

TOWN OF CUTLER BAY, FLORIDA



Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2008

TOWN OF CUTLER BAY, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008

PREPARED BY: ROBERT DADDARIO, CPA
FINANCE DIRECTOR

TOWN OF CUTLER BAY, FLORIDA

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INTRODUCTORY SECTION



Office of the Town Manager

Steven J. Alexander
Town Manager

February 25, 2009

To the Citizens of the Town of Cutler Bay:

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) for the Town of Cutler Bay, Florida, for the fiscal year ended September 30, 2008, pursuant to Section 218.39 of the Florida Statutes, Chapter 10.550 of the Rules of the Auditor General of the State of Florida, and the Town Charter. The financial statements included in this report conform to generally accepted accounting principles in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Town. The financial statements have been audited by Albani, Caballero & Castellanos, L.L.P. Certified Public Accountants. The independent auditor has issued an unqualified opinion that this report fairly represents the financial position of the Town in conformity with GAAP.

The contents of the CAFR have been influenced by compliance with GASB pronouncements, including Statement 34 that has required the preparation of new government-wide financial statements on a full accrual basis of accounting for all funds as well as Management's Discussion and Analysis (MD&A). The MD&A can be found immediately following the independent auditors' report.

PROFILE OF THE GOVERNMENT

The Town of Cutler Bay (the "Town") is a political subdivision of the State of Florida located in Miami-Dade County (the "County") and was incorporated in November 2005. The Town operates under a Council-Manager form of government in which the Town elects five council members, one of whom is the Mayor. Except for the initial election and terms of office specified in the Town Charter, council members are elected for four year terms. The Town Council determines the policies that guide the Town's operations and hiring a Town Manager to implement and administer these policies on a full-time basis. The Town of Cutler Bay provides a full range of municipal services including police, parks and recreation facilities, building and zoning, planning, code enforcement, and public works.

The annual budget serves as the foundation for the Town's financial planning and control. All departments of the Town are required to submit proposed budgets to the Town Manager, who then makes any necessary revisions. The Town Manager then presents to the Town Council for their review, a budget estimate of the expenditures and revenues of all the Town's departments and divisions. Two public hearings are then conducted to inform taxpayers of the proposed budget, to receive their comments, and respond to their questions of the proposed budget. A majority affirmative vote of the quorum is needed to adopt the budget, which is legally enacted prior to October 1st by the passage of an Ordinance. The Town's budget is approved at the department level. The Town Manager and Finance Director may amend the adopted budget for adjustments within a department. The Town Council must approve all other budget adjustments as well as any supplemental appropriations. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the fund from which it was appropriated and is subject to future appropriations.

Budgets are monitored at varying levels of classification detail; however, budgetary control is legally maintained at the fund level except for the General Fund, which is maintained at the departmental level. Budget-to-actual comparisons are provided in this report for each major individual governmental fund for which an appropriated annual budget has been adopted. For all non-major governmental funds with appropriated annual budgets, this comparison is presented in the combining and individual fund section of this report.



Office of the Town Manager

On December 19, 2007, pursuant to Section 6.2 of the Town Charter, the Town Council appointed a Charter Review Commission to draft such amendments to the Town Charter as it deemed appropriate and to submit such proposed amendments to the Town Council. The Charter Review Commission delivered its recommendations for amendments to the Town Charter to the Mayor and Town Council and fifteen of the nineteen proposed charter amendments were adopted by the electors of the Town on September 18, 2008. These changes have been incorporated into the Town Charter in fiscal year 2009.

ECONOMIC CONDITION AND OUTLOOK

The Town is located in southeast Florida, Miami-Dade County, and is primarily residential in nature. It comprises approximately 10 square miles with approximately 40,000 full-time residents. The western-most area of the Town, located along the South Dixie Highway (U.S.1) corridor, is commercial in nature with hotels, restaurants and office complexes.

The Town has been successful in providing a high quality of life for its residents, by enhancing the level of services being offered. But in addition to the increased efforts to enhance services, the Town has also provided increased benefits to its employees, as recognition of the fact that, in order to continue to provide these valuable services, it must retain and reward its valuable employees.

Town administrators recognize the importance of increasing its commercial tax base for future economic health and to reduce the tax burden on the residents. To this end, the Town is pursuing a growth management plan that smartly incorporates "mixed-use" residential and commercial development within the Town as is consistent with such growth plan. On January 29, 2008, the Florida electorate approved an amendment to the Florida Constitution relative to property taxation. The amendment, which primarily provides for additional property tax exemptions and adds a "portability" provision, will impact the Town commencing in fiscal 2009 and will have a negative impact on the amount of property tax revenue the Town generates going forward, assuming the Town does not increase its millage rate or achieve growth in its tax base which will offset the amendment's effects.

Cutler Bay, like most communities across the state and nation, has been negatively impacted by the financial crisis and economic downturn gripping the United States. The south Florida real estate market has been especially hard hit. Property values have experienced significant declines and there has been increased foreclosure activity. These decreased property values, when factored on top of the property tax changes discussed in the preceding paragraph, will further reduce the Town's property tax revenues (all other factors remaining constant). Further, it may take several years before building activity and growth return to the Town. In the interim, the Town continues to operate in a lean and efficient manner and has been extremely successful in obtaining grants and other funding sources to proceed with planned projects within the Town.

LONG TERM FINANCIAL PLAN

The Town is pursuing grant and other funding opportunities to provide needed improvements to the Town, including funding for park land acquisition and improvements, road improvements and other public works projects. During fiscal year 2008, the Town took possession of the local roadways and sidewalks within the Town from the County and completed a streets master plan to map out its plan to maintain and upgrade this infrastructure. Also, the Town is currently in negotiation with the County concerning funding (approximately \$20 million) which the County would provide to the Town for specified road improvement projects within the Town's boundaries. If finalized, it is anticipated that the projects, and the funding therefore, would be subject to a "Joint Project Agreement" to be negotiated between the Town and the County and the planning and engineering related to such projects could commence as early as late fiscal year 2009.

Additionally, the Town created its own stormwater utility operation during fiscal year 2008 after assuming that function from the County in the final quarter of the fiscal year. The Town's operation of the stormwater utility within its Town boundaries will generate revenues which will enable the Town to perform the functions and services to maintain the utility within Cutler Bay. While the Town has assumed operating control of the



Office of the Town Manager

stormwater utility within its boundaries effective July 2008, the assets and related accumulated depreciation of those assets are not yet reflected in the financial statements of the Town since the County has not yet been able to provide to the Town a comprehensive inventory/accounting of the actual assets that were transferred as part of this agreement. It is anticipated that such assets will be inventoried and recorded in the Town's financial statements in fiscal 2009.

During fiscal year 2007, the County transferred to the Town park lands and related assets within the Town's boundaries. Pursuant to the transfer agreement, the Town agreed to continue to operate such facilities as public parks in perpetuity. The Town's recreation infrastructure and facilities are aging and need renovation and/or replacement. During fiscal year 2008, the Town commenced development of a parks master plan to map its approach to upgrading and enhancing its facilities. The fiscal year 2009 budget also provides approximately \$3.7 million for park land acquisition and improvements, funded by various means including grants, impact fees and general fund sources.

FINANCIAL INFORMATION

Town management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Town are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of state and local financial assistance, the Town is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by management. In addition, the Town maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Town Council. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is the departmental level within each fund.

The Town's accounting system is organized on a fund basis. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. The types of funds used are generally determined by the Town Council upon the recommendations of the Town Manager and the Finance Director which are based upon established and accepted accounting policies and procedures as well as the number of funds required.

CASH MANAGEMENT

The Town Council and Town Manager of the Town are fully charged with the security of the Town's funds and assets with the goal of maximizing return on surplus or idle cash. Cash management policies are clearly identified in the adopted budget documents along with regulations defined by the laws of the State of Florida. The Town's excess funds are invested primarily in interest bearing deposits in a qualified public depository. The principal focus of cash management is to ensure the safety of the Town's cash while maximizing its return on investment. During fiscal year 2008, the Town earned \$307,000 in investment income, as compared to \$237,000 earned in fiscal year 2007.

DEBT ADMINISTRATION

The Town has no separately issued debt instruments. Long-term debt at fiscal year-end 2008 and 2007 consists primarily of capital leases and compensated absences liabilities.



Office of the Town Manager

The Town is required to pay the County its pro rata share for the Public Service Tax Revenue Bonds, Series 1999, 2002 and 2006 issued or authorized prior to the Town's incorporation. The payments for the fiscal year ended September 30, 2008 and 2007 were approximately \$379,000 and \$378,600, respectively. The payment for fiscal year 2009 is anticipated to approximate \$380,400.

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

RISK MANAGEMENT

The Town purchases general liability, automobile, property and casualty, and workers' compensation insurance coverage through the Florida League of Cities (the "FLC") risk pool program, a statewide pool with several hundred governmental members. The FLC pool is non-assessable. There is no self-insurance retention for the Town other than a \$1,000 per occurrence property deductible.

RETIREMENT BENEFITS

The Town elected to participate in the Florida Retirement System ("FRS") effective February 1, 2007. The FRS is a cost sharing, multiple employer, public retirement system controlled by the State Legislature and administered by the State of Florida Board of Administration, Division of Retirement. Benefits are established by Chapter 121, Florida Statutes and Chapter 22B, Florida Administrative Code. Amendments to the law can only be made by an act of the Florida Legislature.

Once an agency elects to participate in the FRS, membership is compulsory for all full-time and part-time employees working in a regularly established position, as defined. Contributions are currently funded entirely by employer contributions based on contribution rates, which vary by defined membership class, set by the State Legislature each year. The contribution rates are applied to the employees' eligible wages to calculate the required monthly contribution.

Participants (employees) have the option of joining one of two FRS plans, the FRS Pension Plan, a defined benefit plan, and the FRS Investment Plan, a defined contribution plan. Each plan has its own unique features and terms. Generally, employees are initially enrolled in the FRS Pension Plan but can make an election to switch into the FRS Investment Plan before the end of the fifth month following initial enrollment in the FRS. Outside of this window, the employee is provided one other opportunity to switch between plans at any future date. After electing that other one-time switch, the employee can no longer switch between plans.

As part of its participation in FRS, the Town elected to purchase "past service credit" for eligible employees and elected officials, which would provide FRS participation for eligible employees from his/her hire date through February 1, 2007 (the date of the Town's enrollment in FRS). The Town utilized appropriated budgeted funds to satisfy this obligation in fiscal 2008.



INDEPENDENT AUDIT

In accordance with Florida Statutes Section 218.39, the Town has engaged the firm of Albani, Caballero & Castellanos, L.L.P., to perform the independent audit of the Town's financial statements. The Independent Certified Public Accountant's report is included in the financial section of this Comprehensive Annual Financial Report.

AWARDS AND ACKNOWLEDGEMENTS

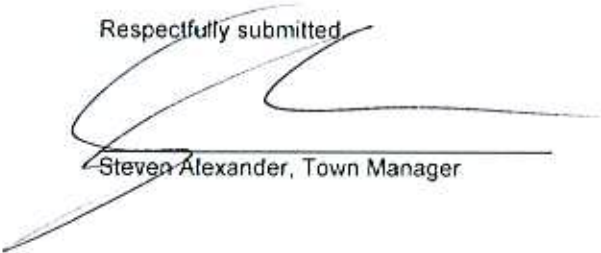
This year the Town has applied for the Certificate of Achievement for Excellence in Financial Reporting awarded by the Governmental Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.


The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Cutler Bay for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2007. A Certificate of Achievement is valid for a period of one year only. We believe that our current report for the fiscal year ended September 30, 2008 conforms to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for the certificate.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department and the Town's audit firm, Albani, Caballero & Castellanos, L.L.P. We wish to express our appreciation to them for their interest and support in planning and conducting the financial operations of the Town in a responsible and progressive manner. Finally, we would also like to thank the various operating departments for their timely contributions in the writing of this report.

