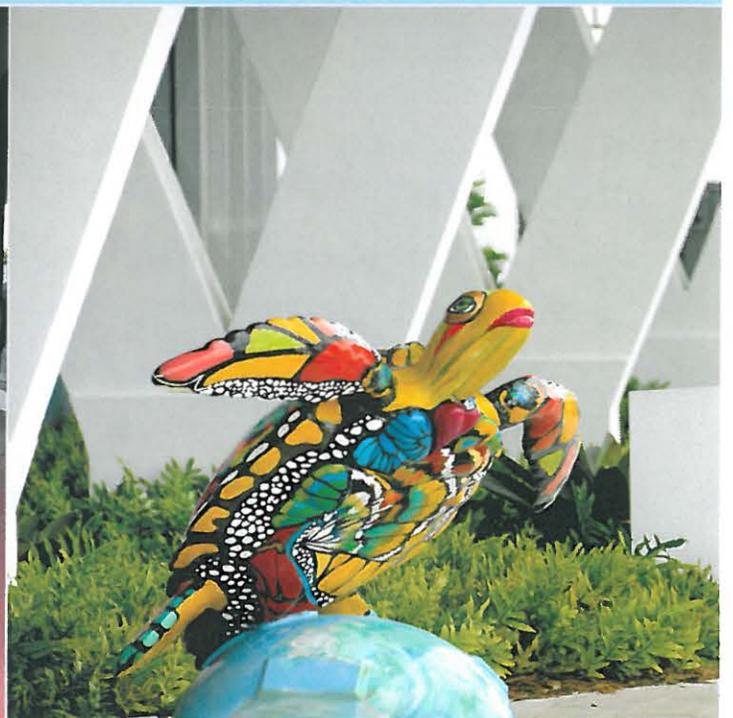


TOWN OF SURFSIDE, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDING
SEPTEMBER 30, 2012



TOWN OF SURFSIDE, FLORIDA
Comprehensive Annual Financial Report
Fiscal Year Ended September 30, 2012



Prepared by the
Finance Department

TOWN OF SURFSIDE, FLORIDA

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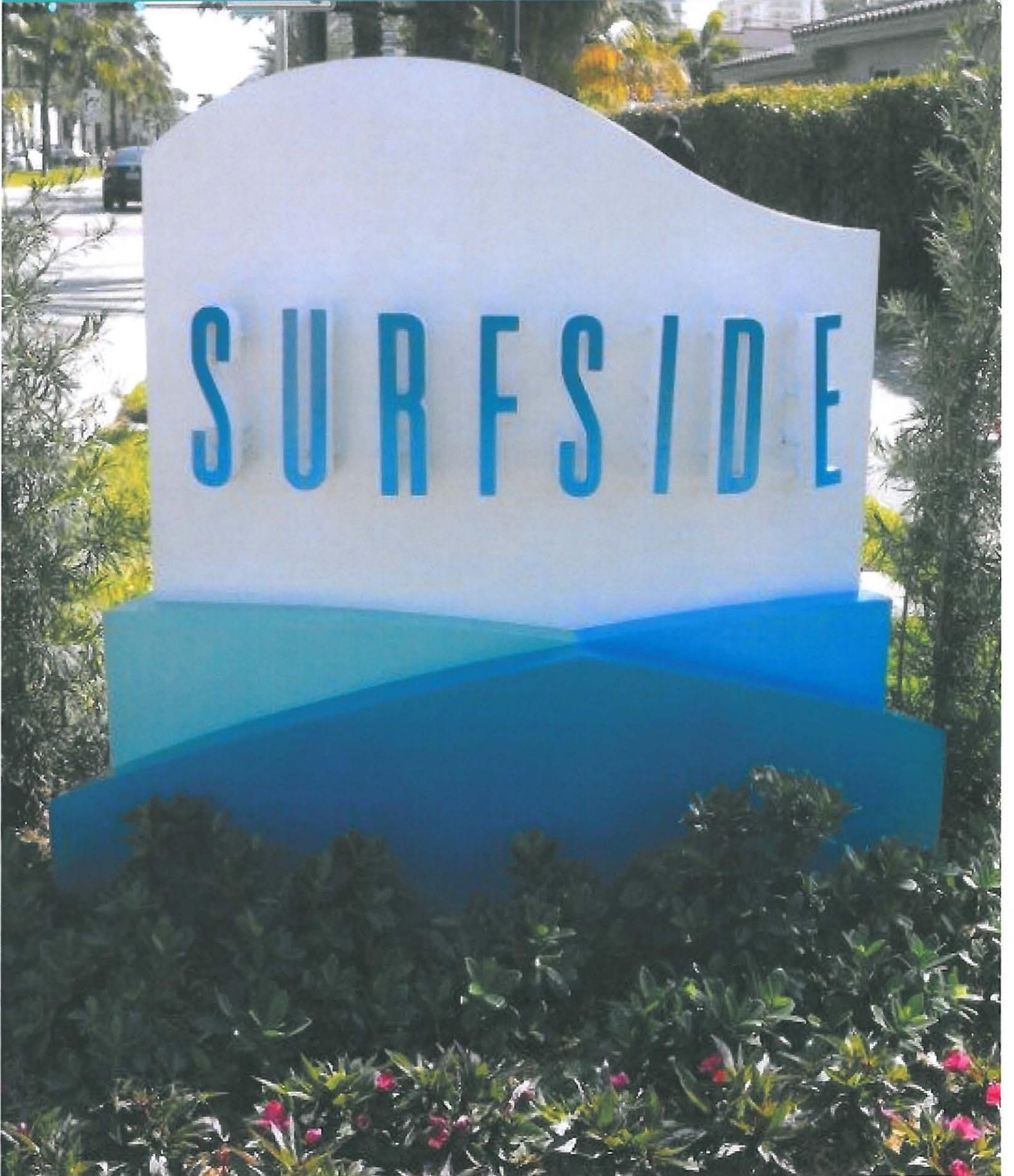
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INTRODUCTORY SECTION



