



AGENDA ITEM REQUEST FORM

Item No. 15e

Finance

Department Submitting Request

Doug Haag

Dept Head's Signature

REGULAR COMMISSION MTG Meeting Dates - 7:00 PM

DEADLINE TO Town Clerk

ROUNDTABLE MEETING Meeting Dates - 7:00 PM

DEADLINE TO Town Clerk

- Nov 9, 2010
- Dec 7, 2010
- Jan 25, 2011
- Feb 22, 2011
- Mar 22, 2011

- Oct 29 (5:00 pm)
- Nov 30 (5:00 pm)
- Jan 14 (5:00 pm)
- Feb 11 (5:00 pm)
- Mar 11 (5:00 pm)

- Nov 22, 2010
- Dec 14, 2010
- Jan 11, 2011
- Feb 8, 2011
- Mar 8, 2011

- Nov 12 (5:00 pm)
- Dec 3 (5:00 pm)
- Dec 30 (5:00 pm)
- Jan 28 (5:00 pm)
- Feb 25 (5:00 pm)

*Subject to Change

- | | | | |
|---------------------------------------|---|---------------------------------------|--|
| <input type="checkbox"/> Presentation | <input type="checkbox"/> Reports | <input type="checkbox"/> Consent | <input type="checkbox"/> Ordinance |
| <input type="checkbox"/> Resolution | <input type="checkbox"/> Quasi Judicial | <input type="checkbox"/> Old Business | <input checked="" type="checkbox"/> New Business |

SUBJECT TITLE: PRESENTATION OF COMPREHENSIVE ANNUAL FINANCIAL REPORT

EXPLANATION:

The external audit of the Town's financial records for the fiscal year ended September 30, 2011 has been completed and the staff and auditors have prepared the Comprehensive Annual Financial Report for that fiscal year. The report was presented in draft to the Audit Committee by Tony Grau, of Grau & Associates earlier this month and the Audit Committee accepted the report. A few revisions were made in the final report and that information was sent to the Audit Committee. The Chairman and some members of the committee plan to be present at the Commission meeting to provide their comments. A representative from Grau & Associates will be in attendance at the Commission meeting to present the audit, review the highlights of the CAFR and answer any questions.

The report was provided to the Commission last week so that you would have ample time to review it before the Commission meeting. The cover memo highlights issues we thought would be of interest to the Commission, including the fund balances as of the end of the fiscal year. We've also included a cover letter from Grau & Associates that was inadvertently omitted from last week's packet. However, most of the information in the letter is covered in the audit report.

RECOMMENDATION:

Accept the report.

EXHIBITS:

- Annual Audit/Comprehensive Annual Financial Report
- Memo to Commission dated March 10, 2011 re: highlights of report
- Cover letter from Grau & Associates dated March 4, 2011

Town Manager Initials CAH

Distributed 3/10/2011



Town of
LAUDERDALE-BY-THE-SEA

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

Date: March 10, 2011
To: Mayor and Commission
Via: Connie Hoffmann, Town Manager *CH*
From: Doug Haag, Acting Finance Director *DMH*
Subject: Audit Report for Fiscal Year 2009 - 2010

I am pleased to present the audit report for fiscal year 2009 – 2010 as prepared by the Finance Department and audited by Grau & Associates. We are submitting this in advance of the Town Commission Meeting on March 22, 2011 so that you have sufficient time to review it and prepare any comments or questions you have for staff or the auditors.

The Audit Committee reviewed and accepted the report at its meeting on March 2, 2011. They have been invited to attend the Commission Meeting to comment on issues of continuing interest to them. The Chairman of the Audit Committee will present their recommendations at the Commission meeting.

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

Some highlights from the report include the following:

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

Revenues

Revenues from governmental activities decreased in FY 2009/2010 by almost \$2,000,000 from the previous year. A significant portion of this was due to a decline in property taxes of nearly \$800,000 because of the Commission’s decision to reduce taxes and the continued decline in property values. Another reason for the reductions was that in FY 2008/2009 the Town received a \$1,000,000 one-time contribution from Pier Point for the El Mar Drive improvements. This artificially inflated revenues in FY 2008/09.

Expenditures

Overall governmental expenditures were down from the previous year primarily because of a \$550,000 decrease in interest expense resulting from the prepayment of loans during the previous fiscal year.



Town of
LAUDERDALE-BY-THE-SEA

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

Financial Reporting Issues

For the first time the Town was required by accounting rules to recognize Other Post Employment Benefits (OPEB) expenses in the financial statements. OPEB expenses pertain to benefits such as insurance that are paid by an employer on behalf of retirees. Governments are not currently required to set aside money to pay those future costs, but they must now report them on the financial statements. This has become an issue of significant discussion in government circles as many counties and municipalities have very substantial obligations to pay costs for employees after they eventually retire. Most governments are paying these expenses on a pay-as-go basis. The Town is fortunate that our OPEB exposure is insignificant (\$5,000) because we do not have police and fire employees on the payroll and retirees are required to pay for the cost of their insurance benefits.

As noted in the letter of findings, there are issues with accounting for fixed assets. The Town had not been maintaining some of its capital assets consistently during the course of the fiscal year. We are in the process of scheduling a meeting with Grau & Associates in April to determine the best way to proceed so that everything is in synch for FY 2011.

Fund Balances

The fund balance section of the audit report (page 12) is one of the key indicators of the financial health of a municipality. Sometimes the terms can be a bit confusing. A quick primer using the current audit report as an example is as follows:

Currently there are three classifications within the fund balance section.

The first is *Reserved* which identifies funds that are not available for appropriation because of some type of legal restriction. Typically, the Town Commission cannot override that legal restriction. The audit report includes three items that are classified as *Reserved*:

Prepaid items	\$ 4,263	This is an accounting requirement for any expenses that were paid in advance but are attributed to the subsequent fiscal year.
Fire Department	\$ 215,690	State law requires that excess fire assessment fees over expenses be reserved because the use is restricted to fire service related expenditures.
El Mar Drive Improve.	\$1,000,000	These are reserved because there is a contractual agreement governing the use of these funds.



Town of
LAUDERDALE-BY-THE-SEA

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

The next classification within fund balance is *Designated* which identifies funds that the Town Commission or staff have designated for an intended purpose. The difference between reserved and designated is that the Commission has the authority to change the use of the designated funds but cannot do so with the reserved funds. There are a number of line items that have been classified as *Designated*:

Emergencies	\$2,329,648	The Commission established this emergency account in 1995 and it is subject to annual review through the budget process. Prior budget books say the Town's policy is to retain 15% of the total General Fund budget for emergencies, such as hurricanes and other acts of nature. The amount in the account is the same as the previous year because the amount that was already designated for this purpose equaled 20% of the FY 2010 budget of \$11,869,910.
Vehicle & equipment	\$ 183,285	The Town Manager explained these two General Fund depreciation reserve accounts in a separate report in February based on a special audit that was conducted. The summary results of that report were that the previous administration made annual cash transfers into capital asset depreciation accounts although there was no accounting requirement that it be done. We were unable to tie the amount of the annual cash transfers back to previous audit reports or the amounts budgeted to be transferred. Grau & Associates have confirmed that the Commission ultimately determines how these funds can be spent.
Other capital assets	\$1,906,422	
Other capital assets	\$ 163,530	Basically the above definition applies but these funds are part of the Capital Projects Fund.
Subsequent years expend.	\$ 137,000	These funds are designated because they are for items ordered, but not yet paid for and are therefore classified as subsequent years expenditures in the General, Capital and Police Funds.
Subsequent years expend.	\$ 52,325	
Subsequent years expend.	\$ 36,120	



Town of
LAUDERDALE-BY-THE-SEA

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

The third and final classification is *Undesignated* and identifies funds that are fully available for appropriation and that have not been identified for any purpose. Following is an analysis of the *Undesignated* amounts in the General, Capital and Police Funds:

General Fund \$3,051,368

The General Fund undesignated amount increased by about \$862,000 from the previous year's figure of \$2,189,349. The majority of this is attributable to expenditures in the general fund coming in below budget. These funds are available for whatever purpose the Commission determines, such as implementation of the master plan, economic development activities, etc.

Fiscally prudent finance policy suggests that these funds be used for expenditures of a finite nature and not for expenses which are recurring for an indeterminate period of time.

Capital Fund \$3,235,925

The Capital Fund undesignated amount increased by just over \$1,430,000 from the previous year's figure of \$1,804,897. The reason for this increase is because very few of the projects that were budgeted were actually done. As you will recall, we projected in the 5 Year CIP outlined in the current year budget that the Town would draw down on this balance in future years to finance capital projects.

Police Fund \$175,836

The Police Fund is where the Law Enforcement Trust Funds are held. The undesignated amount increased by over \$36,000 from the previous year's figure of \$139,678 primarily because of an adjustment to the subsequent years expenses.



Town of
LAUDERDALE-BY-THE-SEA

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

Proprietary Funds
(Sewer and Parking Funds)

Sewer Fund

As expected, the Sewer Fund operated at an operating deficit in FY 2009/2010, with expenditures exceeding revenues by almost \$138,000. The unrestricted reserve balance in that fund dropped below \$1,500,000 as a result last year, but will be mitigated by the recent sewer rate hike approved by the Commission.

Parking Fund

As we advised last summer, parking revenues were down significantly in FY 2009/2010 compared to the previous year and to the budget. The number of parking citations issued dropped from the prior year, which caused some of the decline in revenues. The net result is the Parking Fund showed only a slight profit (less than \$4,000) after the transfer to the General Fund was taken into consideration. Unrestricted reserves in the Parking Fund fell below \$140,000.

As you know, the Town has since taken steps to improve parking revenues by purchasing pay stations that accept credit cards, planning to retrofit older pay stations with credit card capabilities, and implementing a pay-by-cell phone system. A study is currently near completion of the parking operation that will make recommendations on financial control of meter collections, parking rates and policies, and other matters that should improve the financial health of the Parking Fund.

Cc Audit Committee Members

March 4, 2011

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lauderdale By-The-Sea, Florida (the "Town") for the fiscal year ended September 30, 2010, and have issued our report thereon dated March 4, 2011. Our opinion on the financial statements, insofar as they relate to the Town's Volunteer Fire Department's Pension Plan, are based solely on the report of other auditors. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended September 30, 2010. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Town's financial statements was:

Management's estimate of the useful lives of capital assets for both its governmental activities its business-type activities.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The investments disclosure in Note 2 pertaining to the investment in Fund B of the State Board of Administration and the litigation, claims and assessments disclosure in Note 9 pertaining to lawsuits filed against the Town with claim amounts totaling approximately \$21 million.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to

the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 4, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention. Current year findings were as follows:

Significant Deficiencies

2010-01 Accounting

Finding: During the course of conducting procedures for the audit of the fiscal year ended September 30, 2010, we noted the following accounting issues:

- While performing procedures for cash, we noted that there were checks written in October 2010 which management had manually changed to be dated as September 30, 2010.
- Water and sewer receivables and billings were not reconciled to the general ledger.
- Proper reconciliations had not been completed for certain cash accounts resulting in an understatement of cash at September 30, 2010.
- Proper reconciliations had not been completed for accounts payable resulting in an understatement of liabilities at September 30, 2010.
- Liabilities for encumbrances were recorded, even though the related items did not constitute expenditures or liabilities.

Recommendation: We recommend that the Town reconcile its accounts and compare reconciled amounts to the general ledger and any corresponding supporting documentation on a monthly basis. Further, we recommend that the Town complete bank reconciliations and determine the nature of any differences within a 30 day period. Management should not override system controls. Check dates should reflect the date the checks are written. Encumbrances outstanding at year-end should be reported as reservations of governmental fund balances at the fund level, since they do not constitute expenditures or liabilities.

Management Response: As background to our response, it should be noted that the Finance Department experienced significant turnover in staff shortly before year end. The Finance Director resigned without notice only days after the individual responsible for accounts receivables unexpectedly went out on long term leave. The remaining staff members had to assist in areas in which they did not have a lot of experience, while the Interim Finance Director was heavily involved in getting the budget prepared. It was very difficult to keep up with the work. While there is still much to do to improve and modernize the Town's finance operation, we are confident that the Finance Department can make the necessary adjustments to resolve the issues in the current fiscal year.

We concur with the accounting recommendations of the auditors and propose that finance staff go through training with the software vendor prior to commencement of year-end activities this fiscal year and that, subsequent to that training, the Standard Operating Procedures for Fiscal Year End be updated. The training should encompass the fiscal year end process for all applications used by the Town.

Our response to the accounting issues identified is:

- a) We agree the outstanding items should have been booked as accounts payable rather than trying to keep the finance software open in two fiscal years.
- b) Most of the issues with the City of Fort Lauderdale occurred because they switched utility billing systems mid-year and that created a great deal of problems on both sides of the transactions. We went back and forth with Fort Lauderdale last year trying to get these issues resolved.
- c) The account cash reconciliation issue arose because of the timing of the reconciliations. We determined there was no valid reason for the Town to have as many bank accounts as it did and decided to consolidate accounts effective on the first day of the new fiscal year, October 1, 2010. But when the staff posted the fiscal year-end adjustments to update the transfers to the C/A/D reserve accounts, the bank accounts had already been consolidated. The Interim Finance Director made the decision to accommodate this by showing these transfers as outstanding items on the bank reconciliation. This has since been resolved. Any future differences in the bank reconciliations will be addressed in 30 days or less.
- d) This issue is related to the finding in a) and the same response applies.
- e) The encumbrance issue should be covered in the fiscal year end training by the software vendor so that staff knows how to correctly handle it in fiscal year 2011 and these procedures should be incorporated into the Standard Operating Procedures for Fiscal Year End.

2010-02 Not Maintaining Fixed Assets Schedules

Finding: During the course of conducting procedures for the audit of the fiscal year ended September 30, 2010, it came to our attention that the Town has not been maintaining its capital asset schedules for all funds during the course of the fiscal year. By not maintaining the capital asset schedules, the result could include the following: theft of the Town's assets; failure to account for conveyances, disposals or fully depreciated assets; and overestimating/underestimating depreciation.

Recommendation: The Town should be maintaining its capital asset schedules throughout the course of the fiscal year. The Town's policies for accounting for capital assets and generally accepted accounting principles should be taken into consideration in doing so.

Management Response: We concur with the recommendation. Part of the reason for the discrepancies is that at the end of the previous fiscal year (September 30, 2009) and subsequent audit, the capital asset balances were not reconciled between the CAFR, general ledger and the underlying detail fixed asset schedules by the previous administration. This will definitely be done after the conclusion of this audit so they are in synch in fiscal year 2011.

We have also realized that the schedules provided to the auditors used a capitalization amount of \$500 while the auditors followed the Town's policy of \$2,000. This also contributed to the schedules provided to the auditors not reconciling with the schedules in the fiscal year 2009 CAFR.

Other Findings

2010-03 Incorrect Payout to Terminated Employee

Finding: During the course of conducting procedures for the audit of the fiscal year ended September 30, 2010, it came to our attention that the final payment to the former Town Manager stemming from her termination was incorrectly calculated resulting in an overpayment of the Town's funds. While most of the funds were eventually returned, there was an additional amount in question that was never refunded. The payout amount was made, solely on the approval of the former Assistant Town Manager, though the Town Commission requested to review the calculation before payment was made and informed the former Assistant Town Manager not to approve the distribution before they had a chance to review the calculation.

Recommendation: Before termination benefits (i.e. payment of sick leave, annual (vacation) leave, etc.) and/or severance payments are made to former employees, the employee's employment agreement should be reviewed, if applicable, as well as the Town's Personnel Policy Manual regarding appropriate procedures prior to calculating the payout to ensure the calculation is done in accordance with Town policy and any applicable agreements in place.