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

Respectfully submitted


Steven Alexander, Town Manager


Robert Daddario, Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Cutler Bay
Florida

For its Comprehensive Annual
Financial Report

for the Fiscal Year Ended
September 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

TOWN OF CUTLER BAY, FLORIDA

List of Elected Town Officials

September 30, 2008

Council-Manager Form of Government

TOWN COUNCIL

Paul Vrooman, Mayor

Edward MacDougall, Vice Mayor

Timothy Meerbott, Councilmember, Seat 1

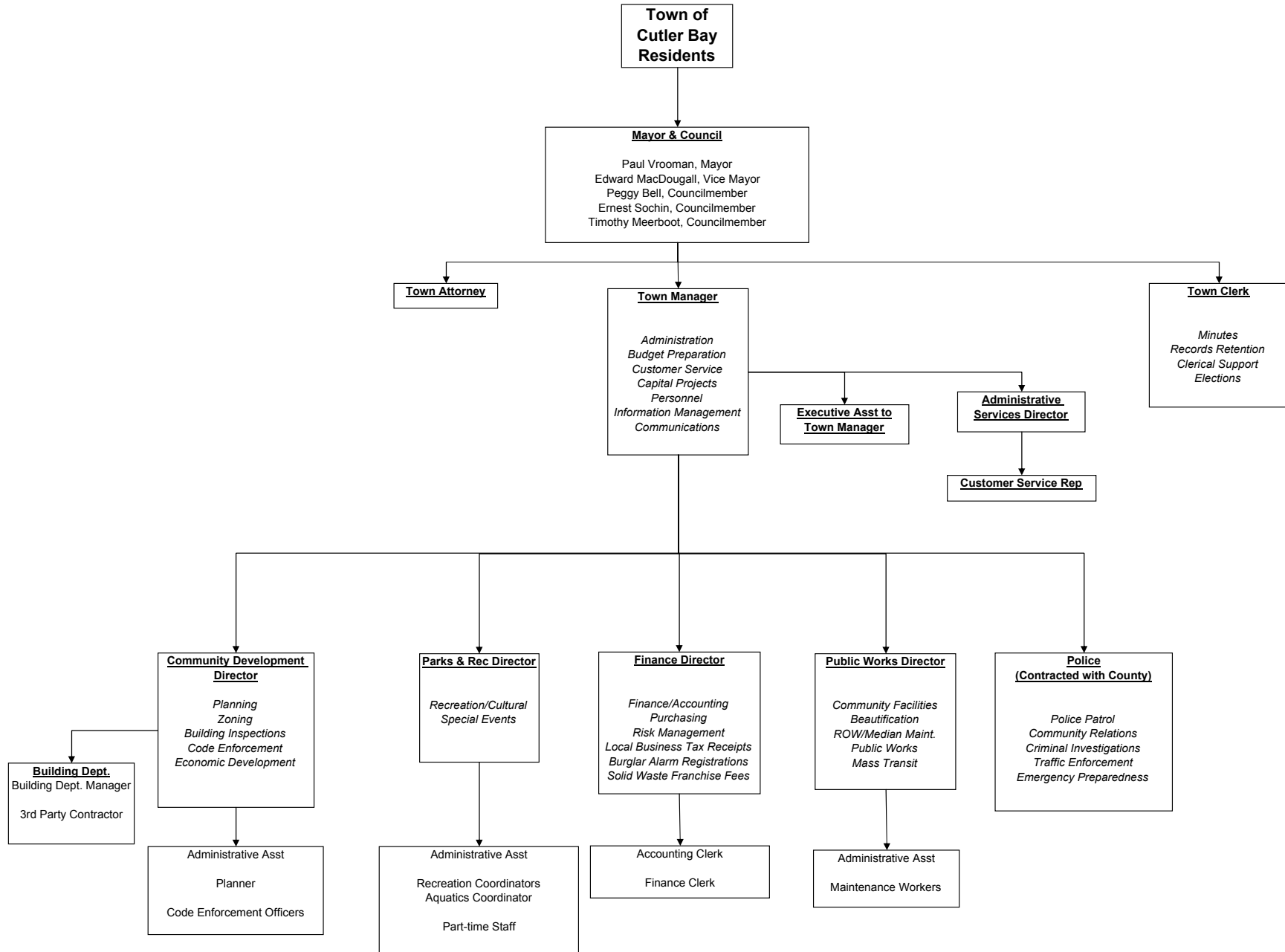
Ernest Sochin, Councilmember, Seat 2

Peggy Bell, Councilmember, Seat 3

Prepared by:

Finance Department and Administration

TOWN OF CUTLER BAY, FLORIDA
ORGANIZATIONAL CHART



FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT



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CORAL GABLES, FL 33146
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FAX: 305-662-4266
ACC-CPA.COM

INDEPENDENT AUDITORS' REPORT

Honorable Mayor, Town Council and Town Manager
Town of Cutler Bay, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Cutler Bay, Florida (the Town) as of and for the fiscal year ended September 30, 2008, which collectively comprise the Town's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing and opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Cutler Bay, Florida as of September 30, 2008, and the respective changes in financial position, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 25, 2009 on our consideration of the Town's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Schedules, listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Honorable Mayor, Town Council and Town Manager
Town of Cutler Bay, Florida

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's, basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Albert Robalino & Castellanos LLP

February 25, 2009
Coral Gables, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)

Management's Discussion and Analysis

As management of the Town of Cutler Bay (the "Town"), we offer in conjunction with the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2008 with a comparative analysis with the prior fiscal period.

Financial Highlights

- The assets of the Town exceeded its liabilities at September 30, 2008 by \$52.0 million (net assets). Of this amount, approximately \$9.0 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$36.6 million from the total net assets balance at September 30, 2007. The increase results primarily from the Town's fiscal year 2008 operations and from transfer of local roads and sidewalks from the County to the Town.
- As of September 30, 2008, the Town's governmental funds reported combined ending fund balances of \$11.0 million, an increase of \$5.0 million from the September 30, 2007 balances, due primarily to the Town's operations during the fiscal year.
- At September 30, 2008, unreserved fund balance for the General Fund was \$8.7 million, or 67% of total General Fund expenditures, versus \$4.4 million and 38%, respectively, at September 30, 2007. The increase in unreserved fund balance, both in gross dollar terms and as a percentage of General Fund expenditures, is a positive indicator of improved financial health of the government.
- In the last quarter of fiscal 2008, the Miami-Dade County transferred the stormwater utility operation within the Town's boundaries to the Town. The Town is recording the activity of this operation (a business type activity) in an enterprise fund and, in fiscal 2008, recognized approximately \$152,000 in revenues against \$67,000 in expenses that resulted in an \$85,000 increase in net assets.
- Of the unreserved fund balance of the General Fund at September 30, 2008, \$3 million has been designated by management, and approved by Council, for contingencies and other operating emergencies.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Cutler Bay's basic financial statements. The basic financial statements are comprised of (a) government-wide financial statements, (b) fund financial statements, and (c) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

Both of the government-wide financial statements of the Town are principally supported by taxes and intergovernmental revenues (governmental activities), and also reflect the transfer of infrastructure assets to the Town from the County (park lands and related assets, and roadways and sidewalks), as well as by user fees and charges which are intended to recover all or a significant part of the cost of providing services to residents (business-type activities). The governmental activities of the Town include general government, public safety, public works, parks and recreation, and community development. The Town has one business-type activity, the Stormwater Fund. The government-wide financial statements report on only the Town of Cutler Bay.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Cutler Bay, like other state and local governments, uses fund accounting to ensure and demonstrate accountability for the collection and use of public resources. The use of funds is an important tool for governments to demonstrate their compliance with the lawfully permitted use of resources. All of the funds of the Town can be divided into two categories, governmental funds and proprietary funds.

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

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

The Town of Cutler Bay maintains various governmental funds, some of which meet the criteria of major funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Special Revenue Fund. Both of these funds are considered major funds. The Town also maintains three special revenue funds and one capital projects fund which do not meet the criteria of major funds. The totals of these funds are presented in the aforementioned governmental fund statements in a separate column entitled "Other Governmental Funds", with the detail provided in supplemental combining financial statements.

The Town of Cutler Bay adopts an annual appropriated budget for its General Fund and Special Revenue Fund. A budgetary comparison statement has been provided for both the General Fund and Special Revenue Fund to demonstrate compliance with these budgets.

Proprietary funds. The Town maintains one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for its stormwater operations.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Also, the combining statements referred to earlier in connection with non-major governmental funds is presented immediately following the required supplementary information.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Cutler Bay, assets exceeded liabilities by \$52.0 million and \$15.4 million, respectively, at September 30, 2008 and 2007, an increase of \$36.6 million during fiscal 2008.

The largest portion of the Town's assets at September 30, 2008 consists of capital assets, primarily roadways, sidewalks, park lands and related assets transferred to the Town by the County (a \$31.9 million and \$9.1 million capital contribution in fiscal 2008 and fiscal 2007, respectively). Other significant assets at September 30, 2008 and 2007 include cash on hand and receivables due from the County and the State of Florida (the "State").

Receivables at September 30, 2008 and 2007 consist primarily of amounts due from the County (\$675,100 and \$414,800, respectively) as well as intergovernmental receivables due from the State (\$377,600 and \$566,500, respectively).

The receivables due from the County at September 30, 2008 and 2007 related primarily to utility taxes due the Town at that date. The fiscal year 2008 balance also reflects amounts due from the County for stormwater fees collected on behalf of the Town, which activity did not exist in the fiscal 2007 period.

The decrease in intergovernmental receivables at September 30, 2008 over the comparable 2007 balance reflects the fact that, at the end of the fiscal 2008 period, there was less outstanding from the state for communications services tax.

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

	Governmental Activities		Business-type Activities		Total		Total Percent Change
	2008	2007	2008	2007	2008	2007	
Current and other assets	\$ 12,398	\$ 6,956	\$ 85	\$ -	\$ 12,483	\$ 6,956	79.5%
Capital assets	41,131	9,619	-	-	41,131	9,619	327.6%
Total assets	<u>53,529</u>	<u>16,575</u>	<u>85</u>	<u>-</u>	<u>53,614</u>	<u>16,575</u>	223.5%
Long-term debt	146	128	-	-	146	128	14.1%
Other liabilities	1,474	990	-	-	1,474	990	48.9%
Total liabilities	<u>1,620</u>	<u>1,118</u>	<u>-</u>	<u>-</u>	<u>1,620</u>	<u>1,118</u>	44.9%
Net assets							
Invested in capital assets, net of related debt	40,987	9,479	-	-	40,987	9,479	332.4%
Restricted	2,031	1,355	-	-	2,031	1,355	49.9%
Unrestricted	<u>8,891</u>	<u>4,605</u>	<u>85</u>	<u>-</u>	<u>8,976</u>	<u>4,605</u>	94.9%
Total net assets	<u>\$ 51,909</u>	<u>\$ 15,439</u>	<u>\$ 85</u>	<u>\$ -</u>	<u>\$ 51,994</u>	<u>\$ 15,439</u>	236.8%

The balance of unrestricted net assets (approximately \$9.0 million and \$4.6 million, respectively at September 30, 2008 and 2007) may be used to meet the government's ongoing obligations to citizens and creditors.

At September 30, 2008 and 2007, the Town of Cutler Bay is able to report positive balances in all three categories of net assets.

Governmental activities. Governmental activities increased net assets by \$36.5 million and \$13.0 million, respectively, for the year ended September 30, 2008 and 2007, representing the results of the Town's operations for the applicable fiscal periods as well as infrastructure assets transferred from the County to the Town during those years.

Business-type activities. Business-type activities increased net assets by approximately \$85,000 for the year ended September 30, 2008 representing the results of the Town's operations of the stormwater utility which commenced in the fourth quarter of the fiscal year.

