional services that Grau & Associates could perform on behalf of the Town. Tony Bryan indicated that there is not anything at this time.

Tony Grau indicated that he thought the Town's financial position was good and highlighted that there was no debt in the Governmental Funds; and that there was only \$1.1 million of debt in the Parking Fund. Pat Murphy requested that staff evaluate whether it is possible to establish a line of credit with SunTrust, transfer the outstanding parking debt to the line of credit, and pay off the line of credit without incurring any prepayment penalty. Tony Bryan indicated that he would do so and he would also find out the amount of the prepayment penalty based on current interest rates.

Tony Grau noted that revenues in the proprietary funds are increasing. He also indicated that he was not overly concerned about any of the issues identified in the report and he was confident that staff understood and was working to resolve the issues.

The Audit Committee accepted the report.

Having concluded the discussion of the CAFR, Tony Grau excused himself.

b. Review of the Treasury Services and Banking RFP.

Tony Bryan informed the group that John Oughton had proposed a few modifications to the RFP on April 3, 2011 and that he would discuss the proposed modifications and responses.

- Due to concerns about influence peddling, John Oughton suggested that members of the selection committee should be precluded from ranking proposals and participating in contract negotiations if they have a financial relationship with any of the short-listed banks. Tony Bryan indicated that such a requirement would make it difficult to seat a selection committee. He also indicated that he had previously discussed the matter with the Town Attorney who indicated, unless the individual had more than a 1% interest in the bank, he or she was not required to recuse himself or herself from participating in selection process or contract negotiations. The Town Attorney suggested that members of the selection committee could be required to disclose any financial relationships they have with the banks under consideration, as an alternative to recusing themselves from the vote. John Oughton agreed with the proposal to have members disclose financial relationships with the banks under consideration.
- John Oughton inquired about the possibility of the Audit Committee reviewing and ranking responses to the RFP. Tony Bryan indicated that there was no precedent for delegating this kind of decision to a Board and notified the group that the Town Manager was amenable to having a member of the Audit Committee participate on the selection committee with staff. Pat Murphy suggested that John Oughton could participate and John Oughton agreed.
- John Oughton suggested that a section be added to part 1, section c of the RFP stating that there shall be no prepayment penalties on any loans or lines of credit offered to the Town. Tony Bryan explained that he was concerned with adding such a provision because:
  1. If the Town desired to secure a loan, we would seek proposals from multiple financial institutions and the prepayment provisions would be one of many aspects of the proposals that would be compared and negotiated to obtain the best possible deal for the Town. John Oughton countered that he thought the Town would get the best deal from their primary bank.
  2. If such a provision were added to the RFP and subsequently to the contract, the proposers may be inclined to increase the interest rates on any loans to the Town in response to not being able to include a pre-payment provision. John Oughton conceded the point.