Management Response: At the time of the former Town Manager's dismissal, the Town Commission directed the Acting Town Manager to review the payout to the former Town Manager with the Town Attorney before making the payment. The Town Attorney repeatedly requested that the Acting Town Manager fulfill that direction and, when he did not, advised the Town Commissioners. Every individual member of the Town Commission has indicated that they called the Acting Town Manager and asked him to stop the payout to the former Town Manager until it could be reviewed in depth by the Town Attorney for consistency with the Town Manager's contract, but the Acting Town Manager refused to comply with their requests. The Acting Town Manager was subsequently dismissed from employment for his actions in this regard, as was the Human Resources Manager for her role in calculating the payout incorrectly. The procedures the auditor recommends were followed by the former Acting Town Manager and Human Resources Manager, but the Acting Town Manager and Human Resources Manager misinterpreted the provisions of the Town's Personnel Policy and the Town Manager's employment contract.

2010-04 Payroll Controls

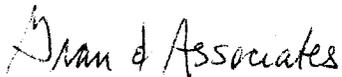
Finding: During the course of conducting procedures for the audit of the fiscal year ended September 30, 2010, it came to our attention that all timesheets are not being signed off by supervisors.

Recommendation: The Town has certain controls in place for its payroll which should be followed.

Management Response: We concur. Department directors and the person processing payroll should see that timesheets are properly signed.

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

Very truly yours,



Grau & Associates

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2010**

Prepared By:

The Finance Department

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2010**

TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal	i - iv
Organization Chart	v
Town Officials	vi
Certificate of Achievement for Excellence in Financial Reporting	vii

FINANCIAL SECTION

Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 9
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet – Governmental Funds	12
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Net Assets - Proprietary Funds	16
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds	17
Statement of Cash Flows - Proprietary Funds	18
Statement of Fiduciary Net Assets - Fiduciary Fund	19
Statement of Changes in Fiduciary Net Assets - Fiduciary Fund	20
Notes to Basic Financial Statements	21 - 40
Required Supplementary Information (Other than MD&A):	
Budgetary Comparison Schedule - General Fund	41
Note to Budgetary Comparison Schedule	42
Schedule of Contributions from the Town	43
Schedule of Funding Progress – Volunteer Firefighters	44
Schedule of Funding Progress – Other Post Employment Benefit Plan	45
Individual Fund Statements and Schedules:	
Comparative Balance Sheets - General Fund	46
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Capital Projects Fund	47
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Special Revenue Fund - Police Training and Forfeiture	48

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2010**

TABLE OF CONTENTS
(Continued)

STATISTICAL SECTION

Net Assets by Component - Last Eight Fiscal Years (Accrual Basis of Accounting)	49
Changes in Net Assets - Last Eight Fiscal Years (Accrual Basis of Accounting)	50 - 51
General Governmental Tax Revenues By Source - Last Eight Fiscal Years (Accrual Basis of Accounting)	52
Fund Balances of Governmental Funds - Last Ten Fiscal Years (Modified Accrual Basis of Accounting)	53
Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years	54
General Governmental Revenues By Source - Last Ten Fiscal Years	55
Preliminary Recapitulation of the Ad Valorem Assessment Rolls - Last Ten Fiscal Years	56
Principal Property Taxpayers	57
Property Tax Levies and Collections - Last Ten Fiscal Years	58
Property Tax Rates (per \$1,000) - Direct and Overlapping Governments Last Ten Fiscal Years	59
Ratio of Annual Debt Service Expenditures To Total General Governmental Expenditures - Last Ten Fiscal Years	60
Ratios of Outstanding Debt by Type - Last Eight Fiscal Years	61
Computation of Direct and Overlapping Debt - General Obligation Bonds	62
Statistics - Demographics And Economics	63
Principal Employers	64
Full Time Equivalent Government Positions By Function - Last Ten Fiscal Years	65
Operating Indicators by Function - Last Seven Fiscal Years	66
Capital Assets By Function - Last Ten Fiscal Years	67

COMPLIANCE SECTION

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	68 - 69
Management Letter in Accordance with the Rules of the Auditor General of the State of Florida	70 - 74



Town of
LAUDERDALE-BY-THE-SEA

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

March 4, 2011

Honorable Mayor and Commissioners:

State law requires that all general purpose local governments publish within one year of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to these requirements, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the Town of Lauderdale-By-The-Sea for the fiscal year ended September 30, 2010.

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

Grau & Associates, a licensed certified public accounting firm, has audited the Town's financial statements. The goal of the independent audit was to provide reasonable assurance that the Town's financial statements for the fiscal year ended September 30, 2010, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon their audit, that there was a reasonable basis for rendering an unqualified opinion that the Town of Lauderdale-By-The-Sea's financial statements for the fiscal year ended September 30, 2010, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of the Government

The Town of Lauderdale-By-The-Sea, incorporated in 1947, is located between the Atlantic Ocean and the Intracoastal Waterway on the Gold Coast of Florida. The Town is in the east-central part of Broward County, directly north of Fort Lauderdale and 33 miles south of Palm Beach.

The Town of Lauderdale-By-The-Sea is primarily a residential community but, because of the Town's prime seaside location, the hospitality industry has historically been significant to the Town's economy and character. The major industries within the Town are hospitality, retail including restaurants, finance, insurance and real estate. Most residents are retired or employed within South Florida. The Town is 1.5 square miles in land area and has a year-round population of approximately 6,300 residents. The peak seasonal population is approximately 11,000.

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

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

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

Budget-to-actual comparisons are monitored by the Finance/Budget Director monthly and provided mid-year and during the budget preparation process to the Town Commission.

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

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

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

Factors Affecting Financial Condition

State economy

The Town receives significant revenue from the state of Florida and, therefore, our financial condition is significantly affected by the state's economy. Municipal Revenue Sharing, Sales Tax, Local Option Gas Taxes and Communications Service Taxes which are collected and distributed by the State amounted to approximately 7% of the general fund revenues in fiscal year 2010 and are all affected by the economy. The Town has seen these revenues decrease as a result of recent economic conditions. While the U.S. economy is no longer technically in a recession, it has not fully recovered, particularly in the state of Florida which continues to see unemployment rates higher than the national average.

Local economy

There has been business turnover in the Town this fiscal year as a result of normal business cycles and the lingering economic problems. Despite that, nearly two dozen new businesses opened in fiscal year 2010 including real estate offices, financial services, art galleries, healthcare and retail businesses.

The Town's 2009 final gross property taxable value of \$1,935,973,843 decreased to a gross taxable value of \$1,773,134,094 in 2010 as a result of the overall decline in the U.S. economy in general, and the depressed real estate market in South Florida in particular. However, despite this decrease, the Town reduced property taxes for the majority of property owners by maintaining the millage rate at 3.9990 per \$1,000 of assessed property values in fiscal year 2009-2010. This was accomplished in part by reducing staffing levels and hours worked. The Town Of Lauderdale-By-The-Sea has maintained a conservative spending policy and has maintained healthy fund balances in the general fund and the capital projects fund which has enabled the Town to weather the recession without having to take the drastic measures other Florida cities have had to in order to balance their budgets.

Franchise fees from the power and natural gas companies, building permit fees and occupational license fees accounted for approximately 7% of General Fund revenues in fiscal year 2010 and are all affected by the prolonged downturn in the South Florida economy.

Nevertheless, at the end of the current fiscal year, the Town's General Fund balance increased approximately \$1.2 million, primarily as a result of the Town holding the line on expenditures and revenues being slightly higher than budgeted.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting for its comprehensive annual financial report (CAFR) for the past thirteen years. The Certificate of Achievement is a prestigious national award-recognizing conformance with the highest standards for preparation of a state and local government financial report.

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

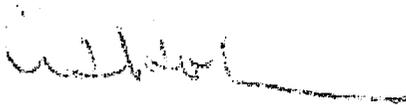
A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

The Town again received the GFOA's Award for Distinguished Budget Presentation for its annual appropriated budget for the fiscal year beginning October 1, 2009. In order to qualify for the Distinguished Budget Presentation Award the Town's budget document was judged to be proficient in several categories including policy documentation, financial planning and organization. Due to the increased workload as a result of the reduction in staffing levels and hours worked, we did not apply for the Distinguished Budget Award for the fiscal year 2011 budget and did not do all the work it requires as we deemed it a lower priority when compared to all of the other issues that must be tackled in fiscal year 2011.

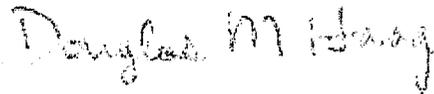
The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the administration and finance department. A dedicated staff, a forward-looking Commission, and a supportive citizenry have supported our past successes. We would also like to extend our thanks to the firm of Grau & Associates for their cooperation, assistance and professional conduct of the Town's annual audit.

Finally, we wish to acknowledge the Town Commission for their commitment to sound accounting, financial management and the diligent manner in which they exercise their financial oversight responsibilities.

Respectfully submitted,

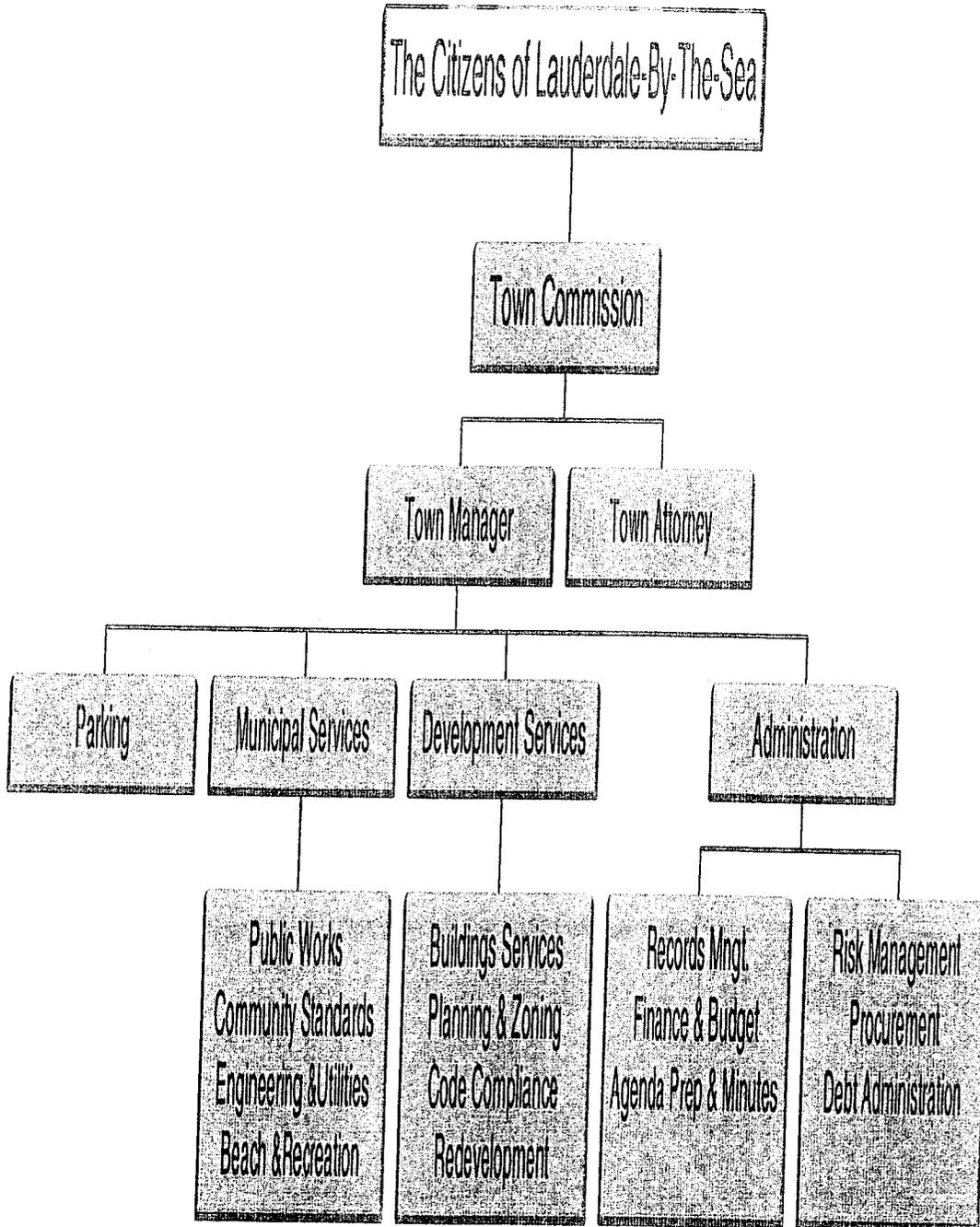


Constance Hoffmann
Town Manager



Douglas Haag
Interim Finance-Budget Director

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
ORGANIZATION CHART
SEPTEMBER 30, 2010



TOWN COMMISSIONERS

Roseann Minnet, Mayor
Stuart Dodd, Vice-Mayor
Birute Ann Clotey, Commissioner
Scot Sasser, Commissioner
Chris Vincent, Commissioner

TOWN MANAGER

Constance Hoffmann

TOWN ATTORNEY

Susan L. Trevarthen

TOWN CLERK

June White

INTERIM DIRECTOR OF FINANCE

Doug Haag

TOWN AUDITORS

Grau & Associates

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Lauderdale-By-The-Sea
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2009

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.



President

Executive Director

THIS PAGE IS INTENTIONALLY LEFT BLANK

INDEPENDENT AUDITOR'S REPORT

THIS PAGE IS INTENTIONALLY LEFT BLANK

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Lauderdale By-The-Sea, Florida (the "Town") as of and for the fiscal year ended September 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Volunteer Fire Department's Pension Plan, which represent 100% of the assets and 100% of the revenues of the fiduciary fund totals. Those financial statements were audited by other independent auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town's Volunteer Fire Department's Pension Plan, is based solely on the report of the other independent auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our report and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of September 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 4, 2011 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information on pages 3 through 9 and 41 through 45, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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



March 4, 2011

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

THIS PAGE IS INTENTIONALLY LEFT BLANK

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Town of Lauderdale-By-The-Sea financial performance provides an overview of the Town's financial activities for the fiscal year ended September 30, 2010. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal in the introductory section and in conjunction with the Town's basic financial statements, which begin on page 10.

Financial Highlights

The assets of the Town of Lauderdale-By-The-Sea exceeded its liabilities at the close of the most recent fiscal year by \$35,000,600 (*net assets*). Of this amount, \$12,721,509 (*unrestricted net assets*) may be used to meet the ongoing obligations to citizens and creditors. The Town's net assets increased by \$2,339,535 from the prior fiscal year.

As of the close of the current fiscal year, the Town of Lauderdale-By-The-Sea's governmental funds reported combined ending fund balances of \$12,491,412, an increase of \$2,631,558 from the prior fiscal year.

At the end of the current fiscal year, unreserved and undesignated fund balance for the general fund was \$3,051,368 or approximately 33% of total general fund expenditures.

Long-Term Debt

The Town of Lauderdale-By-The-Sea has outstanding debt of \$1,457,043, which is a long-term promissory note with a maturity date extending to June 2020 that was obtained to provide funding for parking improvement projects and associated property acquisition. Principal and interest payments are budgeted in the Parking Fund.