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

Town of Cutler Bay
Changes in Net Assets
For The Fiscal Year Ended
(in thousands)

	Governmental Activities		Business-Type Activities		Total		Total Percent Change
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007	
Revenues							
Program revenues:							
Charges for services	\$ 1,412	\$ 1,415	\$ 151	\$ -	\$ 1,563	\$ 1,415	10.5%
Operating grants and contributions	249	586	-	-	249	586	-57.5%
Capital grants and contributions	32,574	9,320	-	-	32,574	9,320	249.5%
General revenues:							
Taxes and franchise fees	15,582	12,664	-	-	15,582	12,664	23.0%
Other	364	262	1	-	365	262	39.3%
Total revenues	50,181	24,247	152	-	50,333	24,247	107.6%
Expenses							
General government	3,437	2,852	67	-	3,504	2,852	22.9%
Public safety	6,871	6,250	-	-	6,871	6,250	9.9%
Parks and recreation	1,438	931	-	-	1,438	931	54.5%
Community development	1,958	1,211	-	-	1,958	1,211	61.7%
Interest on long-term debt	7	5	-	-	7	5	40.0%
Total expenses	13,711	11,249	67	-	13,778	11,249	22.5%
Increase in net assets	36,470	12,998	85	-	36,555	12,998	181.2%
Net assets, beginning	15,439	2,441	-	-	15,439	2,441	532.5%
Net assets, ending	\$ 51,909	\$ 15,439	\$ 85	\$ -	\$ 51,994	\$ 15,439	236.8%

Governmental activities:

- Taxes and franchise fees (\$15.6 million and \$12.7 million, respectively, for fiscal 2008 and fiscal 2007) comprised 31% and 52%, respectively, of total revenues of \$50.2 million and \$24.2 million for fiscal 2008 and fiscal 2007, respectively, with property taxes representing the largest single tax source (\$6.7 million in fiscal 2008 and \$5.3 million in fiscal 2007). The increase in these revenues in fiscal 2008 over fiscal 2007 amounts result primarily from growth in the Town's tax base.
- Operating and capital grants and contributions (\$249,000 and \$32.6 million at September 30, 2008 and \$586,300 and \$9.3 million at September 30, 2007, respectively) account for 65% and 41% of total revenues at September 30, 2008 and 2007, respectively. \$31.9 million of the fiscal 2008 capital grants and contributions represents roadways and sidewalks transferred to the Town by the County, while \$9.1 million of the fiscal 2007 capital grants and contributions represents the park lands and related assets transferred to the Town by the County. The remaining amounts in both the fiscal 2008 and fiscal 2007 periods are comprised primarily of local option gas tax receipts received by the Town. Use of these funds is restricted to certain prescribed uses.
- Charges for services account for 3% and 6% of total revenues at September 30, 2008 and 2007, respectively. These amounts consist primarily of building and zoning fees, park service fees and park impact fees and public safety fines and forfeitures and impact fees. Additionally, the fiscal 2008 amount includes stormwater fees associated with the Town's newly created stormwater utility in the fourth quarter of that fiscal year. Use of these funds is generally restricted to certain prescribed uses.

Business-type activities:

- Charges for services for stormwater fees, which represent 99% of total revenues in the proprietary fund, resulted from the Town's commencement of operations of the stormwater utility within the Town's boundaries in the fourth quarter of fiscal 2008.

Financial Analysis of the Government's Funds

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

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

As of September 30, 2008 and 2007, the Town's governmental funds reported combined ending fund balances of \$11 million and \$6.0 million, respectively. The increase in the balance results primarily from normal operating activities in fiscal 2008, which included growth in the Town's tax base, increases in intergovernmental revenues and increases in interest income. Approximately 79% and 73% of this amount, or \$8.7 million and \$4.4 million, respectively, constitutes unreserved fund balance at September 30, 2008 and 2007, respectively, which is available for spending at the government's discretion. Of the unreserved fund balance at September 30, 2008, \$3 million has been designated by management, and approved by Council, for contingencies and other operating emergencies. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for prepaid expenses or reserved for special revenue fund purposes.

The General Fund is the primary operating fund of the Town of Cutler Bay. At September 30, 2008 and 2007, unreserved fund balance of the General Fund was \$8.7 million and \$4.4 million, respectively. As a measure of the fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance of the General Fund at September 30, 2008 represents 67% of total General Fund expenditures (38% at September 30, 2007), while total fund balance of the General Fund represents 69% of that same total fund expenditure amount (41% at September 30, 2007).

The fund balance of the Town of Cutler Bay's General Fund increased by \$4.3 million and \$3.3 million during fiscal 2008 and fiscal 2007, respectively. The increase primarily reflects the results of the Town's operating activity for the fiscal year, including increased revenues generated by growth in the Town's tax base, increases in utility taxes and intergovernmental revenues and an increase in interest income on cash deposits. These revenue increases were offset to some extent by increased expenditures during 2008 for public safety and community development, as well as for increased expenditures for operating the parks for a full fiscal year (as opposed to a partial year in the 2007 period).

The Special Revenue Fund was established to account for revenues whose expenditure is restricted to certain prescribed uses. During fiscal 2008 and fiscal 2007, the Town received, and recorded as special revenues, local option gas taxes, whose expenditure is limited to certain prescribed transportation related items, and parks and law enforcement impact fees, whose expenditure is limited to certain prescribed parks and public safety uses, respectively.

The fund balance of the Town of Cutler Bay's Special Revenue Fund increased by \$260,700 and \$359,700, respectively, during fiscal 2008 and fiscal 2007, reflecting the net operating results for the respective fiscal periods.

Proprietary funds. The Town's proprietary fund was created to account for the Town's stormwater operations, which commenced in July 2008. Operations during the last quarter of fiscal 2008 generated an increase in net assets of approximately \$85,000. This amount is reflected as unrestricted net assets at September 30, 2008.

General Fund Budget Highlights

During fiscal 2008 and fiscal 2007, the actual “excess of revenues over expenditures” exceeded the corresponding budgetary amounts by \$4.6 million and \$3.5 million, respectively. For fiscal 2008, the results were achieved as actual revenues exceeded budgeted amounts by \$2.4 million while actual expenditures were \$2.2 million less than budgeted. In fiscal 2007, actual revenues exceeded budgeted amounts by \$.8 million while actual expenditures were \$2.7 million less than budgeted. The favorable results in both fiscal periods result from close monitoring of operations by Town personnel.

There were two supplemental appropriations during fiscal 2008 (none in fiscal 2007). In January 2008, the Town Council passed a fiscal year 2008 budget amendment ordinance to appropriate \$200,000 to be used for “green building” initiatives. In November 2008, the Town Council passed a budget amendment ordinance to increase the fiscal year 2008 budget amount for town attorney professional services by \$198,000 and to decrease the law enforcement professional services budget amount by a corresponding amount.

Special Revenue Fund Budget Highlights

During fiscal 2008, the actual “excess of revenues over expenditures” was \$2.6 million below budget while the corresponding amount for fiscal 2007 was \$2.4 million below budget. The fiscal 2008 results were due to two primary factors. First, the Town’s budget estimates for fiscal 2008 building and permitting revenue, and corresponding impact fees, were based on projections the Town received from the County which turned out to be overly optimistic. Accordingly, actual revenues from these activities came in significantly under budget. Second, certain revenues, such as a portion of the local option gas taxes and building and zoning fees, were transferred to the general fund to cover qualified expenses incurred to carry out the functions related to those revenue sources. Accordingly, the actual revenues shown on the special revenue budgetary comparison schedule do not reflect these amounts (while the corresponding budget amounts are reflected).

Capital Assets and Debt Administration

Capital assets. The Town of Cutler Bay’s investment in capital assets for its governmental activities as of September 30, 2008 and 2007, amounts to approximately \$41.1 million and \$9.6 million (net of accumulated depreciation), respectively. This investment in capital assets includes acquisition, by purchase and/or through capital lease, of computer hardware and software, furniture and equipment, vehicles and improvements other than buildings which were necessary for the Town to operate, and infrastructure assets transferred to the Town by the County.

In July 2008, Miami Dade County transferred effective operating control of the stormwater utility function within the Town’s boundaries to the Town. However, the County has not yet been able to provide to the Town a comprehensive inventory/accounting of the actual assets that were transferred as part of this agreement. As a result, while the Town has assumed operating control of the stormwater utility within its boundaries effective July 2008, the assets and related accumulated depreciation of those assets are not yet reflected in the financial statements of the Town. It is anticipated that such assets will be inventoried and recorded in the Town’s financial statements in fiscal 2009.

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

	<u>September 30,</u>	
	<u>2008</u>	<u>2007</u>
	(in thousands)	
General government	\$ 147	\$ 240
Community development	154	41
Public safety	166	147
Parks	8,966	9,131
Public works	31,698	60
	-----	-----
Total	\$ 41,131	\$ 9,619
	=====	=====

Additional information regarding the Town's capital assets can be found in footnotes I. and V. in the accompanying notes to financial statements.

Long-term debt. At September 30, 2008 and 2007, the Town's capital lease obligations were approximately \$143,300 and \$139,500, respectively, for governmental activities. The capital leases were entered into for the acquisition of vehicles, furniture and telecom equipment which are included in capital assets. Additional information regarding the Town's long-term debt can be found in footnotes I. and VI. in the accompanying notes to financial statements.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the Miami-Dade County area at September 30, 2008 is 5.3%, which is an increase from a rate of 4.2% a year ago.
- Inflationary trends in the region compare unfavorably to national indices.
- In setting its fiscal 2009 budget, the Town adopted the same mil rate as was in effect for both fiscal 2008 and fiscal 2007.
- On January 29, 2008, the Florida electorate approved an amendment to the Florida Constitution relative to property taxation. The amendment, which primarily provides for additional property tax exemptions and adds a "portability" provision, will impact the Town commencing in fiscal 2009 and will have a negative impact on the amount of property tax revenue the Town generates going forward, assuming the Town does not increase its millage rate or achieve growth in its tax base which will offset the amendment's effects.
- Cutler Bay, like most communities across the state and nation, has been negatively impacted by the financial crisis and economic downturn gripping the United States. The south Florida real estate market has been especially hard hit. Property values have experienced significant declines and there has been increased foreclosure activity. These decreased property values, when factored on top of the property tax changes discussed in the preceding comment, will further reduce the Town's property tax revenues (all other factors remaining constant). Further, it may take several years before building activity and growth return to the Town. In the interim, the Town continues to operate in a lean and efficient manner and has been extremely successful in obtaining grants and other funding sources to proceed with planned projects within the Town.

Requests for Information

This financial report is designed to provide a general overview of the Town of Cutler Bay's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Department of Finance, 10720 Caribbean Blvd., Suite 105, Cutler Bay, FL 33189.

BASIC FINANCIAL STATEMENTS

TOWN OF CUTLER BAY, FLORIDA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008

	<u>Governmental</u> <u>Activities</u>	<u>Business-</u> <u>Type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 8,989,391	\$ -	\$ 8,989,391
Restricted cash and cash equivalents	2,030,550	-	2,030,550
Accounts receivable - net	1,164,962	-	1,164,962
Prepays	289,207	-	289,207
Other assets	9,159	-	9,159
Internal balances	(84,567)	84,567	-
Capital assets:			-
Land	6,062,776	-	6,062,776
Building	1,238,279	-	1,238,279
Computer hardware and software	300,560	-	300,560
Furniture and equipment	625,755	-	625,755
Infrastructure	57,205,800	-	57,205,800
Improvements other than building	<u>1,967,753</u>	<u>-</u>	<u>1,967,753</u>
Total capital assets	67,400,923	-	67,400,923
Less accumulated depreciation	<u>(26,270,330)</u>	<u>-</u>	<u>(26,270,330)</u>
Total capital assets - net	<u>41,130,593</u>	<u>-</u>	<u>41,130,593</u>
Total assets	<u>53,529,295</u>	<u>84,567</u>	<u>53,613,862</u>
<u>LIABILITIES</u>			
Accounts payable	1,408,057	-	1,408,057
Other liabilities	1,675	-	1,675
Noncurrent liabilities:			-
The amount due in one year	64,237	-	64,237
The amount due in over one year	<u>146,519</u>	<u>-</u>	<u>146,519</u>
Total liabilities	<u>1,620,488</u>	<u>-</u>	<u>1,620,488</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	40,987,278	-	40,987,278
Restricted for:			
Capital projects	1,180,872	-	1,180,872
Public safety	187,085	-	187,085
Parks and recreation	662,593	-	662,593
Unrestricted	<u>8,890,979</u>	<u>84,567</u>	<u>8,975,546</u>
Total net assets	<u>\$ 51,908,807</u>	<u>\$ 84,567</u>	<u>\$ 51,993,374</u>

See notes to basic financial statements

TOWN OF CUTLER BAY, FLORIDA
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2008

	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Assets</u>		<u>Total</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	
<u>Functions/programs</u>							
Governmental activities:							
General government	\$ 3,436,645	\$ 39,737	\$ -	\$ -	\$ (3,396,908)	\$ -	\$ (3,396,908)
Public safety	6,871,073	443,701	6,865	-	(6,420,507)	-	(6,420,507)
Community development	1,957,968	792,172	195,356	195,558	(774,882)	-	(774,882)
Parks and recreation	1,438,346	136,593	46,830	32,378,363	31,123,440	-	31,123,440
Interest on long-term debt	7,199	-	-	-	(7,199)	-	(7,199)
Total governmental activities	<u>13,711,231</u>	<u>1,412,203</u>	<u>249,051</u>	<u>32,573,921</u>	<u>20,523,944</u>	<u>-</u>	<u>20,523,944</u>
Business-type activities:							
Stormwater	<u>67,384</u>	<u>150,693</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>83,309</u>	<u>83,309</u>
Total business-type activities	<u>67,384</u>	<u>150,693</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>83,309</u>	<u>83,309</u>
Total	<u>\$ 13,778,615</u>	<u>\$ 1,562,896</u>	<u>\$ 249,051</u>	<u>\$ 32,573,921</u>	<u>20,523,944</u>	<u>83,309</u>	<u>20,607,253</u>
General revenues:							
Property taxes					6,667,064	-	6,667,064
Utility taxes					3,342,870	-	3,342,870
Franchise fees on gross receipts					1,636,231	-	1,636,231
Intergovernmental (unrestricted)					3,935,626	-	3,935,626
Investment income					305,716	1,258	306,974
Miscellaneous					58,801	-	58,801
Change in net assets					36,470,252	84,567	36,554,819
Net assets, Beginning					15,438,555	-	15,438,555
Net assets, Ending					<u>\$ 51,908,807</u>	<u>\$ 84,567</u>	<u>\$ 51,993,374</u>

See notes to basic financial statements

TOWN OF CUTLER BAY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008

	Major Funds		Other	Total
	General	Special Revenue Fund	Governmental Funds	Governmental Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 11,017,427	\$ -	\$ -	\$ 11,017,427
Restricted cash and cash equivalents	2,514	-	-	2,514
Accounts receivable - net	1,164,075	-	887	1,164,962
Prepays	289,207	-	-	289,207
Other assets	9,159	-	-	9,159
Due from other funds	137,837	1,614,519	552,981	2,305,337
Total assets	\$ 12,620,219	\$ 1,614,519	\$ 553,868	\$ 14,788,606
<u>LIABILITIES AND FUND BALANCES</u>				
Accounts payable	\$ 1,408,057	\$ -	\$ -	\$ 1,408,057
Deferred revenues	1,675	-	-	1,675
Due to other funds	2,252,067	-	137,837	2,389,904
Total liabilities	3,661,799	-	137,837	3,799,636
<u>FUND BALANCES</u>				
Reserved for:				
Prepays	289,207	-	-	289,207
Capital projects	-	764,841	416,031	1,180,872
Parks and recreation	-	662,593	-	662,593
Public safety	-	187,085	-	187,085
Unreserved:				
Designated for:				
Contingencies and emergencies	3,000,000	-	-	3,000,000
Undesignated	5,669,213	-	-	5,669,213
Total fund balances	8,958,420	1,614,519	416,031	10,988,970
Total liabilities and fund balances	\$ 12,620,219	\$ 1,614,519	\$ 553,868	\$ 14,788,606

See notes to basic financial statements

TOWN OF CUTLER BAY, FLORIDA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008

Fund balances - total government funds (Page 12) \$ 10,988,970

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

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

Governmental capital assets	67,400,923
Less accumulated depreciation	(26,270,330)

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

Capital leases	(143,314)
Compensated absences	<u>(67,442)</u>

Net assets of governmental activities (Page 10) \$ 51,908,807

TOWN OF CUTLER BAY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General	Special Revenue Fund		
Revenues:				
Property taxes	\$ 6,667,064	\$ -	\$ -	\$ 6,667,064
Franchise fees	1,636,231	-	-	1,636,231
Utility taxes	3,342,870	-	-	3,342,870
Charges for services	294,846	-	-	294,846
Intergovernmental	3,967,489	195,558	629,835	4,792,882
Licenses and permits	792,172	-	-	792,172
Impact fees	-	16,673	-	16,673
Fines and forfeitures	320,908	4,277	-	325,185
Interest	255,371	44,156	6,189	305,716
Miscellaneous	58,801	-	-	58,801
Total revenues	<u>17,335,752</u>	<u>260,664</u>	<u>636,024</u>	<u>18,232,440</u>
Expenditures:				
Current:				
General government	3,294,772	-	-	3,294,772
Public safety	6,815,994	-	-	6,815,994
Community development	1,316,408	-	192,627	1,509,035
Parks and recreation	1,145,147	-	35,920	1,181,067
Debt service:				
Principal retirement	71,113	-	-	71,113
Interest	7,199	-	-	7,199
Capital outlay:				
General government	138,210	-	-	138,210
Public safety	59,571	-	-	59,571
Community development	141,326	-	-	141,326
Parks and recreation	19,370	-	79,860	99,230
Total expenditures	<u>13,009,110</u>	<u>-</u>	<u>308,407</u>	<u>13,317,517</u>
Excess of revenues over expenditures and other financing sources	<u>4,326,642</u>	<u>260,664</u>	<u>327,617</u>	<u>4,914,923</u>
Other financing sources (uses) :				
Transfers	(88,414)	-	88,414	-
Proceeds from capital leases	74,980	-	-	74,980
Total other financing sources (uses)	<u>(13,434)</u>	<u>-</u>	<u>88,414</u>	<u>74,980</u>
Net change in fund balances	4,313,208	260,664	416,031	4,989,903
Fund balances - Beginning	<u>4,645,212</u>	<u>1,353,855</u>	<u>-</u>	<u>5,999,067</u>
Fund balances - Ending	<u>\$ 8,958,420</u>	<u>\$ 1,614,519</u>	<u>\$ 416,031</u>	<u>\$ 10,988,970</u>

See notes to basic financial statements

TOWN OF CUTLER BAY, FLORIDA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2008

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

Net change in fund balances - total government funds (Page 14)	\$	4,989,903
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital outlays	438,337	
Less current year depreciation	<u>(867,200)</u>	(428,863)

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

Transfers of capital assets from Miami-Dade County	31,949,043	
Capital outlay which did not meet the threshold for capitalization	<u>(8,360)</u>	31,940,683

The issuance of long-term debt (e.g. bonds, leases) provided current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

Proceeds from capital leases	(74,980)	
Principal payments on capital leases	<u>71,113</u>	(3,867)

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

Compensated absences	<u>(24,461)</u>	(24,461)
----------------------	-----------------	----------

Under the modified accrual basis of accounting used in the governmental funds, revenues are not recognized until the funds are measurable and available to finance current expenditures. In the statement of activities, however, which is presented on the accrual basis, revenues are reported when earned.

		<u>(3,143)</u>
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Change in net assets of governmental activities (Page 11)	\$	<u><u>36,470,252</u></u>
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TOWN OF CUTLER BAY, FLORIDA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2008

		<u>Stormwater</u>
	<u>ASSETS</u>	
Due from other funds		\$ 84,567
Total assets		<u>\$ 84,567</u>
	<u>NET ASSETS</u>	
Unrestricted		<u>\$ 84,567</u>

TOWN OF CUTLER BAY, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2008

	<u>Stormwater</u>
Operating revenues:	
Charges for services	\$ <u>150,693</u>
Total revenues	<u>150,693</u>
Operating expenses:	
Operations and maintenance	<u>67,384</u>
Total operating expenses	<u>67,384</u>
Operating income	<u>83,309</u>
Non-operating revenues:	
Interest income	<u>1,258</u>
Total non-operating revenues	<u>1,258</u>
Changes in net assets	84,567
Net assets - Beginning	<u>-</u>
Net assets - Ending	<u>\$ 84,567</u>

See notes to basic financial statements

TOWN OF CUTLER BAY, FLORIDA
STATEMENT OF CASHFLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2008

	<u>Stormwater</u>
Cash Flows From Operating Activities:	
Cash received from customers	\$ 150,693
Cash paid to suppliers	<u>(67,384)</u>
Net cash provided by operating activities	<u>83,309</u>
Cash Flows From Non-Capital Financing Activities	
Transfers to other funds	<u>(84,567)</u>
Net cash used in non-capital financing activities	<u>(84,567)</u>
Cash Flows From Investing Activities	
Interest income	<u>1,258</u>
Net cash provided by investing activities	<u>1,258</u>
Net Increase in Cash and Cash Equivalents	-
Cash and Cash Equivalents- Beginning	<u>-</u>
Cash and Cash Equivalents- Ending	<u>\$ -</u>
Reconciliation Of Operating Income to Net Cash Provided By Operating Activities:	
Operating income	\$ 83,309
Net cash provided by operating activities	<u>\$ 83,309</u>

See notes to basic financial statements

NOTES TO BASIC FINANCIAL STATEMENTS

TOWN OF CUTLER BAY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of the Town of Cutler Bay, Florida's (the Town) significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. This report, the accounting systems and classification of accounts conform to standards of the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

a. Financial Reporting Entity

The Town was incorporated on November 9, 2005 as a municipal corporation, resulting from the election authorized by Resolution R-1318-04 adopted by the Miami-Dade County Board of County Commissioners, and was established to conduct a government, perform municipal functions, and provide services to its citizens, as provided by the Constitution of the State of Florida and the Home Rule Charter of Miami-Dade County. The Town operates under a Council-Manager form of government. The Town Council is responsible for legislative and fiscal control of the Town. A Town Manager is appointed by the Town Council and is responsible for the administration of all Town affairs placed in the manager's charge by charter or action of the Town Council.

The financial statements were prepared in accordance with government accounting standards which establishes standards for defining and reporting on the financial reporting entity. The definition of the financial reporting entity is based upon the concept that elected officials are accountable to their constituents for their actions. One of the objectives of financial reporting is to provide users of financial statements with a basis for assessing the accountability of the elected officials. The financial reporting entity consists of the Town, organizations for which the Town is financially accountable and other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Town is financially accountable for a component unit if it appoints a voting majority of the organization's governing board and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Town. Based upon the application of these criteria, there were no organizations which met the criteria described above.

b. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Town has one business-type activity, the stormwater utility. The Town has no fiduciary activities.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, sales taxes, utility taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

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

The **special revenue fund** accounts for revenues and expenditures restricted to specific purposes/uses.

The Town reports the following major proprietary fund:

The **stormwater fund** accounts for stormwater fees assessed on property owners. Funds are dedicated to the ongoing renewal and replacement costs of the Town's stormwater drainage system.

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 nonoperating 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 stormwater fund are charges to customers for services.

Operating expenses of the enterprise funds include costs of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources and then from the unrestricted resources.

d. Assets, liabilities and net assets

1. Deposits

The Town's cash and cash equivalents are considered to be cash on hand and demand deposits.

2. Prepaids

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

3. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds.

All other receivables due from external sources are considered to be fully collectible and as such, an allowance for doubtful accounts has not been established.

4. Restricted Assets

Proceeds from police forfeiture funds, impact fees and local option gas taxes are classified as restricted in the Special Revenue Fund since these resources are specifically earmarked for law enforcement, transportation and recreational purposes only.

5. Property Taxes

Property values are assessed as of January 1 of each year, at which time taxes become an enforceable lien on property. Tax bills are mailed for the Town by Miami-Dade County (the County) on or about October 1 of each year and are payable with discounts of up to 4% offered for early payment. Taxes become delinquent on April 1 of the year following the year of assessment and State law provides for enforcement of collection of property taxes by seizure of the personal property or by the sale of interest-bearing tax certificates to satisfy unpaid property taxes.

Assessed values are established by the Miami-Dade County Property Appraiser. In November 1992, a Florida constitutional amendment was approved by the voters which provides for limiting the increases in homestead property valuations for Ad Valorem tax purposes to a maximum of 3% annually and also provides for reassessment of market values upon changes in ownership. The County bills and collects all property taxes and remits them to the Town.

State statutes permit municipalities to levy property taxes at a rate of up to 10 mills (\$10 per \$1,000 of assessed taxable valuation). The tax levy of the Town is established by the Town council and the Miami-Dade County Property Appraiser incorporates the Town's millage into the total tax levy, which includes the County and the County School Board tax requirements.

6. Capital Assets

Capital assets, which include furniture, equipment, computer equipment, leasehold improvements and certain infrastructure assets (e.g. roadways, sidewalks, park lands, facilities and improvements) are reported in the government-wide financial statements. Capital assets, excluding infrastructure assets, are defined by the Town as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Infrastructure assets are recorded as capital assets if they have an initial, individual cost in excess of \$10,000 and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

During 2008, Miami Dade County transferred certain of the roadways and sidewalks within the Town's boundaries to the Town. In the 2007 period, Miami Dade County transferred certain land, building and equipment for parks. These assets and related accumulated depreciation are reflected in the accompanying financial statements. In July 2008, Miami Dade County transferred effective operating control of the stormwater utility function within the Town's boundaries to the Town. However, the County has not yet been able to provide to the Town a comprehensive inventory/accounting of the actual assets that were transferred as part of this agreement. As a result, while the Town has assumed operating control of the stormwater utility within its boundaries effective July 2008, the assets and related accumulated depreciation of those assets are not yet reflected in the financial statements of the Town. It is anticipated that such assets will be inventoried and recorded in the Town's financial statements in fiscal 2009.