	<u>September 30, 2010</u>	<u>Annual Principal/ Interest Payments</u>
Parking Fund (Proprietary Fund)	\$1,457,043	\$177,125

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

<u>Fiscal Year</u>	<u>Property Assessed Valuation</u>	<u>Debt Service Payments</u>	<u>Debt Payment % of Assessed Valuation</u>
2004/2005	\$1,728,223,953	\$1,787,696	0.1034%
2005/2006	2,140,677,012	2,442,991	0.1141%
2006/2007	2,321,656,228	2,621,382	0.1129%
2007/2008	2,116,655,262	4,733,984	0.2237%
2008/2009	1,935,973,843	7,365,682	0.3805%
2009/2010	1,773,134,094	-	0.0000%

Additional information on the Town of Lauderdale-By-The-Sea's long-term debt can be found in Note 8 on pages 32-33 of this report.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 10-11) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start on page 12.

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

Overview of the Financial Statements

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

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

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

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

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

The government-wide financial statements can be found on pages 10-11 of this report.

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 12-15 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 16-18 of this report.

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

The basic fiduciary fund financial statements can be found on pages 19-20 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-40 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the Town's financial position. In the case of the Town of Lauderdale-By-The-Sea, total net assets exceeded liabilities by \$35,000,600 at the close of the most recent fiscal year.

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

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

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

Governmental activities. Governmental activities increased the Town of Lauderdale-By-The-Sea's net assets by \$2,473,412. The increase represents the extent to which ongoing program and general revenues exceeded the cost of operations and depreciation expense, whereas the Town's net assets decreased in the prior fiscal year primarily as a result of a \$9.2 million contribution to the City of Pompano Beach of its sanitary sewer system.

Business-type activities. Business-type activities decreased the Town of Lauderdale-By-The-Sea's net assets slightly, by \$(133,877). Revenues were down approximately 11% as a result of the sluggish economy, while expenses rose by approximately 5% mainly as a result of a sewer rate increase from the City of Pompano and increases in employee costs.

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

	Governmental Activities		Business Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 13,011,195	\$ 10,195,239	\$ 1,744,734	\$ 1,919,751	\$ 14,755,929	\$ 12,114,990
Capital assets, net	15,222,567	15,518,177	7,085,921	7,151,747	22,308,488	22,669,924
Total assets	28,233,762	25,713,416	8,830,655	9,071,498	37,064,417	34,784,914
Long-term liabilities	94,416	209,681	1,457,561	1,573,714	1,551,977	1,783,395
Other Liabilities	435,558	273,359	76,282	67,095	511,840	340,454
Total liabilities	529,974	483,040	1,533,843	1,640,809	2,063,817	2,123,849
Net Assets:						
Invested in capital assets, net of related debt	15,222,567	15,518,177	5,628,878	5,578,033	20,851,445	21,096,210
Restricted for:						
Town beautification per contractual agreement	1,000,000	1,000,000	-	-	1,000,000	1,000,000
Law enforcement	211,956	291,007	-	-	211,956	291,007
Fire department	215,690	63,273	-	-	215,690	63,273
Unrestricted	11,053,575	8,357,919	1,667,934	1,852,656	12,721,509	10,210,575
Total net assets	\$ 27,703,788	\$ 25,230,376	\$ 7,296,812	\$ 7,430,689	\$ 35,000,600	\$ 32,661,065

Government-Wide Financial Analysis (Continued)

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

	Changes in Net Assets					
	For the Fiscal Year Ended September 30,					
	Governmental Activities		Business Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues:						
Charges for services	\$ 575,691	\$ 568,046	\$ 1,353,006	\$ 1,483,075	\$ 1,928,697	\$ 2,051,121
Operating grants and contributions	106,159	71,439	-	-	106,159	71,439
Capital grants and contributions	-	1,200,823	-	33,823	-	1,234,646
General Revenues:						
Property taxes and fire assessments	8,404,054	9,195,526	-	-	8,404,054	9,195,526
Franchise taxes and utility taxes	1,766,623	1,765,462	-	-	1,766,623	1,765,462
Grants and contributions not restricted to specific programs	905,076	989,834	-	-	905,076	989,834
Unrestricted investment earnings	86,830	33,821	4,320	7,166	91,150	40,987
Miscellaneous revenues	77,965	73,158	-	-	77,965	73,158
Total revenues	11,922,398	13,898,109	1,357,326	1,524,064	13,279,724	15,422,173
Expenses:						
General government	2,442,168	2,152,767	-	-	2,442,168	2,152,767
Public safety	4,869,111	4,795,316	-	-	4,869,111	4,795,316
Transportation	1,591,898	1,601,953	-	-	1,591,898	1,601,953
Recreation	417,870	399,643	-	-	417,870	399,643
Physical environment	293,584	320,678	-	-	293,584	320,678
Interest	-	550,849	-	-	-	550,849
Sewer	-	-	1,105,216	1,062,086	1,105,216	1,062,086
Parking	-	-	220,342	201,408	220,342	201,408
Total expenses	9,614,631	9,821,206	1,325,558	1,263,494	10,940,189	11,084,700
Change in net assets before transfers and special item	2,307,767	4,076,903	31,768	260,570	2,339,535	4,337,473
Transfers in (out), net	165,645	623,850	(165,645)	(623,850)	-	-
Special Item	-	(9,193,458)	-	-	-	(9,193,458)
Increase (decrease) in net assets	2,473,412	(4,492,705)	(133,877)	(363,280)	2,339,535	(4,855,985)
Net assets, beginning	25,230,376	29,723,081	7,430,689	7,793,969	32,661,065	37,517,050
Net assets, ending	\$ 27,703,788	\$ 25,230,376	\$ 7,296,812	\$ 7,430,689	\$ 35,000,600	\$ 32,661,065

- The decrease in capital grants and contributions is primarily due to a capital contribution from a developer in the amount of \$1 million during the prior fiscal year.
- The decrease in property taxes is due to the decline in property values.
- The increase in general government expenses is primarily due to a one-time severance payment to the Town's former Town Manager upon termination of the employee's employment.
- The decrease in interest expenses is due to the Town's early retirement of promissory notes during the prior fiscal year.

Financial Analysis of the Town's Funds

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

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

As of the end of the current fiscal year, the Town of Lauderdale-By-The-Sea's *governmental funds* reported combined ending fund balances of \$12,491,412, an increase of \$2,631,558 from the prior fiscal year.

The general fund is the primary operating fund of the Town. At the end of the current fiscal year, the fund balance of the general fund was \$7,827,676, an increase of \$1,225,062. Revenues in the general fund were only slightly higher than budgeted. The key factor in the increased fund balance was the exercise of fiscal restraint by spending less than was budgeted. Even so, the fund balance of the capital projects fund increased \$1,485,547 to \$4,451,780. This was due to delays in the design and construction of several major projects.

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

Revenues were down from fiscal year 2009 in the proprietary funds, particularly in the parking revenue improvement fund, as a result of the poorly performing economy. At the same time, operating expenses increased mainly on account of a sewer rate increase from the City of Pompano which resulted in an increase in wholesale costs for wastewater and sewer purchases for the current fiscal year, and also due to rising employee costs. Consequently, unrestricted net assets of the Sewer and Parking Funds combined at the end of the year amounted to \$1,667,934, a decrease of \$184,722 from the prior fiscal year.

General Fund Budgetary Highlights

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

- Ad valorem taxes by law are only budgeted at 95% rate of anticipated revenue to provide an allowance for uncollected taxes. That benefitted the Town this year as it collected just slightly more than was budgeted. The Broward County Value Adjustment Board decisions to lower the property valuations of some of the properties in Town after the millage rate was adopted accounts for why property taxes were collected at slightly more than 95% of possible revenues.
- Utility taxes and franchise fees collected were slightly over budget at 103%. While franchise fees were down from the prior fiscal year, utility taxes increased resulting in an overall increase from fiscal year 2009. This is due to an increase in rates.
- Intergovernmental revenues came in just slightly under budget. This is a positive indicator of economic conditions as revenues from the state appear to have stabilized.
- Licenses, permits and fees were collected at only about 88% of the budget as building activity continued to be slow due to the economy.
- The general fund budget for the fiscal year ended September 30, 2010 was amended to increase appropriations by \$50,000 and the use of fund balance by \$50,000; however, due to conservative spending, actual expenditures of the general fund were approximately 10% less than budgeted. No department exceeded their amended budgets.

Please refer to the Budgetary Comparison Schedule for more detailed information located on page 41.

Capital Assets

The Town of Lauderdale-By-The-Sea's investment in capital assets for its governmental and business type activities as of September 30, 2010, amounts to \$22,308,488 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, and improvements other than buildings, machinery and equipment.

Major Town-wide infrastructure maintenance programs during the current fiscal year included:

- Completed 3rd year of the Town's stormwater outfall maintenance program.
- Completed 3rd year of Town's sidewalk maintenance program.
- Televised over half of the Town's sewer lines to identify maintenance issues, infiltration and leaks and made needed repairs.

The Town also completed a study of the stormwater drainage issues in Town and the consulting engineer provided a list of prioritized projects to address these issues.

Additional information on the Town of Lauderdale-By-The-Sea's capital assets can be found in Note 6 on pages 30-31 of this report.

Economic Factors and Next Year's Budget

The uncertainty of the pace of the recovery of the national and state economies continues to be a concern as the state projected increases in sales tax and other tax collections that are shared with the cities and were budgeted for fiscal year 2011 are based on the State Department of Revenue's forecasts. Economic factors also affect the pace of new construction, which is one of the few sources of new revenue to the Town.

In preparing the fiscal year 2011 budget, the Town provided funding for several important tasks and projects, including:

- Implementation of a sewer rate hike to customers whose sewer collection and transmission services are provided by the Town, as the revenues produced by the rate structure that existed in fiscal year 2010 were insufficient to cover the operating costs of the Town's sanitary sewer system.
- Commission an engineering study of the condition of the Town's sanitary sewer system and recommendations for repairing and/or replacing components of that system.
- Evaluate the parking system operations and conduct a parking rate study as parking revenues in fiscal year 2010 fell short of the budget.
- Modernize parking meters to offer the customer more flexibility in payment methods, increase parking revenues and improve accountability.
- Update the Town's 2004 Capital Projects Master Plan and develop a schedule to implement it.
- Design and construct several stormwater drainage projects and design major stormwater drainage improvements for the downtown center.

Factors that will affect future budgets are the anticipated increase in the cost of the Town's contract with Broward's Sherriff's Office for police services in fiscal year 2012 and the pending transfer of costs of emergency calls dispatched from the county to municipalities. In addition, the State of Florida is considering dramatic cuts in the state budget which could impact municipalities' cost.

Requests for Information

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

THIS PAGE IS INTENTIONALLY LEFT BLANK

BASIC FINANCIAL STATEMENTS

THIS PAGE IS INTENTIONALLY LEFT BLANK

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 12,341,574	\$ 1,548,692	\$ 13,890,266
Investments	164,632	-	164,632
Accounts receivable, net	416,501	196,042	612,543
Prepaid items	4,263	-	4,263
Net pension asset	84,225	-	84,225
Capital assets:			
Nondepreciable capital assets	2,971,055	5,483,384	8,454,439
Depreciable capital assets, net	12,251,512	1,602,537	13,854,049
Total assets	<u>28,233,762</u>	<u>8,830,655</u>	<u>37,064,417</u>
<u>LIABILITIES</u>			
Accounts payable and other liabilities	233,356	76,216	309,572
Accrued liabilities	89,400	-	89,400
Unearned revenues	105,488	-	105,488
Deposits	7,314	66	7,380
Noncurrent liabilities due within one year	8,968	120,348	129,316
Noncurrent liabilities:			
Net OPEB obligation	4,739	518	5,257
Due in more than one year	80,709	1,336,695	1,417,404
Total liabilities	<u>529,974</u>	<u>1,533,843</u>	<u>2,063,817</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	15,222,567	5,628,878	20,851,445
Restricted for:			
Town beautification per contractual agreement	1,000,000	-	1,000,000
Fire department	215,690	-	215,690
Law enforcement	211,956	-	211,956
Unrestricted	11,053,575	1,667,934	12,721,509
Total net assets	<u>\$ 27,703,788</u>	<u>\$ 7,296,812</u>	<u>\$ 35,000,600</u>

See notes to the financial statements.

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2010**

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grant and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 2,442,168	\$ 147,549	\$ -	\$ -	\$ (2,294,619)	\$ -	\$ (2,294,619)
Public safety	4,869,111	202,053	-	-	(4,667,058)	-	(4,667,058)
Transportation	1,591,898	-	-	-	(1,591,898)	-	(1,591,898)
Recreation	417,870	226,089	106,159	-	(85,622)	-	(85,622)
Physical environment	293,584	-	-	-	(293,584)	-	(293,584)
Total government activities	9,614,631	575,691	106,159	-	(8,932,781)	-	(8,932,781)
Business-type activities:							
Sewer	1,105,216	963,506	-	-	-	(141,710)	(141,710)
Parking	220,342	389,500	-	-	-	169,158	169,158
Total business-type activities	1,325,558	1,353,006	-	-	-	27,448	27,448
Total primary government	\$ 10,940,189	\$ 1,928,697	\$ 106,159	\$ -	(8,932,781)	27,448	(8,905,333)
General revenues:							
Property taxes and fire assessments					8,404,054	-	8,404,054
Franchise taxes and utility taxes					1,766,623	-	1,766,623
Grants and contributions not restricted to specific programs					905,076	-	905,076
Unrestricted investment earnings					86,830	4,320	91,150
Miscellaneous revenues					77,965	-	77,965
Transfers					165,645	(165,645)	-
Total general revenues and transfers					11,406,193	(161,325)	11,244,868
Change in net assets					2,473,412	(133,877)	2,339,535
Net assets, beginning					25,230,376	7,430,689	32,661,065
Net assets, ending					\$ 27,703,788	\$ 7,296,812	\$ 35,000,600

See notes to the financial statements.

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010**

	Major Funds		Police Training and Forfeiture	Total Governmental Funds
	General Fund	Capital Projects Fund	(A Nonmajor Fund)	
<u>ASSETS</u>				
Cash and cash equivalents	\$ 7,668,495	\$ 4,461,123	\$ 211,956	\$ 12,341,574
Investments	164,632	-	-	164,632
Receivables	416,501	-	-	416,501
Prepaid items	4,263	-	-	4,263
Total assets	<u>\$ 8,253,891</u>	<u>\$ 4,461,123</u>	<u>\$ 211,956</u>	<u>\$ 12,926,970</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable and other liabilities	\$ 224,013	\$ 9,343	\$ -	\$ 233,356
Accrued liabilities	89,400	-	-	89,400
Unearned revenue	105,488	-	-	105,488
Deposits	7,314	-	-	7,314
Total liabilities	<u>426,215</u>	<u>9,343</u>	<u>-</u>	<u>435,558</u>
Fund balances:				
Reserved for prepaid items	4,263	-	-	4,263
Reserved for fire department	215,690	-	-	215,690
Reserved for El Mar Drive improvements	-	1,000,000	-	1,000,000
Unreserved, reported in:				
General fund:				
Designated:				
Emergencies	2,329,648	-	-	2,329,648
Vehicle and equipment reserve	183,285	-	-	183,285
Other capital assets	1,906,422	-	-	1,906,422
Subsequent years' expenditures	137,000	-	-	137,000
Undesignated	3,051,368	-	-	3,051,368
Capital projects fund:				
Designated for other capital assets	-	163,530	-	163,530
Designated for subsequent years' expenditures	-	52,325	-	52,325
Undesignated	-	3,235,925	-	3,235,925
Special revenue fund:				
Designated for subsequent years' expenditures	-	-	36,120	36,120
Undesignated	-	-	175,836	175,836
Total fund balances	<u>7,827,676</u>	<u>4,451,780</u>	<u>211,956</u>	<u>12,491,412</u>
Total liabilities and fund balances	<u>\$ 8,253,891</u>	<u>\$ 4,461,123</u>	<u>\$ 211,956</u>	<u>\$ 12,926,970</u>

See notes to the financial statements.