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

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

	<u>Years</u>
Buildings	20
Roadways and sidewalks	40-50
Improvements other than buildings	5-10
Furniture, equipment and software	3-5

When capital assets are sold or disposed of, the related cost and accumulated depreciation are removed from the accounts and a resulting gain or loss is recorded in the government-wide financial statements.

7. Compensated Absences

It is the Town's policy to permit employees to accumulate, within certain limits, earned but unused vacation time and sick leave. All vacation pay is accrued when incurred in the government-wide financial statements. The Town's sick leave policy does not meet the criteria for accrual under current accounting standards. In the governmental funds, a liability is recorded only when they matured, for example, as a result of employee resignations or retirements. Compensated absences of governmental funds are typically liquidated from the general fund. The Town Manager, by contract, receives 160 hours of vacation leave per year. For employees other than the Town Manager, the vacation policy of the Town provides for employees to earn 80 hours of vacation leave during each of the first four years of service. From five through nine years of service, 120 hours are earned each year and for ten or more years of service, 160 hours are earned each year. Unused vacation leave, for all employees, including the Town Manager, may be carried over to the following year and accumulated up to a maximum of 280 hours. Employees who terminate employment under terms of voluntary separation are paid for all unused accumulated vacation leave at their final rate of pay.

Employees earn 96 hours of sick leave each year with a maximum accumulation of 1,040 hours. Unused sick leave is not paid to employees upon separation from Town service.

8. Long-Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net assets.

9. Grant Revenue

The Town, a recipient of grant revenues, recognizes revenues (net of estimated uncollectible amounts, if any) when all applicable eligibility requirements, including time requirements, are met.

10. Deferred Revenue

Deferred revenues include amounts collected before revenue recognition criteria are met and receivables, which, under the modified accrual basis of accounting, are measurable, but not yet available. The deferred items consist primarily of license revenues.

11. Fund Balance/Net Assets

In the fund financial statements, the governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. The description of each reserve indicates the purpose for which each is intended. Designations of fund balance represent tentative management plans that are subject to change.

Unreserved, undesignated fund balance is the portion of fund balance available for any lawful use.

In the government-wide financial statements, net assets represent the difference between assets and liabilities and are reported in three categories as hereafter described.

- Net assets invested in capital assets, net of related debt, represent capital assets, net of accumulated depreciation and any outstanding debt related to those assets.
- Net assets are reported as restricted when there are legal limitations imposed on their use by legislation, or external restrictions imposed by other governments, creditors, or grantors.
- Unrestricted net assets are net assets that do not meet the definitions of the classifications previously described.

12. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts of assets, liabilities, disclosure of contingent liabilities, revenues, and expenditures/expenses reported in the financial statements and accompanying notes. These estimates include assessing the collectability of receivables and the useful lives of capital assets. Although those estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government unit, the Town is subject to various federal, state, and local laws and contractual regulations. The Town has no material violations of finance-related legal and contractual obligations.

Fund Accounting Requirements- A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like any other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related requirements, and segregation for management purposes.

Revenue Restrictions- The Town has various restrictions placed over certain revenue sources from federal, state, or local requirements. The primary revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Gas Tax	Roads, sidewalks, streets
Transportation Tax	Transportation and roads
Various Grant Programs	Grant Program Expenditures
Police Forfeitures	Law Enforcement

For the year ended September 30, 2008, the Town complied, in all material respects, with these revenue restrictions.

III. DEPOSITS AND INVESTMENTS

Deposits

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

Investments

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

As of September 30, 2008, the Town had no investments.

IV. RECEIVABLES/PAYABLES

Receivables

The Town's receivables at September 30, 2008 were as follows:

	Due from Miami-Dade County	State Revenue Sharing	<u>Grants</u>	<u>Others</u>	<u>Totals</u>
General fund	\$675,118	\$377,671	\$ 96,907	\$14,379	\$1,164,075
Non-major governmental funds	_____ -	_____ -	_____ 887	_____ -	_____ 887
	<u>\$675,118</u>	<u>\$377,671</u>	<u>\$ 97,794</u>	<u>\$14,379</u>	<u>\$1,164,962</u>

All amounts due from Miami-Dade County, the State of Florida and grants are considered fully collectible.

Payables

The Town's payables at September 30, 2008 were as follows:

	<u>Vendors</u>
General fund	<u>\$1,408,057</u>

V. CAPITAL ASSETS

Capital asset activities for the fiscal year ended September 30, 2008 was as follows:

	<u>Balance</u> <u>October 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>September 30,</u> <u>2008</u>
Governmental activities				
Capital assets not being depreciated:				
Land	<u>\$6,062,776</u>	\$ _____ -	\$ _____ -	<u>\$6,062,776</u>
Total capital assets not being depreciated	<u>6,062,776</u>	_____ -	_____ -	<u>6,062,776</u>
Capital assets being depreciated:				
Building	1,238,279	-	-	1,238,279
Roadways and sidewalks	-	57,205,800	-	57,205,800
Improvements other than buildings	1,895,392	72,361	-	1,967,753
Computer hardware and software	186,476	114,084	-	300,560
Furniture and equipment	<u>382,223</u>	<u>243,533</u>	_____ -	<u>625,756</u>
Total capital assets being depreciated	<u>3,702,370</u>	<u>57,635,778</u>	_____ -	<u>61,338,148</u>
Less accumulated depreciation for:				
Building	(2,580)	(61,914)	-	(64,494)
Roadways and sidewalks	-	(25,645,642)	-	(25,645,642)
Improvements other than buildings	(23,486)	(228,720)	-	(252,206)
Computer hardware and software	(61,405)	(74,282)	-	(135,687)
Furniture and equipment	<u>(58,903)</u>	<u>(113,400)</u>	_____ -	<u>(172,303)</u>
Total accumulated depreciation	<u>(146,374)</u>	<u>(26,123,958)</u>	_____ -	<u>(26,270,332)</u>
Total capital assets being depreciated, net	<u>3,555,996</u>	<u>31,511,820</u>	_____ -	<u>35,067,816</u>
Governmental activities capital assets, net	<u>\$9,618,772</u>	<u>\$31,511,820</u>	<u>\$ _____ -</u>	<u>\$41,130,592</u>

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

General government	\$121,429
Public Safety	51,936
Community development	439,274
Culture and Recreation	<u>254,561</u>
Total depreciation expense – governmental activities	<u>\$867,200</u>

VI. LONG-TERM DEBT

The Town has entered into several lease agreements for the purchase of furniture, equipment and vehicles totaling approximately \$266,645.

These lease agreements qualify as capital leases for accounting purposes and, therefore, have been capitalized and a liability has been recorded at the net present value of the future minimum lease payments, as of the inception date.

The value of assets acquired through capital leases and accumulated depreciation are as follows:

Furniture and equipment	\$103,363
Vehicles	<u>163,282</u>
	\$266,645
Less accumulated depreciation	<u>(101,265)</u>
	<u>\$165,380</u>

Future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2008 are as follows:

Year ending September 30,	
2009	\$70,323
2010	50,652
2011	<u>32,966</u>
Total	153,941
Less amount representing interest	<u>(10,627)</u>
	<u>\$143,314</u>

Changes in general long-term debt during the year were as follows:

	Balance October 1, <u>2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2008</u>	Due Within <u>One year</u>
Compensated absences	\$42,981	\$69,624	\$45,163	\$67,442	\$ -
Capital leases	<u>139,447</u>	<u>74,980</u>	<u>71,113</u>	<u>143,314</u>	<u>64,237</u>
	<u>\$182,428</u>	<u>\$144,604</u>	<u>\$116,276</u>	<u>\$210,756</u>	<u>\$64,237</u>

VII. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances as of September 30, 2008, were as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$137,837	\$2,252,067
Special Revenue Fund	1,614,519	-
Non-major governmental funds	552,981	137,837
Proprietary Fund	<u>84,567</u>	<u>-</u>
	<u>\$2,389,904</u>	<u>\$2,389,904</u>

The outstanding balances between funds result primarily from revenues received in the general fund on behalf of special revenue and other funds.

Interfund transfer activity for the year ended September 30, 2008 was as follows:

	<u>Transfers In*</u>	<u>Transfers Out*</u>
General Fund	\$-	\$88,414
Special Revenue Fund - MPO Grant	22,271	-
Capital Projects Fund	<u>66,143</u>	<u>-</u>
	<u>\$88,414</u>	<u>\$88,414</u>

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

- \$22,271 was transferred from the General Fund to the Special Revenue Fund – MPO Grant for the Town’s match portion of the local MPO grant through September 30, 2008.
- \$66,143 was transferred from the General Fund to the Capital Projects Fund to pay for certain improvements at one of the Town’s park facilities, to pay for property appraisals for a parcel the Town considered acquiring, and to cover the Town’s match portion of a state grant through September 30, 2008.

VIII. FLORIDA RETIREMENT SYSTEM

The Town elected to participate in the Florida Retirement System (FRS) effective February 1, 2007. The FRS is a cost sharing, multiple employer, public retirement system controlled by the State Legislature and administered by the State of Florida Board of Administration, Division of Retirement. Benefits are established by Chapter 121, Florida Statutes and Chapter 22B, Florida Administrative Code. Amendments to the law can only be made by an act of the Florida Legislature.

The most recent actuarial report was prepared as of July 1, 2007. Section 121.031(3) of the Florida Statutes requires that an actuarial review of the FRS be performed biannually. The conclusions of the review are included in the annual report of the FRS.

The Florida Retirement System issues a financial report that includes the financial statements and other statistically relevant financial information. That report may be obtained from the State of Florida, Division of Retirement, 2639 N. Monroe Street, Tallahassee, Florida 32399 or by calling (850) 488-2879.

Once an agency elects to participate in the FRS, membership is compulsory for all full-time and part-time employees working in a regularly established position, as defined. Contributions are currently funded entirely by employer contributions based on contribution rates, which vary by defined membership class, set by the State Legislature each year. The contribution rates are applied to the employees' eligible wages to calculate the required monthly contribution.

Participants (employees) have the option of joining one of two FRS plans, the FRS Pension Plan, a defined benefit plan, and the FRS Investment Plan, a defined contribution plan. Each plan has its own unique features and terms. Generally, employees are initially enrolled in the FRS Pension Plan but can make an election to switch into the FRS Investment Plan before the end of the fifth month following initial enrollment in the FRS. Outside of this window, the employee is provided one other opportunity to switch between plans at any future date. After electing that other one-time switch, the employee can no longer switch between plans.

FRS Pension Plan

In general, the FRS Pension Plan provides for vesting of benefits after 6 years of creditable service. For other than special risk classes, which do not currently apply to the Town, employees are eligible for normal retirement after six years of service and attaining age 62 or the age after 62 the member becomes vested or after thirty years of service regardless of age, whichever comes first. Early retirement may be taken any time after vesting; however, there is a 5% benefit reduction for each year from the member's retirement date to his/her normal retirement age. Benefits are computed on the basis of age and/or years of service, average final compensation, and service credit. Average final compensation is the average of the 5 highest fiscal years of earnings. The system also provides for death and disability benefits.

FRS Investment Plan

The FRS Investment Plan is a defined contribution retirement plan qualified under Section 401(a) of the Internal Revenue Code and was enacted as an optional retirement plan during the 2000 legislative session. Its formal name, as set out in Part II of Chapter 121, Florida Statutes, is the "Public Employee Optional Retirement Program".

Contribution amounts for employees participating in the FRS Investment Plan are calculated in the same manner as those participating in the FRS Pension Plan, as discussed previously. However, the FRS Investment Plan participants direct the investment of the funds contributed on their behalf among the investment funds available through the plan. For the FRS Investment Plan, vesting in all contributions and earnings thereon occurs after completion of 1 year of service. There is no "normal retirement age" for the FRS Investment Plan. Rather, when employment ends with all FRS employers, an employee/FRS Investment Plan participant can take the value of the account with him/her. The retirement benefit will depend on the account balance and the type of payout chosen.

As part of its participation in FRS, the Town elected to purchase "past service credit" for eligible employees and elected officials, which would provide FRS participation for eligible employees from his/her hire date through February 1, 2007 (the date of the Town's enrollment in FRS). The Town utilized appropriated budgeted funds to satisfy this obligation in fiscal 2008.

The Town's contribution to the Florida Retirement System was \$214,563 for the fiscal year ended September 30, 2008, including payment of the aforementioned past service credit balance.

IX. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Town participates in the Florida League of Cities (FLC) risk pool. This is a statewide pool with several hundred governmental members. FLC provides the Town with auto liability, general liability, property and workers' compensation coverage. The FLC pool is not assessable. There is no self-insured retention for the Town, excluding a \$1,000 per occurrence property deductible. FLC provides \$1,000,000 for general liability and statutorily required coverage for workers' compensation.

During its first three years, the Town has not incurred any significant claims nor have there been any significant reductions in coverage.

X. COMMITMENTS AND CONTINGENCIES

Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the Town. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

Lawsuits

As of September 30, 2008, the Town was not involved in any lawsuits.

Operating Lease

The Town executed operating lease agreements, for office space and copiers for the period November 1, 2006 through October 31, 2009. The minimum lease payments under the lease agreements are as follows:

Year ending September 30,	
2009	\$205,376
2010	<u>18,782</u>
Total	<u>\$224,158</u>

Agreement with Miami-Dade County for Local Police Patrol Services

On August 8, 2006, the Town executed an agreement with Miami-Dade County for local police patrol services. Services to the Town under the contract commenced on August 28, 2006. The County provides a quarterly reconciliation to the Town whereby these monthly budgeted amounts are compared with actual costs incurred and the resulting difference is billed or credited to the Town. Payments for the services provided by the County for subsequent fiscal years shall be based upon the level of staffing services requested by the Town utilizing the actual personnel costs of officers and equipment. For fiscal year 2008, approximately \$6,150,900 was paid by the Town for such services. Starting in fiscal year 2009, the Town will make regular monthly installments of approximately \$610,800 to the County based on the budgeted level of staffing. The initial term of the agreement expires on July 20, 2009 and may be renewed for a period of up to five years.

Agreement with Miami-Dade County for Specialized Police Services

On August 8, 2006, the Town executed an agreement with Miami-Dade County for specialized police services. Services to the Town under the contract commenced on August 28, 2006. For fiscal year 2008, approximately \$338,700 was paid by the Town for such services. A payment credit is provided to the Town based on the contribution made by Town residents in their countywide millage for specialized police services. This ensures that there is no double taxation to the residents of the Town. Payments for the services provided by the County for subsequent fiscal years shall be determined by the County based on factors detailed in the agreement. The County phased out the charge for specialized police services commencing with fiscal year 2009. The initial term of the agreement expires in three years, unless otherwise terminated in accordance with Article X of the agreement; the agreement is automatically renewed for consecutive three year terms in perpetuity.

Quality Neighborhood Improvement Program (QNIP)

The Town is required to pay the County its pro rata share for the Public Service Tax Revenue Bonds, Series 1999, 2002 and 2006, issued or authorized prior to the Town's incorporation. The payment for the period ended September 30, 2008 was \$379,149. The estimated payment for the fiscal year ended September 30, 2009 is approximately \$380,400.

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

XI. PRIOR PERIOD ADJUSTMENT

During the current fiscal year, it was determined that certain prior year attorney's fees totaling \$18,123 were incorrectly recorded as fiscal 2008 expenditures. To correct this error, the fund balance as of September 30, 2007 of the General Fund of \$4,663,335, as originally reported, has been decreased to \$4,645,212. In addition, net assets as of September 30, 2007 for governmental activities of \$15,456,678, as originally reported, have been decreased to \$15,438,555.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF CUTLER BAY, FLORIDA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive/(Negative)
Revenues:				
Property taxes	\$ 6,528,934	\$ 6,528,934	\$ 6,667,064	\$ 138,130
Franchise fees	1,285,000	1,285,000	1,636,231	351,231
Utility taxes	2,948,427	2,948,427	3,342,870	394,443
Charges for services	171,515	171,515	294,846	123,331
Intergovernmental	3,442,873	3,442,873	3,967,489	524,616
Licenses and permits	100,000	100,000	792,172	692,172
Fines and forfeitures	200,000	200,000	320,908	120,908
Interest	192,000	192,000	255,371	63,371
Miscellaneous	80,000	80,000	58,801	(21,199)
Total revenues	<u>14,948,749</u>	<u>14,948,749</u>	<u>17,335,752</u>	<u>2,387,003</u>
Expenditures:				
Current:				
General government	2,214,954	2,414,954	1,721,175	693,779
Legislative	155,673	155,673	131,363	24,310
Town clerk	232,995	232,995	185,688	47,307
Town attorney	360,000	558,000	557,900	100
Community development	1,670,128	1,670,128	1,489,874	180,254
Public works	1,151,145	1,151,145	883,028	268,117
Culture and recreation	1,371,161	1,371,161	1,164,517	206,644
Police services	<u>7,889,946</u>	<u>7,691,946</u>	<u>6,875,565</u>	<u>816,381</u>
Total expenditures	<u>15,046,002</u>	<u>15,246,002</u>	<u>13,009,110</u>	<u>2,236,892</u>
(Deficiency) Excess of revenues under expenditures before other financing sources (uses)	<u>(97,253)</u>	<u>(297,253)</u>	<u>4,326,642</u>	<u>4,623,895</u>
Other financing sources (uses):				
Appropriation of prior year fund balance	4,369,604	4,369,604	-	(4,369,604)
Reserve for future expenditures	(800,000)	(800,000)	-	800,000
Contingency reserve	(1,485,338)	(1,285,338)	-	1,285,338
Energy and insurance reserve	(100,000)	(100,000)	-	100,000
Grant match reserve	(325,000)	(325,000)	-	325,000
Reserve for prior year encumbrances	(100,000)	(100,000)	-	100,000
Reserve for wage adjustments	(200,000)	(200,000)	-	200,000
Tax equalization and revenue reserve	(700,000)	(700,000)	-	700,000
Property tax reform reserve	(1,000,000)	(1,000,000)	-	1,000,000
Transfers in	982,987	982,987	-	(982,987)
Transfers out	(545,000)	(545,000)	(88,414)	456,586
Proceeds from capital leases	<u>-</u>	<u>-</u>	<u>74,980</u>	<u>74,980</u>
Total other financing sources	<u>97,253</u>	<u>297,253</u>	<u>(13,434)</u>	<u>(310,687)</u>
Net change in fund balance	-	-	4,313,208	<u>4,313,208</u>
Fund balances - Beginning	<u>-</u>	<u>-</u>	<u>4,645,212</u>	
Fund balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,958,420</u>	

See notes to budgetary comparison schedule

TOWN OF CUTLER BAY, FLORIDA
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 1,316,545	\$ 1,316,545	\$ 195,558	\$ (1,120,987)
Licenses, permits and fines	632,782	632,782	-	(632,782)
Impact fees	1,195,830	1,195,830	16,673	(1,179,157)
Fine and forfeitures	-	-	4,277	4,277
Interest	-	-	<u>44,156</u>	<u>44,156</u>
Total revenues	<u>3,145,157</u>	<u>3,145,157</u>	<u>260,664</u>	<u>(2,884,493)</u>
Expenditures:				
Current:				
Community development	130,000	130,000	-	130,000
Parks and recreation	<u>111,258</u>	<u>111,258</u>	-	<u>111,258</u>
Total expenditures	<u>241,258</u>	<u>241,258</u>	-	<u>241,258</u>
Excess of revenues over expenditures and other financing uses	<u>2,903,899</u>	<u>2,903,899</u>	<u>260,664</u>	<u>(3,125,751)</u>
Other financing uses:				
Appropriation of prior year fund balance	1,706,310	1,706,310	-	(1,706,310)
Reserve for future police impact fees	(291,980)	(291,980)	-	291,980
Reserve for future park impact fees	(590,001)	(590,001)	-	590,001
Reserve for future public works projects	(1,435,787)	(1,435,787)	-	1,435,787
Reserve for future road impace fee projects	(329,213)	(329,213)	-	329,213
Reserve for future building and zoning projects	(14,441)	(14,441)	-	14,441
Reserve for future stormwater projects	(400,000)	(400,000)	-	400,000
Reserve for public safety	(10,000)	(10,000)	-	10,000
Transfers out	<u>(1,538,787)</u>	<u>(1,538,787)</u>	-	<u>1,538,787</u>
Total other financing uses	<u>(2,903,899)</u>	<u>(2,903,899)</u>	-	<u>2,903,899</u>
Net change in fund balance	-	-	<u>260,664</u>	<u>(221,852)</u>
Fund balances, Beginning	-	-	<u>1,353,855</u>	
Fund balances, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,614,519</u>	

See notes to budgetary comparison schedule

TOWN OF CUTLER BAY, FLORIDA
NOTES TO BUDGETARY COMPARISON SCHEDULES
FISCAL YEAR ENDED SEPTEMBER 30, 2008

Notes to Budgetary Comparison Schedule

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

- a. Prior to September 1, the Town Manager submits to the Town Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to October 1, the budget is legally enacted through passage of two ordinances - one fixing a millage rate and another adopting the final budget.
- d. Appropriations which are neither expended, encumbered, or specifically designated to be carried over lapse at the end of the fiscal year.
- e. The Town prepares and adopts a budget for the General Fund and the Special Revenue Fund. The budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) except for principal payments on their debt. No differences exist between the budgetary or GAAP basis of accounting. Budgeted amounts are as originally adopted, or as amended by the Town Council. The Town Manager may transfer any unencumbered line item allocation of funds, or any portion thereof, to another line item classification within the same department. Amendments to total budgeted appropriations of any of the Town's departments must be approved by the Town Council. Therefore, the legal level of control (level of which expenditures may not exceed the budget) is at the department level.
- f. There were two supplemental appropriations during fiscal 2008. In January 2008, the Town Council passed a fiscal year 2008 budget amendment ordinance to appropriate \$200,000 to be used for "green building" initiatives. In November 2008, the Town Council passed a budget amendment ordinance to increase the fiscal year 2008 budget amount for town attorney professional services by \$198,000 and to decrease the law enforcement professional services budget amount by a corresponding amount.
- g. Formal budgetary integration is employed as a management control device. Additionally, the Town does not utilize encumbrance accounting.

COMBINING FINANCIAL STATEMENTS

TOWN OF CUTLER BAY, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	SFWMD Grant Fund	The Children's Trust Fund	MPO Grant Fund	Capital Projects Fund	
<u>ASSETS</u>					
Accounts receivable - net	\$ -	\$ 887	\$ -	\$ -	\$ 887
Due from other funds	136,950	-	-	416,031	552,981
Total assets	\$ 136,950	\$ 887	\$ -	\$ 416,031	\$ 553,868
<u>LIABILITIES</u>					
Due to other funds	\$ 136,950	\$ 887	\$ -	\$ -	\$ 137,837
Total liabilities	136,950	887	-	-	137,837
<u>FUND BALANCES</u>					
Unreserved:					
Undesignated	-	-	-	416,031	416,031
Total fund balances	-	-	-	416,031	416,031
Total liabilities and Fund balances	\$ 136,950	\$ 887	\$ -	\$ 416,031	\$ 553,868

TOWN OF CUTLER BAY, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	SFWMD Grant Fund	The Children's Trust Fund	MPO Grant Fund	Capital Projects Fund	
Revenues:					
Intergovernmental	\$ 136,950	\$ 46,832	\$ 33,406	\$ 412,647	\$ 629,835
Interest	-	-	-	6,189	6,189
Total revenues	<u>136,950</u>	<u>46,832</u>	<u>33,406</u>	<u>418,836</u>	<u>636,024</u>
Expenditures:					
Current:					
Community development	136,950	-	55,677	-	192,627
Parks and recreation	-	35,920	-	-	35,920
Capital outlay	-	10,912	-	68,948	79,860
Total expenditures	<u>136,950</u>	<u>46,832</u>	<u>55,677</u>	<u>68,948</u>	<u>308,407</u>
Excess (Deficiency) of revenues over expenditures and other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(22,271)</u>	<u>349,888</u>	<u>327,617</u>
Other financing sources :					
Transfers in	-	-	22,271	66,143	88,414
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>22,271</u>	<u>66,143</u>	<u>88,414</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>416,031</u>	<u>416,031</u>
Fund balances, Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 416,031</u>	<u>\$ 416,031</u>