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010**

Fund balance - governmental funds		\$ 12,491,412
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial assets therefore, are not reported as assets in the governmental funds. The statement of net assets includes those capital assets, net of any accumulated depreciation, in the net assets of the government as a whole.</p>		
Cost of capital assets	\$ 25,510,639	
Accumulated depreciation	<u>(10,288,072)</u>	15,222,567
<p>The net pension asset is not reported as a fund asset in the fund financial statements, but is reported as an asset in the government-wide financial statements.</p>		
		84,225
<p>Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund statements. All liabilities, both current and long-term, are reported in the government-wide financial statements.</p>		
Compensated absences		(89,677)
OPEB obligation		<u>(4,739)</u>
Net assets of governmental activities		<u><u>\$ 27,703,788</u></u>

See notes to the financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Major Funds		Police Training and Forfeiture	Total Governmental Funds
	General Fund	Capital Projects Fund	(A Nonmajor Fund)	
Revenues:				
Property taxes and fire assessments	\$ 8,404,054	\$ -	\$ -	\$ 8,404,054
Franchise fees and utility taxes	1,766,623	-	-	1,766,623
Intergovernmental	905,076	-	-	905,076
Fines and forfeitures	226,089	-	-	226,089
Charges for services	202,053	-	-	202,053
Licenses and permits	147,549	-	-	147,549
Interest income and other	75,859	10,272	699	86,830
Grant revenue	106,159	-	-	106,159
Miscellaneous revenues	77,965	-	-	77,965
Total revenues	<u>11,911,427</u>	<u>10,272</u>	<u>699</u>	<u>11,922,398</u>
Expenditures:				
Current:				
General government	2,410,124	-	-	2,410,124
Public safety	4,867,078	-	1,500	4,868,578
Transportation	1,366,145	-	-	1,366,145
Recreation	325,912	-	-	325,912
Physical environment	198,313	-	-	198,313
Capital outlay	68,682	140,481	78,250	287,413
Total expenditures	<u>9,236,254</u>	<u>140,481</u>	<u>79,750</u>	<u>9,456,485</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,675,173</u>	<u>(130,209)</u>	<u>(79,051)</u>	<u>2,465,913</u>
Other financing sources (uses):				
Transfers in	165,645	1,615,756	-	1,781,401
Transfers out	(1,615,756)	-	-	(1,615,756)
Total other financing sources (uses)	<u>(1,450,111)</u>	<u>1,615,756</u>	<u>-</u>	<u>165,645</u>
Net change in fund balances	1,225,062	1,485,547	(79,051)	2,631,558
Fund balances, beginning	<u>6,602,614</u>	<u>2,966,233</u>	<u>291,007</u>	<u>9,859,854</u>
Fund balances, ending	<u>\$ 7,827,676</u>	<u>\$ 4,451,780</u>	<u>\$ 211,956</u>	<u>\$ 12,491,412</u>

See notes to the financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2010

Net change in fund balances - total governmental funds	\$ 2,631,558
Amounts reported for governmental activities in the statement of activities are different because:	
Capital assets are reported in the governmental fund as expenditures. However, in the statement of activities, the cost of certain of those assets is eliminated and capitalized as capital assets.	266,191
Depreciation of capital assets is not recognized in the governmental fund statement but is reported as an expense on the statement of activities.	(561,801)
The change in net pension assets is not reported in the fund financial statements, but is reported in the government-wide financial statements.	22,199
Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the fund financial statements. The details of the differences are as follows:	
Current change in compensated absence	120,004
OPEB obligation	(4,739)
Change in net assets of governmental activities	\$ 2,473,412

See notes to the financial statements.

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2010**

	<u>Enterprise Funds</u>		
	<u>Sewer Utility System</u>	<u>Parking Revenue Improvement</u>	<u>Total</u>
<u>ASSETS</u>			
Current Assets:			
Cash and cash equivalents	\$ 1,420,824	\$ 127,868	\$ 1,548,692
Accounts receivable	184,028	12,014	196,042
Total current assets	<u>1,604,852</u>	<u>139,882</u>	<u>1,744,734</u>
Noncurrent Assets:			
Capital Assets:			
Land	-	5,483,384	5,483,384
Buildings and utility plant	2,613,255	252,418	2,865,673
Total capital assets	<u>2,613,255</u>	<u>5,735,802</u>	<u>8,349,057</u>
Less accumulated depreciation	(1,147,498)	(115,638)	(1,263,136)
Net capital assets	<u>1,465,757</u>	<u>5,620,164</u>	<u>7,085,921</u>
Total noncurrent assets	<u>1,465,757</u>	<u>5,620,164</u>	<u>7,085,921</u>
Total assets	<u>3,070,609</u>	<u>5,760,046</u>	<u>8,830,655</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts payable	75,603	613	76,216
Unearned revenue	-	66	66
Current portion of revenue notes payable	-	120,348	120,348
Total current liabilities	<u>75,603</u>	<u>121,027</u>	<u>196,630</u>
Long-Term Liabilities:			
Revenue notes payable	-	1,336,695	1,336,695
OPEB Obligation	159	359	518
Total long-term liabilities	<u>159</u>	<u>1,337,054</u>	<u>1,337,213</u>
Total Liabilities	<u>75,762</u>	<u>1,458,081</u>	<u>1,533,843</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	1,465,757	4,163,121	5,628,878
Unrestricted	1,529,090	138,844	1,667,934
Total net assets	<u>\$ 2,994,847</u>	<u>\$ 4,301,965</u>	<u>\$ 7,296,812</u>

See notes to the financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Enterprise Funds		Total
	Sewer Utility System	Parking Revenue Improvement	
Operating revenues:			
Charges for services	\$ 963,506	\$ 389,500	\$ 1,353,006
Total operating revenues	<u>963,506</u>	<u>389,500</u>	<u>1,353,006</u>
	1,001,636	481,439	
Operating expenses:			
Operating, administrative and maintenance	1,009,170	124,956	
Depreciation and amortization	1,052,300	146,978	1,199,278
Total operating expenses	<u>52,916</u>	<u>12,910</u>	<u>65,826</u>
	1,105,216	159,888	1,265,104
Operating income (loss)	<u>(141,710)</u>	<u>229,612</u>	<u>87,902</u>
Nonoperating revenues (expenses):			
Interest income	3,938	382	4,320
Interest expense	-	(60,454)	(60,454)
Total nonoperating revenues (expenses)	<u>3,938</u>	<u>(60,072)</u>	<u>(56,134)</u>
Income (loss) before transfers	<u>(137,772)</u>	<u>169,540</u>	<u>31,768</u>
Transfers out	-	(165,645)	(165,645)
Total transfers	<u>-</u>	<u>(165,645)</u>	<u>(165,645)</u>
Change in net assets	<u>(137,772)</u>	<u>3,895</u>	<u>(133,877)</u>
Total net assets, beginning	3,132,619	4,298,070	7,430,689
Total net assets, ending	<u>\$ 2,994,847</u>	<u>\$ 4,301,965</u>	<u>\$ 7,296,812</u>

See notes to the financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Enterprise Funds		
	Sewer Utility System	Parking Revenue Improvement	Total
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 876,333	\$ 380,885	\$ 1,257,218
Payments to suppliers	(936,836)	(84,731)	(1,021,567)
Payments to employees	(106,009)	(62,063)	(168,072)
Net cash provided (used) by operating activities	<u>(166,512)</u>	<u>234,091</u>	<u>67,579</u>
Cash Flows Provided (Used) By Noncapital Financing Activities			
Transfers to other funds	-	(165,645)	(165,645)
Net cash provided (used) by noncapital financing	<u>-</u>	<u>(165,645)</u>	<u>(165,645)</u>
Cash Flows Provided (Used) By Capital and Related Financing Activities			
Interest paid on long-term debt	-	(60,454)	(60,454)
Principal paid on notes payable	-	(116,671)	(116,671)
Net cash provided by (used in) capital and related financing activities	<u>-</u>	<u>(177,125)</u>	<u>(177,125)</u>
Cash Flows Provided (Used) By Investing Activities			
Interest received	3,938	382	4,320
Net cash provided (used) by investing activities	<u>3,938</u>	<u>382</u>	<u>4,320</u>
Net increase (decrease) in cash	(162,574)	(108,297)	(270,871)
Cash and cash equivalents, beginning	1,583,398	236,165	1,819,563
Cash and cash equivalents, ending	<u>\$ 1,420,824</u>	<u>\$ 127,868</u>	<u>\$ 1,548,692</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ (141,710)	\$ 229,612	\$ 87,902
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	52,916	12,910	65,826
Changes in assets and liabilities:			
(Increase)/Decrease in accounts receivable	(87,173)	(11,344)	(98,517)
(Increase)/Decrease in interfund receivable	-	2,671	2,671
Increase/(Decrease) in accounts payable	9,296	(175)	9,121
Increase/(Decrease) in interfund payable	-	(8)	(8)
Increase/(Decrease) in unearned revenue	-	66	66
Increase/(Decrease) in OPEB	159	359	518
Total adjustments	<u>(24,802)</u>	<u>4,479</u>	<u>(20,323)</u>
Net cash provided (used) by operating activities	<u>\$ (166,512)</u>	<u>\$ 234,091</u>	<u>\$ 67,579</u>

See notes to the financial statements.

**TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
SEPTEMBER 30, 2010**

	<u>Pension Trust Fund</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 24,729
Investments, at fair value	911,554
Receivables:	
Due from State	36,214
Due from Plan members	<u>2,422</u>
Total assets	<u>974,919</u>
 <u>NET ASSETS</u>	
Net assets held in trust for pension benefits	 <u>\$ 974,919</u>

See notes to the financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2010

	<u>Pension Trust Fund</u>
ADDITIONS	
Contributions:	
Plan member	\$ 16,753
Town	16,753
Total contributions	<u>33,506</u>
Other contributions:	
State, transferred from general fund	<u>109,721</u>
Total other contributions	<u>109,721</u>
Investment income (loss):	
Net appreciation in fair value of investments	<u>64,494</u>
Net investment income (loss)	<u>64,494</u>
Total additions	<u>207,721</u>
DEDUCTIONS	
Pension benefits	15,194
Refunds of contributions	2,373
Administrative expenses	<u>3,063</u>
Total deductions	<u>20,630</u>
Net increase (decrease)	187,091
Net assets held in trust for pension benefits:	
Beginning	<u>787,828</u>
Ending	<u>\$ 974,919</u>

See notes to the financial statements.

THIS PAGE IS INTENTIONALLY LEFT BLANK

NOTES TO BASIC FINANCIAL STATEMENTS

THIS PAGE IS INTENTIONALLY LEFT BLANK

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

1. Financial Reporting Entity

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

2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and inter-governmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Interfund services provided and used are not eliminated in the process of consolidation.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

3. Measurement Focus, Basis of Accounting and Basis of Presentation

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

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

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

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

The Town reports the following major governmental funds:

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

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

The Town reports the following nonmajor governmental fund:

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Town reports the following major proprietary funds:

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

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

Additionally, the Town reports the following fund type:

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

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

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

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

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

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

4. Capital Assets

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Capital Assets (Continued)

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

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

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred in both the Sewer Fund and the Parking Revenue Improvement Fund was \$60,454. During the fiscal year ended 2010, there was no interest to be capitalized.

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

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

5. Deposits and Investments

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

All investments, except the Florida PRIME (formerly known as the Local Government Surplus Funds Trust Fund (LGIP) and Fund B, are reported at fair value. The Florida PRIME is recorded at the value of the pool shares (2a-7 like pool), which is fair value. Fund B is a fluctuating NAV pool and is reported based on the fair value factor.

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

6. Interfund Receivables and Payables

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Receivables

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

8. Prepaid Items

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

9. Compensated Absences

Town employees are granted vacation in varying amounts based on length of service and sick leave at the rate of one day per month. Up to 30 days of vacation time and 60 days of sick leave may be accrued and carried forward into the next year. In the event of termination, an employee is reimbursed for accumulated vacation days. Employees are reimbursed for 25 percent of accumulated sick leave upon leaving Town employment in good standing.

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

10. Long-Term Obligations

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

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

11. Encumbrances

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

12. Net Assets

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

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

13. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance to indicate the portion of fund balance that is not appropriable for expenditures or is legally segregated by outside parties for a specific purpose. Designations indicate tentative managerial plans or intent to use financial resources in a future period. Undesignated fund balance indicates the portion of fund balance which is available for future use.

14. Use of Estimates

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

15. Deferred and Unearned Revenues

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

16. Pension Accounting

Pension Trust Fund:

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

Funding policy:

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

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits

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

Investments - Town

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

The State Board of Administration (SBA) administers the Florida PRIME (formerly known as the Local Government Surplus Funds Trust Fund (LGIP)), and the Fund B Surplus Funds Trust Fund (Fund B), both of which are governed by Chapter 19-7 of the Florida Administrative Code and Chapters 218 and 215 of the Florida Statutes. These rules provide guidance and establish the policies and general operating procedures for the administration of the Florida PRIME and Fund B. The Florida PRIME is not a registrant with the Securities and Exchange Commission (SEC); however, the Board has adopted operating procedures consistent with the requirements for a 2a-7 fund, which permits money market funds to use amortized cost to maintain a constant net asset value (NAV) of \$1 per share. The fair value of the position in the Florida PRIME is equal to the value of the pool shares. The Fund B is accounted for as a fluctuating NAV pool. As of September 30, 2010, the fair value factor for Fund B was \$.707058094 per share. The Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to the Florida PRIME, consistent with the pro rata allocation of pool shareholders of record at the creation of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within the Florida PRIME. The investments in the Florida PRIME and Fund B are not insured by FDIC or any other governmental agency.

As of September 30, 2010, the Town had the following investments:

	<u>Fair Value</u>	<u>Credit Risk</u>	<u>Weighted Average Maturity</u>
Florida PRIME	\$ 21,091	S&P AAAm	52 days
Fund B	143,541	Not rated	7.49 years
	<u>\$ 164,632</u>		

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

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

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

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

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

Concentration of Credit Risk - The Town's investment policy states that assets shall be diversified to control the risk of loss resulting from concentration of assets to a specific maturity, instrument, issue, dealer, or bank through which these securities are bought and sold.

Investments - Volunteer Firefighter's Pension Plan

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

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

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

Concentration of Credit Risk - The Plan's investment policy limits the investment in equities to no more than 70% of the fund's assets at cost. GASB Statement 40 requires disclosure when the percent is 5% or more in anyone issuer. The investment in equities and mutual fund equities is 99.3%. Given the restriction to the highest rating, the additional concentration is not viewed to be an additional risk to the Plan.

As of September 30, 2010, the Pension Plan had the following investments:

Equities	
Equity	\$ 89,848
Mutual funds	
Equity	290,957
Fixed income	524,288
Cash and cash equivalents	
Money markets	6,461
	<u>\$ 911,554</u>

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

NOTE 3 – PROPERTY TAXES

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

Under Florida law, the assessment of all properties and the collection of all county, municipal, school board and special district property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws for the State regulating tax assessments are also designed to assure a consistent property valuation method statewide. State statutes permit municipalities to levy property taxes at a rate of up to 10 mills (\$10 per \$1,000 of assessed taxable valuation). The millage rate assessed by the Town for the fiscal year ended September 30, 2010 was 3.9990 mills.

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

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

All real and tangible personal property taxes are due and payable on November 1 each year. Broward County mails to each property owner on the assessment roll a notice of the taxes due and Broward County also collects the taxes for the Town. Taxes may be paid upon receipt of such notice from Broward County, with discounts at the rate of four percent (4%) if paid in the month of November, three percent (3%) if paid in the month of December, two percent (2%) if paid in the month of January, and one percent (1%) if paid in the month of February. Taxes paid during the month of March are without discount, and all unpaid taxes on real and tangible personal property become delinquent and liens are placed on April of the year following the year in which taxes were assessed. Procedures for the collection of delinquent taxes by Broward County are provided for in the Laws of Florida. There were no material delinquent property taxes at September 30, 2010.

NOTE 4 – RECEIVABLES

Receivables for the Town's individual major funds including the applicable allowances for uncollectible accounts as of September 30, 2010 were as follows:

Receivables:	General	Sewer	Parking	Total
Billed	\$ -	\$ 184,028	\$ 12,014	\$ 196,042
Utility tax	62,275	-	-	62,275
Intergovernmental	353,337	-	-	353,337
Other	889	-	-	889
Gross receivables	416,501	184,028	12,014	612,543
Less allowance for uncollectibles	-	-	-	-
Net total receivables	<u>\$ 416,501</u>	<u>\$ 184,028</u>	<u>\$ 12,014</u>	<u>\$ 612,543</u>

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

NOTE 5 – UNEARNED REVENUES

Unearned revenue reported in the governmental funds and the basic financial statements as of September 30, 2010 was as follows:

Occupational licenses	\$ 35,963
Planning advances	4,260
Advertisement advances	803
Right of way advances	43,349
Other	21,113
	<u>\$ 105,488</u>

NOTE 6 – CAPITAL ASSETS

Capital assets for the governmental activities for the fiscal year ended September 30, 2010 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,592,732	\$ -	\$ -	\$ 1,592,732
Construction in progress	1,265,831	112,492	-	1,378,323
Total capital assets, not being depreciated	2,858,563	112,492	-	2,971,055
Capital assets, being depreciated:				
Building and building improvements	4,139,702	78,365	-	4,218,067
Improvements other than buildings	10,997,519	27,989	-	11,025,508
Furniture, fixtures, machinery and equipment	777,948	47,345	(21,448)	803,845
Motor vehicles	590,043	-	-	590,043
Infrastructure	5,902,121	-	-	5,902,121
Total capital assets, being depreciated	22,407,333	153,699	(21,448)	22,539,584
Less accumulated depreciation:				
Building and building improvements	870,410	69,273	-	939,683
Improvements other than buildings	4,002,915	249,993	-	4,252,908
Furniture, fixtures, machinery and equipment	441,044	62,452	(21,448)	482,048
Motor vehicles	346,405	67,632	-	414,037
Infrastructure	4,086,945	112,451	-	4,199,396
Total accumulated depreciation	9,747,719	561,801	(21,448)	10,288,072
Total capital assets, being depreciated, net	12,659,614	(408,102)	-	12,251,512
Governmental activities capital assets, net	<u>\$15,518,177</u>	<u>\$ (295,610)</u>	<u>\$ -</u>	<u>\$ 15,222,567</u>

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

NOTE 6 – CAPITAL ASSETS (Continued)

Capital assets for the business-type activities for the fiscal year ended September 30, 2010 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 5,483,384	\$ -	\$ -	\$ 5,483,384
Total capital assets, not being depreciated	<u>5,483,384</u>	<u>-</u>	<u>-</u>	<u>5,483,384</u>
Capital assets, being depreciated:				
Buildings and utility plant	2,875,099	-	(9,426)	2,865,673
Total capital assets, being depreciated	<u>2,875,099</u>	<u>-</u>	<u>(9,426)</u>	<u>2,865,673</u>
Less accumulated depreciation:				
Buildings and utility plant	1,206,736	65,826	(9,426)	1,263,136
Total accumulated depreciation	<u>1,206,736</u>	<u>65,826</u>	<u>(9,426)</u>	<u>1,263,136</u>
Total capital assets, being depreciated, net	<u>1,668,363</u>	<u>(65,826)</u>	<u>-</u>	<u>1,602,537</u>
Business-type activities capital assets, net	<u>\$ 7,151,747</u>	<u>\$ (65,826)</u>	<u>\$ -</u>	<u>\$ 7,085,921</u>

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

Governmental activities:	
General government	\$ 150,206
Public safety	22,215
Transportation	223,373
Recreation	91,958
Physical environment	74,049
Total depreciation expense, governmental activities	<u>\$ 561,801</u>
Business-type activities:	
Sewer utility	\$ 52,916
Parking revenue improvement	12,910
Total depreciation expense, business-type activities	<u>\$ 65,826</u>

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

NOTE 7 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended September 30, 2010 were as follows:

	Transfers In	Transfers Out
General Fund	\$ 165,645	\$ 1,615,756
Capital Projects Fund	1,615,756	-
Parking Revenue Improvement Fund	-	165,645
	\$ 1,781,401	\$ 1,781,401

Transfers between the general fund and capital projects fund were to fund capital improvement projects. Transfers from the parking revenue improvement fund to the general fund were to move revenues from the fund where collection occurred to the fund where funds have been reallocated for use, in accordance with the fiscal year 2010 budget.

NOTE 8 – LONG-TERM DEBT

Business-Type Activities

In October 2005, the Town borrowed \$2,000,000 at a 3.950% interest rate compounded monthly from SunTrust Bank. The funds were used for major parking improvement projects and property acquisitions. The note is secured by the pledge of and lien on parking meter fees, fines and non-ad valorem revenues if a shortfall occurs. Parking meter fees have averaged approximately \$297,000 annually in the past eight years whereas parking fines have averaged approximately \$118,000 in the past four years. The total principal and interest remaining on the note is \$1,771,092, payable through June 2020. For the current fiscal year, principal and interest paid and net revenues were \$177,125 and \$389,500, respectively.

Changes in long-term liabilities for both governmental activities and business-type activities the fiscal year ended September 30, 2010 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
<u>Governmental activities:</u>					
Compensated absences	\$ 209,681	\$ 75,909	\$ (195,913)	\$ 89,677	\$ 8,968
	\$ 209,681	\$ 75,909	\$ (195,913)	\$ 89,677	\$ 8,968
<u>Business-type activities:</u>					
Revenue notes payable	\$ 1,573,714	\$ -	\$ (116,671)	\$ 1,457,043	\$ 120,348
	\$ 1,573,714	\$ -	\$ (116,671)	\$ 1,457,043	\$ 120,348

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

NOTE 8 – LONG-TERM DEBT (Continued)

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

Year Ending September 30,	Business-type Activities		
	Principal	Interest	Total
2011	\$ 120,348	\$ 55,800	\$ 176,148
2012	126,214	50,945	177,159
2013	131,273	45,885	177,158
2014	136,535	40,623	177,158
2015	142,009	35,149	177,158
2016-2020	800,664	85,648	886,312
	<u>\$ 1,457,043</u>	<u>\$ 314,050</u>	<u>\$ 1,771,093</u>

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Interlocal Agreement

The Town entered into an interlocal agreement with Broward Sheriff's Office on February 23, 2001 with an effective date of March 1, 2001 for police services in the Town. The agreement is for a five (5) year period and can be renewed for an additional two periods of five (5) years each, for a total of fifteen (15) years, without further action of the parties, unless terminated by either party as provided in the agreement. During the fiscal year ended September 30, 2010, the Town paid \$3,003,983 under this agreement.

The Town entered into an interlocal agreement with Broward County Building and Permitting Division on July 27, 2004 to conduct plan examinations and inspection pursuant to the South Florida Building Code. The agreement shall continue in full force and effect unless written notice of termination by either party. During the fiscal year ended September 30, 2010, Broward County collected \$433,754 under this agreement and the Town received \$43,377 from Broward County for surcharges.

Litigation, Claims and Assessments

The Town is the defendant in four lawsuits containing Bert J. Harris, Jr. Private Property Rights Protection Act claims. One of the lawsuits also claims breach of a contract to install sanitary sewers. The Town is vigorously defending these claims, which have been consolidated as to liability under the Harris Act.

The Harris Act claims collectively assert that the Town deprived the private property owners of the reasonably expected investment-backed right to use their property due to land development regulations adopted by the Town. During the current fiscal year, the judge approved a motion filed by the Town to dismiss the case. The judge cited a case in Panama City in which the court ruled that the property owner had to demonstrate an actual loss in order to seek relief under the Bert J. Harris, Jr. statute. However, the judge also ruled that the property owners could file an amended lawsuit without abandoning their original complaint. The new lawsuit contends that the property owners and the Town have "antagonistic and adverse interests" which can only be settled in court. It asks that the court prohibit the Town from applying the four-story height limit to the four properties in question. The Town has moved to dismiss all of the claims. A hearing on the motion to dismiss the amended complaint is scheduled for March 24, 2011. The possible exposure from these claims cannot be determined at this time except by reference to the claim amounts asserted by the property owner plaintiffs, which total to approximately \$21 million.

The possible exposure from the breach of contract claim regarding the installation of sanitary sewers cannot be determined at this time except by reference to the claim amount asserted by the plaintiff, which is \$3.35 million.

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

NOTE 9 – COMMITMENTS AND CONTINGENCIES (Continued)

Grants

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

NOTE 10 – FLORIDA RETIREMENT SYSTEM

Plan Description

The Town participates in the Florida Retirement System (FRS), a defined benefit cost-sharing multiple employer Public Employee Retirement System (PERS). The FRS issues a publicly available financial report that includes financial statements and required supplementary information for the PERS. Copies of the FRS's annual report for the year ended June 30, 2010 may be obtained by writing to the Division of Retirement, P.O. Box 9000, Tallahassee, Florida 32315-9000. Payroll for Town employees covered by the System for the year ended September 30, 2010 was approximately \$1.4 million.

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

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

Funding Policy

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

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

<u>Fiscal Year Ended</u> <u>September 30,</u>	<u>Required</u> <u>Contribution</u>	<u>Actual</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
2008	\$ 171,081	\$ 172,324	101%
2009	191,424	200,538	105%
2010	187,882	193,645	103%

NOTE 11 – VOLUNTEER FIREFIGHTERS PENSION FUND

Plan Description

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

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

NOTE 11 – VOLUNTEER FIREFIGHTERS PENSION FUND (Continued)

Plan Description (Continued)

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

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

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

Basis of Accounting

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

Investments

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

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

Funding Policy

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

Funding is based on actuarial determined required contributions using the aggregate actuarial cost method. The annual required contribution for the fiscal year ended September 30, 2010 was determined by the October 1, 2009 actuarial valuation. The State contributions are received by the Town and are recorded as a revenue and expenditure in the General Fund and remitted to the Volunteer Fire Department treasurer for deposit to the pension bank account. This amount totaled \$109,721 for the fiscal year ended September 30, 2010.

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

NOTE 11 – VOLUNTEER FIREFIGHTERS PENSION FUND (Continued)

Funding Status and Funding Progress

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

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

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

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

Additional information as of the latest actuarial valuation follows:

Valuation date	October 1, 2009
Contribution Rates:	
Employer and State	9.45%
Plan Member	5%
Actuarial cost method	Aggregate
Amortization method*	NA
Remaining amortization period*	NA
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.0%
Projected salary increases	5.5%
Includes inflation and other general increases at	3.0%
Cost-of-living adjustments	NA

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

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

NOTE 11 – VOLUNTEER FIREFIGHTERS PENSION FUND (Continued)

Annual Pension Cost and Net Pension Asset

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

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

The annual required contribution for 2010 was determined as part of the most recent actuarial report dated October 1, 2009, using the aggregate actuarial cost method. Because the method does not identify or separately amortize unfunded actuarial liabilities, information about the Plan's funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and the information presented is intended to serve as a surrogate for the funded status and funding progress of the Plan.

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

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

Fiscal Year Ended September 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2008	\$ 15,495	\$ 15,569	100.5%
2009	30,674	41,177	134.2%
2010	27,036	40,224	148.8%

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS

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

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

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

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS (Continued)

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

Calculation of the net OPEB obligation as of September 30, 2010 was as follows:

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

Actuarial methods and significant actuarial assumptions used to determine the annual required contribution for the current year were as follows:

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

The actuarial valuation of the calculation of OPEB involves estimates of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information is designed to provide multi-year trend information to how whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. This is the first year of implementation. The Town has not contributed assets to the plan at this time.

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

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS (Continued)

Funding progress of the OPEB liability as of October 1, 2009 valuation date was as follows:

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

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

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

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

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

The net OPEB obligation is reported as a liability in the statement of net assets of the Town.

NOTE 13 – RISK MANAGEMENT

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

NOTE 14 – SUBSEQUENT EVENTS

Subsequent to fiscal year end, the Town was conveyed a parking lot that it plans to own and operate. The conveyance was given pursuant to a Development Order of the Town Commission approved October 10, 2007 whereby the Developer of certain property in the Town agreed to dedicate the parking lot to the Town in exchange for approval of the Developer's site plan.

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

NOTE 15 – PRONOUNCEMENTS ISSUED, BUT NOT YET ADOPTED

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions

This statement requires the Town to identify amounts that are considered *non-spendable* along with additional classification as restricted, committed, assigned and unassigned based on relative strength of the constraints that control how specific amounts can be spent. This statement is effective for the fiscal year ending, September 30, 2011.

GASB Statement No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans

This statement is intended to improve consistency in the measurement and financial reporting of other post employment benefits (OPEB) such as retiree health insurance. This statement is effective for actuarial evaluations first used to report funded status information in OPEB plan financial statements for periods beginning after June 15, 2011.

GASB Statement No. 59, Financial Instruments Omnibus

The Statement updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. The Statement is effective for financial statements prepared by state and local governments for periods beginning after June 15, 2010.

GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements

This statement addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. The requirements for Statement 60 are effective for financial statements for periods beginning after December 15, 2011. In general, its provisions are required to be applied retroactively for all periods presented.

GASB Statement No. 61, The Financial Reporting Entity: Omnibus

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

GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements

This Statement is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements. The requirements of Statement 62 are effective for financial statements for periods beginning after December 15, 2011.