TOWN OF CUTLER BAY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
FUND BALANCE-BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 1,638,000	\$ 1,638,000	\$ 412,647	\$ (1,225,353)
Interest	<u>-</u>	<u>-</u>	<u>6,189</u>	<u>6,189</u>
Total revenues	<u>1,638,000</u>	<u>1,638,000</u>	<u>418,836</u>	<u>(1,219,164)</u>
Expenditures:				
Current:				
Parks and recreation	<u>2,388,800</u>	<u>2,388,800</u>	<u>68,948</u>	<u>2,319,852</u>
Total expenditures	<u>2,388,800</u>	<u>2,388,800</u>	<u>68,948</u>	<u>2,319,852</u>
Excess of revenues over expenditures and other financing uses	<u>(750,800)</u>	<u>(750,800)</u>	<u>349,888</u>	<u>1,100,688</u>
Other financing sources (uses):				
Reserve for contingency	(350,000)	(350,000)	-	350,000
Transfers in	<u>1,100,800</u>	<u>1,100,800</u>	<u>66,143</u>	<u>(1,034,657)</u>
Total other financing sources	<u>750,800</u>	<u>750,800</u>	<u>66,143</u>	<u>(684,657)</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>416,031</u>	<u>416,031</u>
Fund balances, Beginning	<u>-</u>	<u>-</u>	<u>-</u>	
Fund balances, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 416,031</u>	

STATISTICAL SECTION

STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
Financial Trends	
<i>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:</i>	36-39
Revenue Capacity	
<i>These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax.</i>	40-44
Debt Capacity	
<i>These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.</i>	45-46
Demographic and Economic Information	
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.</i>	47-48
Operating Information	
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.</i>	49-51

TOWN OF CUTLER BAY, FLORIDA
Net Assets By Component
Last Ten Fiscal Years (1)
(accrual basis of accounting)

	Fiscal Year		
	2006	2007	2008
Governmental activities:			
Invested in capital assets, net of related debt	\$ 73,058	\$ 9,479,324	\$ 40,987,278
Restricted	994,197	1,355,365	2,030,550
Unrestricted	1,374,021	4,603,866	8,890,979
Total governmental activities net assets	\$ 2,441,276	\$ 15,438,555	\$ 51,908,807
Business-type activities:			
Invested in capital assets, net of related debt	\$ -	-	\$ -
Restricted	-	-	-
Unrestricted	-	-	84,567
Total business-type activities net assets	\$ -	\$ -	\$ 84,567
Primary government:			
Invested in capital assets, net of related debt	\$ 73,058	\$ 9,479,324	\$ 40,987,278
Restricted	994,197	1,355,365	2,030,550
Unrestricted	1,374,021	4,603,866	8,975,546
Total primary government net assets	\$ 2,441,276	\$ 15,438,555	\$ 51,993,374

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

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

	Fiscal Year		
	2006	2007	2008
EXPENSES			
Governmental activities:			
General government	\$ 2,266,246	\$ 2,852,271	\$ 3,436,645
Public safety	5,363,660	6,249,705	6,871,073
Community development	70,757	1,211,490	1,957,968
Parks	652,494	931,051	1,438,346
Interest on long-term debt	906	4,570	7,199
Total governmental activities	<u>8,354,063</u>	<u>11,249,087</u>	<u>13,711,231</u>
Business-type activities:			
Stormwater	-	-	67,384
Total business-type activities	<u>-</u>	<u>-</u>	<u>67,384</u>
Total primary government expenses	<u>8,354,063</u>	<u>11,249,087</u>	<u>13,778,615</u>
PROGRAM REVENUES			
Governmental activities:			
Charges for services:			
General government	140,310	10,914	39,737
Public safety	144,735	348,726	443,701
Community development	-	833,563	792,172
Parks	555,857	221,865	136,593
Operating grants and contributions	349,393	586,295	249,051
Capital grants and contributions	137,881	9,319,655	32,573,921
Total governmental activities program revenues	<u>1,328,176</u>	<u>11,321,018</u>	<u>34,235,175</u>
Business-type activities:			
Charges for services:			
Stormwater	-	-	150,693
Total business-type activities program revenues	<u>-</u>	<u>-</u>	<u>150,693</u>
Total primary government revenues	<u>1,328,176</u>	<u>11,321,018</u>	<u>34,385,868</u>
Net revenue (expense):			
Governmental activities	(7,025,887)	71,931	20,523,944
Business-type activities	-	-	83,309
Total primary government net expenses	<u>(7,025,887)</u>	<u>71,931</u>	<u>20,607,253</u>
General revenues and Other Changes in Net Assets:			
Governmental activities:			
Property taxes	3,591,359	5,335,778	6,667,064
Utility taxes	2,460,001	2,684,168	3,342,870
Franchise fees based on gross receipts	960,000	1,373,216	1,636,231
Unrestricted intergovernmental revenue	2,409,983	3,270,556	3,935,626
Unrestricted interest earnings	43,806	237,033	305,716
Miscellaneous revenues	2,014	24,597	58,801
Total governmental activities	<u>9,467,163</u>	<u>12,925,348</u>	<u>15,946,308</u>
Business-type activities:			
Interest earnings	-	-	1,258
Total business-type activities	<u>-</u>	<u>-</u>	<u>1,258</u>
Total primary government	<u>9,467,163</u>	<u>12,925,348</u>	<u>15,947,566</u>
Change in Net Assets			
Governmental activities	<u>\$ 2,441,276</u>	<u>\$ 12,997,279</u>	<u>\$ 36,470,252</u>
Business-type activities	<u>-</u>	<u>-</u>	<u>84,567</u>
Total primary government	<u>\$ 2,441,276</u>	<u>\$ 12,997,279</u>	<u>\$ 36,554,819</u>

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

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

	Fiscal Year		
	2006	2007	2008
General Fund			
Reserved	\$ 38,033	\$ 257,118	\$ 289,207
Unreserved	1,326,292	4,388,094	8,669,213
Total general fund	\$ 1,364,325	\$ 4,645,212	\$ 8,958,420
 All other governmental funds			
Reserved	\$ 994,197	\$ 1,353,855	\$ 2,030,550
Total all other governmental funds	\$ 994,197	\$ 1,353,855	\$ 2,030,550

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

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

	Fiscal Year		
	2006	2007	2008
REVENUES			
Ad valorem taxes	\$ 3,591,359	\$ 5,335,778	6,667,064
Licenses, permits and fines	127,260	1,065,638	1,117,357
Utility taxes	2,449,745	2,725,188	3,342,870
Franchise fees	960,000	1,373,216	1,636,231
Intergovernmental revenue	2,897,257	4,026,199	4,792,882
Charges for services	700,592	349,430	311,519
Interest and other	44,826	261,630	364,517
Total revenues	<u>10,771,039</u>	<u>15,137,079</u>	<u>18,232,440</u>
EXPENDITURES			
Current:			
General government	2,245,553	2,748,244	3,294,772
Public safety	5,363,617	6,224,741	6,815,994
Community development	70,757	1,185,763	1,509,035
Parks	652,494	915,464	1,181,067
Capital outlay	141,934	494,454	438,337
Debt service:			
Principal	7,384	44,835	71,113
Interest	906	4,570	7,199
Total expenditures	<u>8,482,645</u>	<u>11,618,071</u>	<u>13,317,517</u>
Excess (deficiency) of revenues over expenditures	2,288,394	3,519,008	4,914,923
Other financing sources (uses):			
Capital lease proceeds	70,128	121,537	74,980
Net change in fund balances	<u>\$ 2,358,522</u>	<u>\$ 3,640,545</u>	<u>\$ 4,989,903</u>
Debt service as a percentage of noncapital expenditures	<u>0.1%</u>	<u>0.4%</u>	<u>0.6%</u>

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

TOWN OF CUTLER BAY, FLORIDA
 General Governmental Tax Revenues By Source
 Last Ten Fiscal Years (1)
 (accrual basis of accounting)

Fiscal Year	Ad-Valorem Taxes General Purpose	Utility Tax	Intergovernmental	Franchise Tax	Interest	Miscellaneous	Total
2006	\$ 3,591,359	\$ 2,449,745	\$ 2,897,257	\$ 960,000	\$ 42,811	\$ 2,015	\$ 9,943,187
2007	\$ 5,335,778	\$ 2,725,188	\$ 4,026,199	\$ 1,373,216	\$ 237,033	\$ 24,597	\$ 13,722,011
2008	\$ 6,667,064	\$ 3,342,870	\$ 4,792,882	\$ 1,636,231	\$ 305,716	\$ 58,801	\$ 16,803,564

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

TOWN OF CUTLER BAY, FLORIDA
 Assessed Value and Estimated Actual Value of Taxable Property
 Last Ten Fiscal Years (1)
 (amounts expressed in thousands, except as noted)

Fiscal Year	Real Property		Personal Property	Net Assessed Value	Total Direct Tax Rate (2)	Estimated Actual Value	Net Assessed Value as a Percentage of Estimated Actual Value
	Residential Property	Commercial Property					
2006	(1)	(1)	(1)	(1)	(1)	(1)	(1)
2007	\$ 1,752,683	\$ 431,400	\$ 46,852	\$ 2,230,935	2.4470	\$ 3,548,313	62.87%
2008	\$ 2,231,296	\$ 495,928	\$ 55,318	\$ 2,782,542	2.4470	\$ 4,362,898	63.78%

Note: Property in the Town is reassessed each year. State law requires the Property Appraiser to appraise property at 100% of market value. The Florida Constitution was amended, effective January 1, 1995, to limit annual increases in assessed value of property with homestead exemption to 3% per year or the amount of the Consumer Price Index, whichever is less. The increase is not automatic since no assessed value shall exceed market value. Tax rates are per \$1,000 of assessed value.

Source: Miami-Dade County Property Appraisal office.

- (1) The Town incorporated in November 2005 and its first year of setting its millage rate was fiscal year 2007. Therefore, information for fiscal periods prior to that are not available.
- (2) Property tax rates are assessed per \$1,000 of taxable assessed valuation

TOWN OF CUTLER BAY, FLORIDA
Property Tax Rates
Direct and Overlapping Governments (2)
Last Ten Fiscal Years (1)

Fiscal Year	Town of Cutler Bay	OVERLAPPING RATES						Total Direct and Overlapping Rates
	Town-wide	County-wide	Debt Service	Fire	Library	School	State	
2006	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
2007	2.4470	5.6150	0.2850	2.6132	0.4860	8.1050	0.7355	20.2867
2008	2.4470	4.8379	0.2850	2.2271	0.3822	7.7970	0.6585	18.6347

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

(2) Overlapping rates are those of local and county governments that apply to property owners within the Town of Cutler Bay.

Additional information:

Property tax rates are assessed per \$1,000 of taxable assessed valuation

Tax rate limits:

Town	10.0000 mills
County	10.0000 mills
School	10.0000 mills
State	10.0000 mills

Source: Miami-Dade County Property Appraisal office.

TOWN OF CUTLER BAY, FLORIDA
Principal Property Taxpayers
Current Year and Five Years Ago (1)
(amounts expressed in thousands)

2008			2007		
Taxpayer	Assessed Valuation	Percentage Total Assessed Valuation	Taxpayer	Assessed Valuation	Percentage Total Assessed Valuation
SOUTHLAND MALL PROPERTIES LLC	\$ 56,600	2.0%	SOUTHLAND MALL PROPERTIES LLC	40,283	1.8%
WRI TC S DADE SHOPPING CENTER LLC	34,600	1.2%	WRI TC S DADE SHOPPING CENTER LLC	22,400	1.0%
PRIDE HOMES	25,075	0.9%			
FLORIDA POWER AND LIGHT	20,302	0.7%	FLORIDA POWER AND LIGHT	14,172	0.6%
EQUITY ONE INC	17,355	0.6%	EQUITY ONE INC	13,038	0.6%
LENNAR HOMES INC	16,388	0.6%	LENNAR HOMES INC	12,468	0.6%
SHOMA HOMES	15,785	0.6%			
A&E PARTNERS HOLDING LLC	12,900	0.5%	A&E PARTNERS HOLDING LLC	10,320	0.5%
OLD CUTLER TOWNE CENTER	12,583	0.5%			
HEALTH CARE FUND	11,033	0.4%	HEALTH CARE FUND	9,222	0.4%
			SEARS ROEBUCK & CO	9,900	0.4%
			HOMESTAR AT CUTLER BAY PALMS LLC	8,755	0.4%
			ALL STORES REALTY CORP	8,200	0.4%
	<u>\$ 222,621</u>	<u>8.0%</u>		<u>\$ 148,758</u>	<u>6.7%</u>

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

Source: Miami-Dade County Property Appraisal office.