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

THIS PAGE IS INTENTIONALLY LEFT BLANK

THIS PAGE IS INTENTIONALLY LEFT BLANK

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

THIS PAGE IS INTENTIONALLY LEFT BLANK

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes and fire assessments	\$ 8,363,457	\$ 8,363,457	\$ 8,404,054	\$ 40,597
Franchise fees and utility taxes	1,717,242	1,717,242	1,766,623	49,381
Intergovernmental	916,799	916,799	905,076	(11,723)
Fines and forfeitures	214,468	214,468	226,089	11,621
Charges for services	155,945	155,945	202,053	46,108
Licenses and permits	168,509	168,509	147,549	(20,960)
Interest income and other	58,914	58,914	75,859	16,945
Grant revenue	80,665	80,665	106,159	25,494
Miscellaneous revenues	28,266	28,266	77,965	49,699
Total revenues	<u>11,704,265</u>	<u>11,704,265</u>	<u>11,911,427</u>	<u>207,162</u>
Expenditures:				
Current:				
General government	2,929,795	2,959,695	2,410,124	549,571
Public safety	5,053,109	5,053,109	4,867,078	186,031
Transportation	1,605,832	1,610,932	1,366,145	244,787
Recreation	375,645	375,645	325,912	49,733
Physical environment	225,073	240,073	198,313	41,760
Capital outlay	64,700	64,700	68,682	(3,982)
Total expenditures	<u>10,254,154</u>	<u>10,304,154</u>	<u>9,236,254</u>	<u>1,067,900</u>
Excess (deficiency) of revenues over expenditures	<u>1,450,111</u>	<u>1,400,111</u>	<u>2,675,173</u>	<u>1,275,062</u>
Other financing sources (uses):				
Use of fund balance	-	50,000	-	(50,000)
Transfers in	165,645	165,645	165,645	-
Transfers out	(1,615,756)	(1,615,756)	(1,615,756)	-
Total other financing sources (uses)	<u>(1,450,111)</u>	<u>(1,400,111)</u>	<u>(1,450,111)</u>	<u>(50,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,225,062</u>	<u>\$ 1,225,062</u>
Fund balance, beginning			<u>6,602,614</u>	
Fund balance, ending			<u>\$ 7,827,676</u>	

See notes to Required Supplementary Information.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
NOTE TO BUDGETARY COMPARISON SCHEDULE
FISCAL YEAR ENDED SEPTEMBER 30, 2010

NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING

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

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

- (a) The Town Manager submits to the Commission a proposed operating and capital budget for the ensuing fiscal year. The budget includes proposed expenditures and the means of financing them.
- (b) Public hearings are conducted to obtain taxpayer comments.
- (c) Prior to October 1, the budget is legally enacted through passage of an ordinance.
- (d) The Town Commission, by motion, may make supplemental appropriations for the year.
- (e) Formal budgetary integration is employed as a management control device during the year for the general fund.
- (f) The Town Manager is authorized to transfer part or all of an unencumbered appropriation balance within a fund; however, any revisions that alter the total appropriations of any fund must be approved by the Town Commission. The classification detail at which expenditures may not legally exceed appropriations is at the fund level.
- (g) Unencumbered appropriations lapse at fiscal year end. Unencumbered amounts are reappropriated in the following year's budget.
- (h) Budgeted amounts are as originally adopted or as amended. There was \$50,000 of supplemental appropriations in the General Fund during the fiscal year ended September 30, 2010.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS FROM THE TOWN
FISCAL YEAR ENDED SEPTEMBER 30, 2010

RETIREMENT PLAN FOR VOLUNTEER FIREFIGHTERS

Fiscal Year Ended September 30,	Annual		
	Required Contribution	Amounts Contributed	Percentage Contributed
2005	35,120	37,145	105.8%
2006	43,382	35,281	81.3%
2007	36,648	36,648	100.0%
2008	15,495	15,569	100.5%
2009	30,674	41,177	134.2%
2010	27,036	40,224	148.8%

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
VOLUNTEER FIREFIGHTERS
FISCAL YEAR ENDED SEPTEMBER 30, 2010

RETIREMENT PLAN FOR VOLUNTEER FIREFIGHTERS

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

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

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
OTHER POST EMPLOYMENT BENEFIT PLAN
FISCAL YEAR ENDED SEPTEMBER 30, 2010

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

*Adopted this year

THIS PAGE IS INTENTIONALLY LEFT BLANK

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

THIS PAGE IS INTENTIONALLY LEFT BLANK

GOVERNMENTAL FUND TYPES

GENERAL FUND

The General Fund is the principal operating fund of the Town and is used to account for resources traditionally associated with governments which are not required legally or by sound financial management to be accounted for in another fund.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
GENERAL FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2010
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2009)

	2010	2009
<u>ASSETS</u>		
Cash and cash equivalents	\$ 7,668,495	6,225,726
Investments	164,632	149,667
Receivables	416,501	316,432
Due from other funds	-	8
Prepaid items	4,263	186,810
Total assets	\$ 8,253,891	\$ 6,878,643
<u>LIABILITIES AND FUND BALANCE:</u>		
Liabilities:		
Accounts payable and other liabilities	\$ 224,013	\$ 84,351
Accrued liabilities	89,400	75,535
Due to other funds	-	2,670
Unearned revenue	105,488	106,618
Deposits	7,314	6,855
Total liabilities	426,215	276,029
Fund balances:		
Reserved for prepaid items	4,263	186,810
Reserved for fire department	215,690	63,273
Unreserved, reported in:		
General fund:		
Designated:		
Emergencies	2,329,648	2,329,648
Vehicle and equipment reserve	183,285	182,792
Other capital assets	1,906,422	1,650,742
Subsequent years' expenditures	137,000	-
Undesignated	3,051,368	2,189,349
Total fund balance	7,827,676	6,602,614
Total liabilities and fund balance	\$ 8,253,891	\$ 6,878,643

THIS PAGE IS INTENTIONALLY LEFT BLANK

BUDGET AND ACTUAL SCHEDULES

THIS PAGE IS INTENTIONALLY LEFT BLANK

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget-</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Grant revenue	\$ 58,300	\$ 58,300	\$ -	\$ (58,300)
Interest income and other	12,806	12,806	10,272	(2,534)
Total revenues	<u>71,106</u>	<u>71,106</u>	<u>10,272</u>	<u>(60,834)</u>
Expenditures:				
Current:				
General government	485,062	454,623	-	454,623
Capital outlay	1,201,800	1,232,239	140,481	1,091,758
Total expenditures	<u>1,686,862</u>	<u>1,686,862</u>	<u>140,481</u>	<u>1,546,381</u>
Excess (deficiency) of expenditures over revenue	<u>(1,615,756)</u>	<u>(1,615,756)</u>	<u>(130,209)</u>	<u>1,485,547</u>
Other financing sources (uses):				
Transfers in	1,615,756	1,615,756	1,615,756	-
Total other financing sources (uses)	<u>1,615,756</u>	<u>1,615,756</u>	<u>1,615,756</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,485,547</u>	<u>\$ 1,485,547</u>
Fund balance, beginning			<u>2,966,233</u>	
Fund balance, ending			<u>\$ 4,451,780</u>	

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
SPECIAL REVENUE FUND
POLICE TRAINING AND FORFEITURE
FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amounts		Actual Amounts	Variance With Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Fines and forfeitures	\$ -	\$ -	\$ -	\$ -
Interest income and other	582	582	699	117
Total revenues	582	582	699	117
Expenditures:				
Current:				
Public Safety	1,500	1,500	1,500	-
Capital outlay	150,321	150,321	78,250	72,071
Total expenditures	151,821	151,821	79,750	72,071
Excess (deficiency) of revenues over expenditures	(151,239)	(151,239)	(79,051)	72,188
Other financing sources (uses):				
Use of fund balance	151,239	151,239	-	(151,239)
Total other financing sources (uses)	151,239	151,239	-	(151,239)
Net change in fund balances	\$ -	\$ -	(79,051)	\$ (79,051)
Fund balance, beginning			291,007	
Fund balance, ending			\$ 211,956	

THIS PAGE IS INTENTIONALLY LEFT BLANK

THIS PAGE IS INTENTIONALLY LEFT BLANK

STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
Financial Trends 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:	49-55
Revenue Capacity These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax	56-59
Debt Capacity 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.	60-62
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.	63-64
Operating Information 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.	65-67

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

THIS PAGE IS INTENTIONALLY LEFT BLANK

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental activities:								
Invested in capital assets, net of related debt	\$ 8,288	\$ 6,585	\$ 5,736	\$ 380	\$ 11,756	\$ 17,822	\$ 15,518	\$ 15,222
Restricted for:								
Town beautification per contractual agreement	-	-	-	-	-	-	1,000	1,000
Law enforcement	-	-	-	-	-	-	291	212
Fire department	-	-	-	-	-	-	63	216
Unrestricted	<u>3,652</u>	<u>7,145</u>	<u>10,156</u>	<u>19,993</u>	<u>13,473</u>	<u>11,901</u>	<u>8,358</u>	<u>11,054</u>
Total governmental activities net assets	<u>11,940</u>	<u>13,730</u>	<u>15,892</u>	<u>20,373</u>	<u>25,229</u>	<u>29,723</u>	<u>25,230</u>	<u>27,704</u>
Business-type activities:								
Invested in capital assets, net of related debt	2,328	2,734	3,782	4,518	6,156	5,955	5,578	5,629
Unrestricted	<u>1,366</u>	<u>1,749</u>	<u>1,615</u>	<u>2,759</u>	<u>2,818</u>	<u>1,839</u>	<u>1,853</u>	<u>1,668</u>
Total business-type activities net assets	<u>3,694</u>	<u>4,483</u>	<u>5,397</u>	<u>7,277</u>	<u>8,974</u>	<u>7,794</u>	<u>7,431</u>	<u>7,297</u>
Primary government:								
Invested in capital assets, net of related debt	10,616	9,319	9,518	4,898	17,912	23,777	21,096	20,851
Restricted for:								
Town beautification per contractual agreement	-	-	-	-	-	-	1,000	1,000
Law enforcement	-	-	-	-	-	-	291	212
Fire department	-	-	-	-	-	-	63	216
Unrestricted	<u>5,018</u>	<u>8,894</u>	<u>11,771</u>	<u>22,752</u>	<u>16,291</u>	<u>13,740</u>	<u>10,211</u>	<u>12,722</u>
Total primary government net assets	<u>\$ 15,634</u>	<u>\$ 18,213</u>	<u>\$ 21,289</u>	<u>\$ 27,650</u>	<u>\$ 34,203</u>	<u>\$ 37,517</u>	<u>\$ 32,661</u>	<u>\$ 35,001</u>

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

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

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

Expenses:	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental activities:								
General government	\$ 1,625	\$ 1,914	\$ 1,642	\$ 2,294	\$ 1,828	\$ 1,981	\$ 2,153	\$ 2,442
Public safety	3,506	6,082	5,831	5,835	6,193	6,426	4,795	4,869
Transportation	868	1,276	1,522	1,442	1,430	1,286	1,602	1,592
Recreation	277	367	435	436	486	483	400	418
Physical environment	107	138	148	175	206	313	320	294
Interest on long-term debt	430	406	404	570	491	458	551	-
Total governmental activities	<u>6,813</u>	<u>10,183</u>	<u>9,982</u>	<u>10,752</u>	<u>10,634</u>	<u>10,947</u>	<u>9,821</u>	<u>9,615</u>
Business-type activities:								
Sewer	1,012	817	888	928	1,011	1,008	1,062	1,105
Stormwater	66	126	59	79	190	229	-	-
Parking	147	83	92	77	174	376	201	220
Interest on long-term debt	-	-	-	114	-	-	-	-
Total business-type activities	<u>1,225</u>	<u>1,026</u>	<u>1,039</u>	<u>1,198</u>	<u>1,375</u>	<u>1,613</u>	<u>1,263</u>	<u>1,325</u>
Total primary government	<u>\$ 8,038</u>	<u>\$ 11,209</u>	<u>\$ 11,021</u>	<u>\$ 11,950</u>	<u>\$ 12,009</u>	<u>\$ 12,560</u>	<u>\$ 11,084</u>	<u>\$ 10,940</u>
Program Revenues:								
Governmental activities:								
Charges for services:								
General government	\$ 63	\$ 574	\$ 802	\$ 984	\$ 898	\$ 826	\$ 244	\$ 148
Public safety	138	271	8	4	2,048	6	-	202
Transportation	943	1,002	887	570	392	215	299	-
Recreation	4	6	6	6	5	6	6	226
Physical environment	7	50	53	78	123	118	19	-
Operating grants and contributions	530	265	140	1,397	34	26	71	107
Capital grants and contributions	28	116	74	920	769	96	1,201	-
Total governmental activities program revenues	<u>1,713</u>	<u>2,284</u>	<u>1,970</u>	<u>3,959</u>	<u>4,269</u>	<u>1,293</u>	<u>1,840</u>	<u>683</u>
Business type activities:								
Charges for services:								
Sewer	1,111	1,176	1,054	1,000	1,010	1,100	1,002	964
Stormwater	-	-	36	197	218	-	-	-
Parking	51	67	99	432	642	602	481	389
Capital grants and contributions	-	-	-	-	332	-	34	-
Total business-type activities program revenues	<u>1,162</u>	<u>1,243</u>	<u>1,189</u>	<u>1,629</u>	<u>2,202</u>	<u>1,702</u>	<u>1,517</u>	<u>1,353</u>
Total primary government program revenues	<u>\$ 2,875</u>	<u>\$ 3,527</u>	<u>\$ 3,159</u>	<u>\$ 5,588</u>	<u>\$ 6,471</u>	<u>\$ 2,995</u>	<u>\$ 3,357</u>	<u>\$ 2,036</u>

(Continued)

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

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

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

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

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

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

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

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General fund:										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 56	\$ 60	\$ 179	\$ 250	\$ 220
Unreserved, designated	1,346	1,368	2,070	2,475	3,389	3,310	5,222	3,743	4,163	4,556
Unreserved, undesignated	<u>1,090</u>	<u>1,796</u>	<u>2,676</u>	<u>3,818</u>	<u>4,374</u>	<u>9,451</u>	<u>8,740</u>	<u>7,242</u>	<u>2,189</u>	<u>3,052</u>
Total general fund	<u>\$ 2,436</u>	<u>\$ 3,164</u>	<u>\$ 4,746</u>	<u>\$ 6,293</u>	<u>\$ 7,763</u>	<u>\$ 12,817</u>	<u>\$ 14,022</u>	<u>\$ 11,164</u>	<u>\$ 6,602</u>	<u>\$ 7,828</u>
All other governmental funds:										
Reserved										
Capital project funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,000	\$ 1,000
Unreserved, undesignated (1)	5,224	9,750	9,835	3,005	2,880	(2)	(2)	(2)	(2)	-
Special revenue funds	-	-	-	-	-	363	378	301	140	176
Capital project funds	-	-	-	-	-	550	(222)	-	1,805	3,236
Unreserved, designated:										
Special revenue funds	39	-	-	-	-	-	-	4	151	36
Capital project funds	<u>5,292</u>	-	-	<u>4,415</u>	<u>6,047</u>	<u>6,206</u>	<u>6,596</u>	<u>1,300</u>	<u>162</u>	<u>215</u>
Total all other governmental funds	<u>\$ 10,555</u>	<u>\$ 9,750</u>	<u>\$ 9,835</u>	<u>\$ 7,420</u>	<u>\$ 8,927</u>	<u>\$ 7,119</u>	<u>\$ 6,752</u>	<u>\$ 1,605</u>	<u>\$ 3,258</u>	<u>\$ 4,663</u>

(1) Information on unreserved fund balance by type not required to be presented prior to 2006, therefore presented here in total.
(2) Information on unreserved fund balance shown by fund type and not in total for 2006 forward.

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

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Revenues:										
Property taxes and fire assessments	\$ 8,404,054	\$ 9,195,526	\$ 10,092,717	\$ 11,070,231	\$ 9,936,889	\$ 8,565,376	\$ 7,833,400	\$ 5,531,092	\$ 4,814,157	\$ 1,940,633
Franchise fees and utility taxes	1,766,623	1,765,462	1,723,546	1,621,017	1,436,887	1,367,937	1,324,511	1,298,731	1,278,311	1,002,015
Parking meters	-	-	-	-	-	-	-	-	-	522,205
Intergovernmental	905,076	989,834	1,036,497	1,105,240	1,117,108	1,029,253	1,236,821	1,326,982	732,080	380,643
Fines and forfeitures	226,089	254,080	245,270	261,746	484,816	451,109	584,927	522,436	599,220	452,617
Charges for services	202,053	159,131	79,196	209,990	198,798	540,762	696,934	558,188	559,787	31,937
Interest and other	86,830	33,821	427,693	790,138	637,029	593,123	170,729	690,604	382,058	319,334
Licenses and permits	147,549	154,835	167,373	200,610	191,363	106,684	80,573	67,035	66,369	95,132
Grants	106,159	272,262	123,155	154,875	1,475,654	213,335	325,481	558,331	41,638	21,506
Miscellaneous revenues	77,965	1,073,158	170,782	172,465	240,127	4,258	223,720	76,599	-	-
Total revenues	<u>11,922,398</u>	<u>13,898,109</u>	<u>14,066,229</u>	<u>15,586,312</u>	<u>15,718,671</u>	<u>12,871,837</u>	<u>12,477,096</u>	<u>10,629,998</u>	<u>8,473,620</u>	<u>4,766,022</u>
Expenditures:										
Current:										
General government	2,410,124	1,803,315	1,566,541	1,931,495	2,174,935	1,550,657	1,528,070	1,461,860	1,219,149	1,139,701
Public safety	4,868,578	4,774,384	6,419,902	6,174,381	5,800,530	5,794,821	6,026,492	3,398,569	3,049,746	1,870,874
Transportation	1,366,145	1,272,675	1,185,116	1,226,939	1,215,885	1,373,894	1,131,320	868,121	802,256	628,133
Economic	-	-	-	-	-	-	-	-	-	1,688
Recreation	325,912	307,685	397,597	400,533	349,687	364,797	300,690	277,542	210,875	235,500
Physical environment	198,313	311,328	167,986	174,499	146,417	104,002	103,193	107,469	69,301	55,664
Capital outlay	287,413	1,138,153	8,974,468	1,474,802	3,015,369	1,140,175	1,998,326	3,444,555	1,471,042	1,144,822
Debt service:										
Principal	-	6,814,833	4,275,881	2,129,786	1,835,615	1,384,254	1,291,439	1,161,654	829,951	22,601
Interest	-	550,849	458,103	491,596	607,376	403,442	406,104	429,724	464,295	16,759
Total expenditures	<u>9,456,485</u>	<u>16,973,222</u>	<u>23,445,594</u>	<u>14,004,031</u>	<u>15,145,814</u>	<u>12,116,042</u>	<u>12,785,634</u>	<u>11,149,494</u>	<u>8,116,615</u>	<u>5,115,742</u>
Excess (deficiency) of revenues over expenditures	<u>2,465,913</u>	<u>(3,075,113)</u>	<u>(9,379,365)</u>	<u>1,582,281</u>	<u>572,857</u>	<u>755,795</u>	<u>(308,538)</u>	<u>(519,496)</u>	<u>357,005</u>	<u>(349,720)</u>
Other financing sources (uses):										
Issuance of notes payable and capital leases	-	-	-	-	-	-	-	2,712,658	28,281	10,000,000
Transfers in	1,781,401	2,365,244	6,340,968	2,711,647	1,927,969	1,393,519	1,179,854	1,795,944	1,984,776	1,727,400
Transfers out	(1,615,756)	(2,199,599)	(4,966,393)	(3,456,105)	(3,254,565)	(2,121,866)	(1,739,771)	(2,321,745)	(2,447,042)	(1,953,962)
Debt issued	-	-	-	-	4,000,000	2,950,000	-	-	-	-
Total other financing sources (uses)	<u>165,645</u>	<u>165,645</u>	<u>1,374,575</u>	<u>(744,458)</u>	<u>2,673,404</u>	<u>2,221,653</u>	<u>(559,917)</u>	<u>2,186,857</u>	<u>(433,985)</u>	<u>9,773,438</u>
Net change in fund balances	<u>2,631,558</u>	<u>(2,909,468)</u>	<u>(8,004,790)</u>	<u>837,823</u>	<u>3,246,261</u>	<u>2,977,448</u>	<u>(868,455)</u>	<u>1,667,361</u>	<u>(76,980)</u>	<u>9,423,718</u>
Fund balances - beginning	9,859,854	12,769,322	20,774,112	19,936,289	16,690,028	13,712,580	14,581,035	12,913,674	12,990,654	4,191,916
Residual equity transfer	-	-	-	-	-	-	-	-	-	(624,980)
Fund balances - ending	<u>\$ 12,491,412</u>	<u>\$ 9,859,854</u>	<u>\$ 12,769,322</u>	<u>\$ 20,774,112</u>	<u>\$ 19,936,289</u>	<u>\$ 16,690,028</u>	<u>\$ 13,712,580</u>	<u>\$ 14,581,035</u>	<u>\$ 12,913,674</u>	<u>\$ 12,990,654</u>
Debt service as a percentage of noncapital expenditures	0.00%	45.92%	32.71%	20.92%	20.14%	16.29%	15.74%	20.65%	19.48%	0.99%

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

<u>Fiscal Year</u>	<u>Property Taxes and Fire Assessment Fees</u>	<u>Franchise Fees and Utility Taxes</u>	<u>Parking Meters</u>	<u>Licenses and Permits</u>	<u>Inter-Government</u>	<u>Charges for Services</u>	<u>Fines and Forfeitures</u>	<u>Grants</u>	<u>Interest and Other</u>	<u>Total</u>
2001	\$ 1,940,633	\$ 1,002,015	\$ 522,205	\$ 95,132	\$ 380,643	\$ 31,937	\$ 452,617	\$ 21,506	\$ 319,334	\$ 4,766,022
2002	4,814,157	1,278,311	496,186	66,369	732,080	63,601	599,220	41,638	382,058	8,473,620
2003	5,531,092	1,298,731	484,563	67,035	1,326,982	73,625	522,436	558,331	767,203	10,629,998
2004	7,833,400	1,324,511	526,748	80,573	1,236,821	170,186	584,927	325,481	394,449	12,477,096
2005	8,565,376	1,367,937	478,406	106,684	1,029,253	62,356	451,109	213,335	597,381	12,871,837
2006	9,936,889	1,436,887	146,804	191,363	1,117,108	51,994	484,816	1,475,654	877,156	15,718,671
2007	11,070,231	1,621,017	137,561	200,610	1,105,240	72,429	261,746	154,875	962,603	15,586,312
2008	10,092,717	1,723,546	55,448	167,373	1,036,497	23,748	245,270	123,155	598,475	14,066,229
2009	9,195,526	1,765,462	118,431	154,835	989,834	40,700	254,080	272,262	1,106,979	13,898,109
2010	8,404,054	1,766,623	156,585	147,549	905,076	45,468	226,089	106,159	164,795	11,922,398

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

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

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

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

Fiscal Year	Real Property Assessed Value	Personal Property Assessed Value	Exemptions		Assessed Property Value	Estimated Actual Taxable Value	(1) Total Direct Tax Rate
			Real	Personal			
2001	\$ 560,251,790	\$ 12,958,060	\$ 46,356,830	\$ 13,434	\$ 526,839,586	\$ 994,182,340	3.8500
2002	1,162,796,770	13,701,721	62,867,630	2,634	1,113,628,227	1,141,197,502	4.7000
2003	1,333,494,270	14,684,976	67,100,270	2,634	1,281,076,342	1,259,147,591	4.7000
2004	1,504,774,160	16,453,097	72,512,650	2,634	1,448,711,973	1,453,739,511	4.7000
2005	2,107,212,880	15,785,123	77,200,430	2,700	2,045,794,873	1,728,223,953	4.7000
2006	2,689,777,920	17,527,962	82,761,920	2,700	2,624,541,262	2,140,677,012	4.7000
2007	2,395,129,720	16,740,144	88,825,630	1,564	2,323,042,670	2,321,656,228	4.1012
2008	2,325,239,690	16,120,707	147,379,890	3,786,923	2,190,193,584	2,116,655,262	3.9990
2009	2,141,321,800	15,575,063	147,738,830	3,582,380	2,005,575,653	1,935,973,843	3.9990
2010	1,901,968,310	15,105,857	143,291,270	4,214,572	1,769,568,325	1,773,134,094	3.9990

Source: Broward County, Florida, Property Appraiser

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

(1) From Table 10.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
TABLE 8
PRINCIPAL PROPERTY TAXPAYERS
SEPTEMBER 30, 2010

<u>Taxpayer</u>	<u>Type of Use</u>	2010			2001		
		<u>Taxable Assessed Valuation</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Valuation</u>	<u>Taxable Assessed Valuation</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Valuation</u>
Walnut & Vine Properties II LLC	Hotel	17,076,400	1	0.97%	N/A	N/A	N/A
Minto Villas-BY-The-Sea LLC	Condominiums	13,293,970	2	0.75%	N/A	N/A	N/A
Ocean 4660 LLC	Hotel	10,896,460	3	0.62%	N/A	N/A	N/A
Edmondson, James P. - Seawatch	Restaurant	7,835,990	4	0.44%	N/A	N/A	N/A
White Cap of FL, Inc.	Condominiums	6,922,386	5	0.39%	N/A	N/A	N/A
Demko Family Holdings LTD	Restaurant/Prk.Lot	5,942,980	6	0.34%	N/A	N/A	N/A
Florida Power & Light CO	Utilities	5,712,377	7	0.32%	N/A	N/A	N/A
Gorana International Inc	Hotel	4,428,180	8	0.25%	N/A	N/A	N/A
Pier Point Developers LLC	Condominiums	4,343,190	9	0.25%	N/A	N/A	N/A
Little Italy Oceanside	Condominiums	4,088,467	10	0.23%	N/A	N/A	N/A

Source: Tax Roll of Broward County, Florida

Note: Information for 2001 was not available

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

<u>Fiscal Year Ended September 30,</u>	<u>Total Tax Levy</u>	<u>Current Tax Collected</u>	<u>Percentage of Current Taxes Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collections to Total Tax Levy</u>
2001	4,447,344	4,500,815	101.20%	-	4,500,815	101.20%
2002	5,095,447	5,175,981	101.58%	-	5,175,981	101.58%
2003	5,686,237	5,757,106	101.25%	-	5,757,106	101.25%
2004	6,490,947	6,545,557	100.84%	-	6,545,557	100.84%
2005	7,716,520	7,855,365	101.80%	-	7,855,365	101.80%
2006	8,864,711	9,028,855	101.85%	-	9,028,855	101.85%
2007	9,565,704	9,087,410	95.00%	9	9,087,419	95.00%
2008	9,636,602	9,094,308	94.37%	1,707	9,096,015	94.39%
2009	8,077,919	8,176,504	101.22%	-	8,176,504	101.22%
2010	7,354,861	7,376,066	100.29%	-	7,376,066	100.29%

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

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

<u>Fiscal Year</u>	<u>Lauderdale By-The-Sea</u>	<u>Broward County</u>	<u>Broward County Schools</u>	<u>State Special Districts</u>				<u>Total</u>
				<u>Florida Inland Navigation</u>	<u>South Florida Water Management</u>	<u>North Broward Hospital</u>	<u>Hillsboro Inlet</u>	
2001	3.8500	7.5250	8.5410	0.0410	0.6970	2.4803	0.1036	23.2379
2002	4.7000	7.3650	8.8825	0.0385	0.6970	2.4803	0.1170	24.2803
2003	4.7000	7.1880	8.4176	0.0385	0.6970	2.5000	0.2490	23.7901
2004	4.7000	7.0230	8.2695	0.0385	0.6970	2.4803	0.1845	23.3928
2005	4.7000	6.7830	8.0623	0.0385	0.6970	2.1746	0.1845	22.6399
2006	4.7000	6.0661	7.8687	0.0385	0.6970	1.8317	0.1170	21.3190
2007	4.1012	5.2868	7.6484	0.0345	0.6240	1.6255	0.4432	19.7636
2008	3.9990	5.3145	7.4170	0.0345	0.6240	1.7059	0.4614	19.5563
2009	3.9990	5.8132	7.4310	0.0345	0.6240	1.7059	0.0860	19.6936
2010	3.9990	5.5530	7.6310	0.0345	0.6240	1.8750	0.0860	19.8025

Source: Broward County, Florida, Property Appraiser

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service (1)</u>	<u>Total General Governmental Expenditures (2)</u>	<u>Ratio of Debt</u>
2001	\$ 22,601	\$ 16,759	\$ 39,360	\$ 7,069,704	0.56%
2002	829,951	464,295	1,294,246	10,563,657	12.25%
2003	1,161,654	429,724	1,591,378	13,471,239	11.81%
2004	1,291,439	406,104	1,697,543	14,525,405	11.69%
2005	1,384,254	403,442	1,787,696	14,237,908	12.56%
2006	1,835,615	607,376	2,442,991	18,400,379	13.28%
2007	2,129,786	491,596	2,621,382	17,460,136	15.01%
2008	4,275,881	458,103	4,733,984	28,411,987	16.66%
2009	6,814,833	550,849	7,365,682	19,172,821	38.42%
2010	-	-	-	11,072,241	0.00%

(1) No general obligation debt 2001 - 2002 or 2010. Promissory note obligation 2001 - 2002.

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

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

Fiscal Year	Governmental Activities			Business-type	Total Primary Government	Population (1)	Per Capita	Personal Income	Percentage of Personal Income
	Promissory Notes	Line of Credit	Capital Leases	Promissory Notes					
2003	\$ 10,771,086	\$ 48,381	\$ 103,189	\$ 375,134	\$ 11,297,790	11,350	995	\$ 39,004	28966%
2004	9,485,165	41,800	61,816	-	9,588,781	9,800	978	23,170	41384%
2005	11,093,058	-	-	-	11,093,058	9,800	1,132	29,314	37842%
2006	10,561,894	2,658,606	-	2,847,397	16,067,897	9,800	1,640	29,935	53676%
2007	11,090,714	-	-	2,691,644	13,782,358	9,800	1,406	36,595	37662%
2008	6,814,833	-	-	1,685,889	8,500,722	9,800	867	38,944	21828%
2009	-	-	-	1,573,714	1,573,714	9,800	161	39,267	4008%
2010	-	-	-	1,457,042	1,457,042	11,000	132	41,352	3524%

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

(1) Information prior to 2003 is unavailable.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
TABLE 13
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
GENERAL OBLIGATION BONDS
SEPTEMBER 30, 2010

<u>Name of Governmental Unit</u>	<u>Net Debt Outstanding September 30, 2010</u>	<u>Percent of Debt Applied to Town Lauderdale By-The-Sea (1)</u>	<u>Amount of Debt Debt Applied to Town of Lauderdale By-The-Sea</u>
Town of Lauderdale-By-The-Sea	None		
Broward County School District	\$ 1,986,773,000	1.2%	\$ 23,921,588
Broward County	<u>393,665,000</u>	1.2%	<u>4,739,893</u>
Total direct and overlapping debt	<u>\$ 2,380,438,000</u>		<u>\$ 28,661,481</u>

(1) Based on ratio of assessed valuation for:

Town of Lauderdale-By-The-Sea	1,773,134,094
Broward County	147,265,097,080

Source: Broward County Revenue Collection
Broward County School Board

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

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

TABLE 14
STATISTICS -
DEMOGRAPHICS AND ECONOMICS
SEPTEMBER 30, 2010

Date of Incorporation:	November 30, 1947	
Year of Charter Adoption:	1947	
Form of Town Government:	Commission-Manager	
Location:	Lauderdale-By-The-Sea is in the east-central part of Broward County and shares boundaries with three other municipalities. Its eastern boundary is the Atlantic Ocean. It is 30 miles north of Miami and 33 miles south of Palm Beach. The Town is just over 8.5 square miles in area and has a population of approximately 6,300 with a peak seasonal population of about 11,000. It is a seaside community with primary industries being retail trade, tourism/hospitality, finance, insurance and real estate.	
Number of Employees:	Full and Part-Time, Permanent Contractual	149.9
Recreation facilities:	Miles of Public Beach	2.3
	Miles of Navigable Water	2.3
	Parks	3
	Tennis Courts	2
	Shuffleboard Courts	2
	Bocci Ball Court	1
	Basketball Court	1
Infrastructure:	Town Buildings	7
	Fire Stations	2
	Fire Rescue Stations	2
	Surface Parking Lot	3
Socio-Economic Data:	Consumer Price Index (1)C	1.964%
	Per Capita Personal Income (2)	41,352
Population Statistics:	Civilian Labor Force (1)A	986.39
	Unemployment Rate (1)B	10.1%

Source:

- (1) United States Department of Labor - Bureau of Labor Statistics
Broward County, Florida
 - A. Number of persons, in thousands, not seasonally adjusted (12/10)
 - B. In percent, not seasonally adjusted (12/10)
 - C. All urban consumers, base: 1982-84+100, not seasonally adjusted (12/10)
- (2) Bureau of Economic Analysis - U.S. Department of Commerce - Florida - Released 8/9/10

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA
TABLE 15
PRINCIPAL EMPLOYERS
SEPTEMBER 30, 2010

<u>Employer</u>	<u>2010</u>			<u>2001</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Town Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Town Employment</u>
Aruba's Beach Café Restaurant	175	1	NA	NA	NA	NA
Sea Watch Restaurant	105	2	NA	NA	NA	NA
Blue Moon Fish Company - Restaurant	70	3	NA	NA	NA	NA
Benihana - Restaurant	60	4	NA	NA	NA	NA
Lauderdale-By-The-Sea Resort & Beach Club	30	5	NA	NA	NA	NA
Lauderdale Beachside Hotel - Hotel and Restaurant	30	6	NA	NA	NA	NA
Total	<u>470</u>					

Source: Lauderdale-By-The-Sea Development Services
Note: Information for 2001 was unavailable.