TOWN OF CUTLER BAY, FLORIDA
Property Tax Levies and Collection
Last Ten Fiscal Years (1)
(amounts expressed in thousands)

Fiscal Year	Total Taxes Levied for Fiscal Year	Collected Within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2006	(1)	(1)	(1)	(1)	(1)	(1)
2007	\$ 5,459,098	\$ 5,193,807	95.1%	\$ 141,971	\$ 5,335,778	97.7%
2008	6,808,880	6,372,439	93.6%	294,625	\$ 6,667,064	97.9%

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

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

Discounts Allowed:

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

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

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

<u>Fiscal Year</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>	<u>Percentage of Personal Income (2)</u>	<u>Per Capita (2)</u>
	<u>Capital Leases</u>				
2006	\$ 62,744	\$ -	\$ 62,744	0.5%	\$ 1.70
2007	\$ 139,447	\$ -	\$ 139,447	1.2%	\$ 3.76
2008	\$ 143,314	\$ -	\$ 143,314	1.5%	\$ 3.54

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

(2) See the schedule of Demographics and Economic Statistics for the personal income and per capita.

n/a All data necessary for computation not available.

TOWN OF CUTLER BAY, FLORIDA
Direct and Overlapping Governmental Activities Debt
Fiscal Year Ended September 30, 2008
(amounts expressed in thousands)

Jurisdiction	Net Debt Outstanding	Estimated Percentage Applicable (1)	Amount Applicable to Cutler Bay
Miami-Dade County Schools (2)	\$ 541,525	1.11%	\$ 6,034
Miami-Dade County (3)	475,919	1.11%	5,303
Subtotal overlapping debt	1,017,444		11,336
Town of Cutler Bay direct debt	143	100.00%	143
Total direct and overlapping debt	<u>\$ 1,017,587</u>		<u>\$ 11,479</u>

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

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

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

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

<u>Fiscal Year</u>	<u>Population (2)</u>	<u>Personal Income (in thousands) (3)</u>	<u>Per Capita Personal Income (4)</u>	<u>Unemployment Rate (5)</u>
2006	37,000	\$ 1,159,839	\$ 31,347	3.8%
2007	37,103	\$ 1,163,068	\$ 31,347	4.2%
2008	40,468	\$ 935,823	\$ 23,125	5.3%

- (1) Information for fiscal years prior to September 30, 2006 are unavailable in this format since the Town was incorporated in November 2005.
- (2) Population estimate based on data published by the University of Florida, Bureau of Economic and Business Research, except for 2006 which is from Adopted Operating Budget.
- (3) Personal income is the Miami-Dade per capita personal income applied to the Cutler Bay population.
- (4) Per Capita Personal Income is for Miami-Dade County from the U.S. Department of Commerce, Bureau of Economic Analysis.
- (5) Florida Agency for Workplace Innovation, Labor Force Statistics, Labor Force Summary, Annual Average Employment for Miami-Dade County.

TOWN OF CUTLER BAY, FLORIDA

Principal Employers

Current Year and Five Years Ago (1)

2008			2007		
Employer	Employees	Percentage of Total	Employer	Employees	Percentage of Total
PRC, INC	1,547	52.1%	PRC, INC	1,537	54.4%
PUBLIX SUPERMARKETS	367	12.4%	PUBLIX SUPERMARKETS	291	10.3%
SEARS ROEBUCK & CO	221	7.4%	SEARS ROEBUCK & CO	265	9.4%
SOUTHLAND MALL 16	139	4.7%	SOUTHLAND MALL	16	0.6%
JC PENNEY	124	4.2%	JC PENNEY	114	4.0%
MACY'S	116	3.9%	MACY'S	99	3.5%
WINN DIXIE STORES	79	2.7%	WINN DIXIE STORES	69	2.4%
PETERSON'S HARLEY-DAVIDSON	50	1.7%	PETERSON'S HARLEY-DAVIDSON	41	1.5%
ROSS STORES	50	1.7%	ROSS STORES	40	1.4%
TOWN OF CUTLER BAY	49	1.6%	TOWN OF CUTLER BAY	42	1.5%
WILLIAMSON SATURN	40	1.3%	WILLIAMSON SATURN	40	1.4%
OLD NAVY	36	1.2%	OLD NAVY	35	1.2%
HAIR EGO	25	0.8%	HAIR EGO	14	0.5%
BED, BATH & BEYOND	23	0.8%	BED, BATH & BEYOND	24	0.9%
JO ANN FABRIC & CRAFTS	21	0.7%	JO ANN FABRIC & CRAFTS	30	1.1%
CHARLOTTE RUSSE	20	0.7%	CHARLOTTE RUSSE	21	0.7%
CAC FLORIDA MEDICAL	18	0.6%	CAC FLORIDA MEDICAL	19	0.7%
LA QUINTA INNS	18	0.6%	LA QUINTA INNS	97	3.4%
PETCO	15	0.5%	PETCO	16	0.6%
BERLO INDUSTRY	13	0.4%	BERLO INDUSTRY	13	0.5%
	<u>2,971</u>	<u>100.0%</u>		<u>2,823</u>	<u>100.0%</u>

Source: Town of Cutler Bay local business tax registrations

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

TOWN OF CUTLER BAY, FLORIDA
 Full-Time Equivalent Town Government Employees By Function
 Last Ten Fiscal Years (1)

Function	Fiscal Year		
	2006	2007	2008
Legislative	5	5	5
Clerk	1	1	1
General government	3	6	7
Community Development	-	5	9
Public Works	-	5	5
Parks	-	13	14
Public Safety:			
Police	n/a (2)	n/a (2)	n/a (2)
Civilian administrative staff	-	1	1
	<u>9</u>	<u>36</u>	<u>42</u>

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

(2) - Police services contracted through Miami-Dade County.

Source: Town of Cutler Bay Finance Department

TOWN OF CUTLER BAY, FLORIDA
 Operating Indicators By Function
 Last Ten Fiscal Years (1)

Function/Program	Fiscal Year		
	2006	2007	2008
Public Safety			
Police:			
Number of emergency calls for service	708	1,157	1,285
Number of priority calls for service	n/a	1,120	1,195
Number of non-emergency calls for service	7,381	21,118	23,922
Number of arrests	455	1324	1,212
Number of sworn personnel	36	44	46
Building and Zoning:			
Number of building permits issued	n/a (2)	2297	2,176
Number of certificates of use issued	n/a (2)	185	152
Number of occupational licenses issued	n/a (2)	605	787
Culture and Recreation			
Number of parks	n/a (2)	7	7

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

(2) - The Town did not take over this function until fiscal year 2007. Information prior to the take-over date is not available.

n/a - data not available for this period.

Source: Various Town departments

TOWN OF CUTLER BAY, FLORIDA
 Capital Asset Statistics By Function/Program
 Last Ten Fiscal Years (1)

Function/Program	Fiscal Year		
	2006	2007	2008
Culture and Recreation			
Parks	n/a (2)	7	7
Swimming pools	n/a (2)	1	1
Tennis courts	n/a (2)	3	3
Playgrounds	n/a (2)	3	3
Soccer/Football/Lacrosse fields	n/a (2)	2	2
Baseball fields	n/a (2)	3	3
Picnic shelters	n/a (2)	1	1
Public Works			
Streets (length in feet)	n/a (3)	n/a (3)	472,102
Sidewalks (area in square feet)	n/a (3)	n/a (3)	267,325

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

(2) - The Town did not take over this function until fiscal year 2007. Information prior to the take-over date is not available.

(3) - The Town did not take over this function until fiscal year 2008. Information prior to the take-over date is not available.

Source: Town of Cutler Bay Parks department.

COMPLIANCE SECTION



4649 PONCE DE LEON BLVD.
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**INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Cutler Bay, Florida (the Town) as of and for the fiscal year ended September 30, 2008, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated February 25, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

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

Honorable Mayor, Town Council and Town Manager
Town of Cutler Bay, Florida

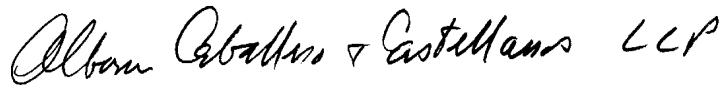
Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted other matters that we have reported in the schedule of recommendations and responses as required by the Auditor General of the State of Florida.

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

This report is intended solely for the information and use of the Town Council, management, others within the Town, 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.



February 25, 2009
Coral Gables, Florida



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MANAGEMENT LETTER REQUIRED BY SECTION 10.550 OF THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

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

We have audited the financial statements of the Town of Cutler Bay, Florida, as of and for the fiscal year ended September 30, 2008, and have issued our report thereon dated February 25, 2009.

We conducted our audit in accordance with United States generally accepted auditing standards, and *Government Auditing Standards* issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over financial reporting and on Compliance and Other Matters. Disclosures in that report, which are dated February 25, 2009, should be considered in conjunction with this management letter

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and, unless otherwise required to be reported in the report on compliance and internal controls, this letter is required to include the following information.

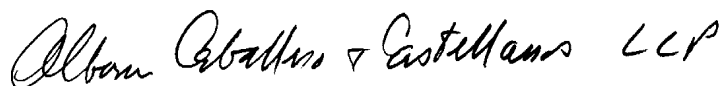
- ❖ Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial report. Corrective actions have been taken to address recommendations made in the preceding annual financial audit report.
- ❖ Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415., Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Town of Cutler Bay, Florida complied with Section 218.415, Florida Statutes.
- ❖ Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we have no recommendations for the fiscal year ended September 30, 2008.
- ❖ Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Honorable Mayor, Town Council and Town Manager
Town of Cutler Bay, Florida

- ❖ Section 10.554(1)(i)5., Rules of the Auditor General, requires, based on professional judgment, the reporting of matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including but not limited to: (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.
- ❖ Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The Town of Cutler Bay was created pursuant to the Constitution of the State of Florida and the Home Rule Charter of Miami-Dade County. There were no component units related to the Town.
- ❖ Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Town of Cutler Bay, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- ❖ Section 10.554(1)(i)7.b., Rules of the Auditor General, required that the annual financial report for the Town of Cutler Bay, Florida for the fiscal year ended September 30, 2008, was filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, and is in agreement with the annual financial audit report for the fiscal year ended September 30, 2008. In connection with our audit, we determined that these two reports were in agreement.
- ❖ Sections 10.554(i)7.c. and 10.556(7), Rules of the Auditor General, require that we apply financial assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

This management letter is intended solely for the information of the Town of Cutler Bay, Florida and management, and the Florida Auditor General, 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 Cutler Bay, Florida, and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements and the courtesies extended to us.

 Albert Castellans & Castellans LLP

February 25, 2009
Coral Gables, Florida

TOWN OF CUTLER BAY, FLORIDA
SCHEDULE OF COMMENTS AND RECOMMENDATIONS
FISCAL YEAR ENDED SEPTEMBER 30, 2008

I. CURRENT YEAR RECOMMENDATIONS

NONE

II. FOLLOW UP OF PRIOR YEAR RECOMMENDATIONS

Other Matter

2007-1 Pooled Cash System

Condition:

During our audit we noted that the Town does not utilize a formal pooled cash system but rather uses the interfund accounts (due to and due from) to expense items in the funds. In essence, all disbursements are made through the general fund rather than the respective funds where the transaction took place.

Effect:

By not using a pooled cash system all the cash is reported in the general fund and interest earned may not be properly allocated to the other governmental funds.

Recommendation:

Although the Town did properly allocate the interest income earned by the special revenue funds. We recommend that the Town implement a pooled cash system rather than use the interfund accounts to account for transactions. The Town can better track the cash balances and all transactions in each fund for amounts received and disbursed and the interfund accounts can be used to keep track of amounts actually owed or receivable from the other funds.

Current Year Status:

The Town considered the recommendation to use a pooled cash system and decided that the current system of using the interfund balances does provide an accurate picture of its cash position and therefore not necessary to implement. **This comment will not be repeated.**