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

<u>Function</u>	Full time Equivalent Positions as of September 30,									
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Administration	8.25	8.5	10.0	11.0	11.0	11.0	10.5	9.5	9.5	8.5
Public Safety (contracted)	27.0	27.0	27.0	28.0	28.0	28.0	28.0	28.0	27.0	19.0
Fire and Fire Rescue (contracted)	89.5	90.0	22.5	83.5	62.5	62.5	53.5	53.5	51.5	51.0
Public Works	15	15.0	15.0	16.0	17.0	17.5	16.5	12.5	12.5	9.5
Development services	4.8	4.8	6.0	6.0	6.0	6.0	7.0	6.0	6.0	4.0
Parking Enforcement	2	2.0	2.0	3.0	4.0	5.0	5.5	5.5	5.5	4.5
Sewer	1.3	1.3	1.0	1.0	0.5	0.5	0.5	0.5	0.5	1.5
Parking	2	2.0	2.0	1.0	-	-	-	-	-	-
Stormwater	-	-	1.0	-	-	-	-	-	-	-
	<u>149.9</u>	<u>150.5</u>	<u>86.5</u>	<u>149.5</u>	<u>129.0</u>	<u>130.5</u>	<u>121.5</u>	<u>115.5</u>	<u>112.5</u>	<u>98.0</u>

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

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

Function	Fiscal Year						
	2010	2009	2008	2007	2006	2005	2004
General Government:							
Informational calls received	7,413	11,131	13,828	6,250	11,500	15,000	13,000
Public records request	277	294	223	191	218	216	214
Resolutions	39	29	24	21	24	19	27
Ordinances	16	28	16	19	11	16	23
Commission meetings	55	26	36	32	59	53	41
Cash receipts - general operating	2,539	2,346	2,075	2,615	2,367	3,013	N/A
Cash disbursements - general operating	2,110	2,314	2,684	2,204	2,033	2,159	2,620
Payroll disbursements - general operating	1,248	1,082	1,018	1,248	1,245	1,222	1,274
Purchase orders issued	197	208	235	285	165	166	N/A
Claims processed - general liability/workers comp	8	13	-	15	12	18	11
Records management scheduled by tonnage	N/A	0.80	0.40	0.40	0.34	1.91	0
Hours of information technology services	111	90.0	161.0	92.8	61.5	133.0	N/A
Public safety:							
Informational calls received	5,185	7,660	4,952	7,764	8,868	8,694	5,307
Public records request		32	85	57	75	148	194
Citizen on patrol membership	23	21	19	29	37	34	33
Neighborhood crime watch membership	-	55	26	50	59	44	N/A
Fire responses	345	349	514	485	533	463	355
Fire medical services (EMS)	943	1,056	826	874	877	782	934
Notices of violations code compliance	573	844	524	595	495	717	461
Citations issued code compliance	5	13	4	14	19	43	25
Complaints investigated	334	246	381	331	285	119	410
Parking citations	6,846	9,555	13,253	16,505	16,475	15,740	16,778
Municipal services:							
Parking maintenance (hours)	89	1,221	1,650	2,550	4,661	1,818	N/A
Street maintenance and repairs (hours)	668	206	226	252	283	136	N/A
Ground maintenance and repairs (hours)	7,277	1,572	1,507	1,658	1,084	576	N/A
Building maintenance and repairs (hours)	3,371	6,784	5,704	6,491	5,009	2,716	N/A
Cultural - recreation:							
Scheduled recreation activities	1,131	804	972	1,047	955	1,423	N/A
Recreation volunteer hours	1,511	356	617	825	598	891	870
Recreation activity participants	4,116	5,263	5,465	5,596	5,553	5,096	5,591
Recreation areas maintenance (hours)	2,771	1,604	1,932	1,932	1,780	554	N/A

Note: Information prior to 2004 is unavailable.

N/A - Information not available.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

TABLE 18

CAPITAL ASSETS BY FUNCTION

LAST TEN FISCAL YEARS

<u>Function</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
General Government Facilities:										
Town Buildings	7	7	7	6	6	6	6	5	5	5
Recreation Facilities:										
Miles of Public Beach	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Parks	3	3	3	1	1	1	1	1	1	1
Tennis Courts	2	2	2	2	2	2	2	2	2	2
Shuffleboard Court	2	2	2	2	2	2	2	2	2	2
Bocci Ball Court	1	1	1	1	1	1	1	1	1	1
Basketball Court	1	1	1	1	1	1	1	1	1	1
Beach Portals	6	6	6	6	6	6	2	1	1	1
Public Safety Facilities:										
Police Station	1	1	1	1	1	1	1	1	1	1
Police Vehicles	30	30	30	30	30	30	30	30	29	11
Fire Stations	1	1	2	2	2	2	2	2	2	2
Fire Rescue Station	1	1	2	1	1	1	1	1	1	1
Fire Vehicles	2	2	2	2	2	2	2	2	2	2
Fire Rescue Vehicle	2	2	1	1	1	1	1	1	1	1
Infrastructure:										
Miles of paved roads	16.68	16.68	16.68	16.68	16.68	16.68	16.68	16.68	16.68	10.30
Cable television	1	1	1	1	1	1	1	1	1	1
Surface Parking Lot	3	3	3	3	2	2	1	1	1	1

THIS PAGE IS INTENTIONALLY LEFT BLANK

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lauderdale-By-The-Sea, Florida (the "Town") as of and for the year ended September 30, 2010, which collectively comprise the Town's basic financial statements and have issued our report thereon dated March 4, 2011. We did not audit the financial statements of the Volunteer Fire Department's Pension Plan, which represent 100% of the assets and 100% of the revenues of the fiduciary fund totals, which are included in the fund financial statements. Those financial statements were audited by other independent auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town's Volunteer Fire Department's Pension Plan, is based solely on the report of the other independent auditors. Our report herein does not address their respective internal control or compliance. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, as discussed in the accompanying report to management dated March 4, 2011, we consider deficiencies 2010-01 and 2010-02 to be significant deficiencies in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted other matters involving the internal control over financial reporting that we have reported to management of the Town in a separate letter dated March 4, 2011.

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

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


March 4, 2011

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

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

We have audited the financial statements of the Town of Lauderdale-By-The-Sea, Florida (the "Town") as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated March 4, 2011.

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

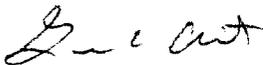
In addition, we have issued our Report on Internal Control over Financial Reporting and Compliance and Other Matters dated March 4, 2011. Disclosures in that report should be considered in conjunction with this management letter.

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

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

This report is intended for the information of the Mayor, Town Commission, Town Manager, and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

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



March 4, 2011

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Significant Deficiencies

2010-01 Accounting

Finding: During the course of conducting procedures for the audit of the fiscal year ended September 30, 2010, we noted the following accounting issues:

- While performing procedures for cash, we noted that there were checks written in October 2010 which management had manually changed to be dated as September 30, 2010.
- Water and sewer receivables and billings were not reconciled to the general ledger.
- Proper reconciliations had not been completed for certain cash accounts resulting in an understatement of cash at September 30, 2010.
- Proper reconciliations had not been completed for accounts payable resulting in an understatement of liabilities at September 30, 2010.
- Liabilities for encumbrances were recorded, even though the related items did not constitute expenditures or liabilities.

Recommendation: We recommend that the Town reconcile its accounts and compare reconciled amounts to the general ledger and any corresponding supporting documentation on a monthly basis. Further, we recommend that the Town complete bank reconciliations and determine the nature of any differences within a 30 day period. Management should not override system controls. Check dates should reflect the date the checks are written. Encumbrances outstanding at year-end should be reported as reservations of governmental fund balances at the fund level, since they do not constitute expenditures or liabilities.

Management Response: As background to our response, it should be noted that the Finance Department experienced significant turnover in staff shortly before year end. The Finance Director resigned without notice only days after the individual responsible for accounts receivables unexpectedly went out on long term leave. The remaining staff members had to assist in areas in which they did not have a lot of experience, while the Interim Finance Director was heavily involved in getting the budget prepared. It was very difficult to keep up with the work. While there is still much to do to improve and modernize the Town's finance operation, we are confident that the Finance Department can make the necessary adjustments to resolve the issues in the current fiscal year.

We concur with the accounting recommendations of the auditors and propose that finance staff go through training with the software vendor prior to commencement of year-end activities this fiscal year and that, subsequent to that training, the Standard Operating Procedures for Fiscal Year End be updated. The training should encompass the fiscal year end process for all applications used by the Town.

Our response to the accounting issues identified is:

- a) We agree the outstanding items should have been booked as accounts payable rather than trying to keep the finance software open in two fiscal years.
- b) Most of the issues with the City of Fort Lauderdale occurred because they switched utility billing systems mid-year and that created a great deal of problems on both sides of the transactions. We went back and forth with Fort Lauderdale last year trying to get these issues resolved.

REPORT TO MANAGEMENT (Continued)

- c) The account cash reconciliation issue arose because of the timing of the reconciliations. We determined there was no valid reason for the Town to have as many bank accounts as it did and decided to consolidate accounts effective on the first day of the new fiscal year, October 1, 2010. But when the staff posted the fiscal year-end adjustments to update the transfers to the C/A/D reserve accounts, the bank accounts had already been consolidated. The Interim Finance Director made the decision to accommodate this by showing these transfers as outstanding items on the bank reconciliation. This has since been resolved. Any future differences in the bank reconciliations will be addressed in 30 days or less.
- d) This issue is related to the finding in a) and the same response applies.
- e) The encumbrance issue should be covered in the fiscal year end training by the software vendor so that staff knows how to correctly handle it in fiscal year 2011 and these procedures should be incorporated into the Standard Operating Procedures for Fiscal Year End.

2010-02 Not Maintaining Fixed Assets Schedules

Finding: During the course of conducting procedures for the audit of the fiscal year ended September 30, 2010, it came to our attention that the Town has not been maintaining its capital asset schedules for all funds during the course of the fiscal year. By not maintaining the capital asset schedules, the result could include the following: theft of the Town's assets; failure to account for conveyances, disposals or fully depreciated assets; and overestimating/underestimating depreciation.

Recommendation: The Town should be maintaining its capital asset schedules throughout the course of the fiscal year. The Town's policies for accounting for capital assets and generally accepted accounting principles should be taken into consideration in doing so.

Management Response: We concur with the recommendation. Part of the reason for the discrepancies is that at the end of the previous fiscal year (September 30, 2009) and subsequent audit, the capital asset balances were not reconciled between the CAFR, general ledger and the underlying detail fixed asset schedules by the previous administration. This will definitely be done after the conclusion of this audit so they are in synch in fiscal year 2011.

We have also realized that the schedules provided to the auditors used a capitalization amount of \$500 while the auditors followed the Town's policy of \$2,000. This also contributed to the schedules provided to the auditors not reconciling with the schedules in the fiscal year 2009 CAFR.

Other Findings

2010-03 Incorrect Payout to Terminated Employee

Finding: During the course of conducting procedures for the audit of the fiscal year ended September 30, 2010, it came to our attention that the final payment to the former Town Manager stemming from her termination was incorrectly calculated resulting in an overpayment of the Town's funds. While most of the funds were eventually returned, there was an additional amount in question that was never refunded. The payout amount was made, solely on the approval of the former Assistant Town Manager, though the Town Commission requested to review the calculation before payment was made and informed the former Assistant Town Manager not to approve the distribution before they had a chance to review the calculation.

Recommendation: Before termination benefits (i.e. payment of sick leave, annual (vacation) leave, etc.) and/or severance payments are made to former employees, the employee's employment agreement should be reviewed, if applicable, as well as the Town's Personnel Policy Manual regarding appropriate procedures prior to calculating the payout to ensure the calculation is done in accordance with Town policy and any applicable agreements in place.

REPORT TO MANAGEMENT (Continued)

Management Response: At the time of the former Town Manager's dismissal, the Town Commission directed the Acting Town Manager to review the payout to the former Town Manager with the Town Attorney before making the payment. The Town Attorney repeatedly requested that the Acting Town Manager fulfill that direction and, when he did not, advised the Town Commissioners. Every individual member of the Town Commission has indicated that they called the Acting Town Manager and asked him to stop the payout to the former Town Manager until it could be reviewed in depth by the Town Attorney for consistency with the Town Manager's contract, but the Acting Town Manager refused to comply with their requests. The Acting Town Manager was subsequently dismissed from employment for his actions in this regard, as was the Human Resources Manager for her role in calculating the payout incorrectly. The procedures the auditor recommends were followed by the former Acting Town Manager and Human Resources Manager, but the Acting Town Manager and Human Resources Manager misinterpreted the provisions of the Town's Personnel Policy and the Town Manager's employment contract.

2010-04 Payroll Controls

Finding: During the course of conducting procedures for the audit of the fiscal year ended September 30, 2010, it came to our attention that all timesheets are not being signed off by supervisors.

Recommendation: The Town has certain controls in place for its payroll which should be followed.

Management Response: We concur. Department directors and the person processing payroll should see that timesheets are properly signed.

II. PRIOR YEAR FINDINGS

None

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

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

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

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2009.

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

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

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

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2010, except as noted above.

REPORT TO MANAGEMENT (Continued)

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

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2010, except as noted above.

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

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

There were no such matters discovered by, or that came to the attention of, the auditor, that, in our judgment, are required to be reported, for the fiscal year ended September 30, 2010, except as noted above.

6. The name or official title and legal authority of the Town are disclosed in the notes to the financial statements.
7. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2010 financial audit report.
8. The Town has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.
9. We applied financial condition assessment procedures pursuant to Rule 10.556(7) and no deteriorating financial conditions were noted. It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.