SURFSIDE

LETTER OF TRANSMITTAL



April 2, 2013

To the Honorable Mayor and Vice Mayor, Town Commissioners, and the Citizens of the Town of Surfside, Florida:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Town of Surfside, Florida (the Town), for the fiscal year ended September 30, 2012. Florida Statutes requires that every general-purpose local government publish within nine months of the close of each fiscal year a complete set of audited financial statements. In addition to meeting this legal requirement, the report continues to present the Town's strong tradition of full financial disclosure. This philosophy is reflected by the informative financial analysis provided by the Town's Finance Department and the exhibits and statistical tables included herein.

The CAFR's role is to assist in making economic, social and policy decisions and to assist in assessing accountability to the citizenry by:

- Comparing actual financial results with the legally adopted budget, where appropriate;
- Assessing financial condition and results of operations;
- Assisting in determining compliance with finance related laws, rules and regulations; and
- Assisting in evaluating the efficiency and effectiveness of Town operations.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Town. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly present the financial position and results of operations of the Town; and that all disclosures necessary to enable the reader to gain an understanding of the Town's financial activity have been included.

Marcum LLP, independent auditors, has issued an unqualified opinion on the Town of Surfside's financial statements for the fiscal year ended September 30, 2012. The



independent auditors' report is located at the front of the financial section of this report. The Town's Financial Statements have been prepared in conformity with generally accepted accounting principles as promulgated by the Governmental Accounting Standard Board (GASB). The Town's Management Discussion and Analysis document (the MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A compliments the letter of transmittal and should be read in conjunction with it.

ACCOUNTING AND INTERNAL CONTROLS

Management of the Town is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Town are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that:

- The cost of a control should not exceed the benefits likely to be derived: and
- The valuation of costs and benefits requires estimates and judgments by management.

PROFILE OF THE GOVERNMENT

The Town is a beautiful oceanfront community located in the tropical paradise of South Florida. The Town was incorporated in 1935, celebrated its 75th anniversary during FY 2010, and is home to approximately 5,800 residents. The Town of Surfside includes a tranquil, attractive, residential neighborhood, multi-family residences, a traditional "home town" business district and tourist facilities that welcome visitors year round.

The Town is a Commission-Manager form of government. The Town is governed by a part-time Mayor, Vice-Mayor and three Town Commissioners, elected Townwide to two-year terms. Collectively known as the Town Commission, they appoint a full-time Town Manager, who is responsible for the administration of the Town operations. The Town Commission establishes policy for the operation of the government, enacts ordinances for the safety, welfare, and orderly interaction of the citizens of the Town, adopts a millage rate and annual budget, appoints the Town Attorney, as well as members to various boards, agencies, and authorities within the Town, and engages an independent auditor.

SERVICES PROVIDED

The Town provides a full range of municipal services. These services include police, parks and recreation programs, tourism, public works, human resources, code compliance, finance, town clerk, town attorney, building, and planning and zoning. The Town also provides water and sewer utility, municipal parking, sanitation services and stormwater utility services to its citizens.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment. Despite the economic downturn Surfside has maintained its strong financial position through prudent long-term financial planning, additional non ad-valorem revenue generation and fiscal actions to reduce or contain fixed costs.

While the real estate sales have seen a slowdown, the Town of Surfside enjoys a favorable commercial, residential and economic environment. Local indicators point to increased growth. Additionally, the Surfside real estate market has seen foreclosures rates less than the statewide average. We anticipate an upward trend in taxable value growth as new developments come on line.

Surfside is a tourist destination point in southeast Florida. In fact, with over 37 acres of pristine beach frontage, Surfside has approximately 3-5 percent of all pristine beach frontage in Miami-Dade County. There is no industrial area in the Town. Thanks to the Town's tax rate, diversified commercial business base, a Town-sponsored shuttle system, and an active community of involved citizens who take a genuine interest in the social, business, cultural and governing aspects of life, the Town of Surfside continues to flourish.

The Town Commission has adopted financial policies. Management has made every effort to comply with these policies and we believe that we are in compliance with the adopted policies. During FY10/11, a newly developed long-range financial plan was adopted by the Town Commission. This document forecasts the General Fund and several other fund operations for the next five (5) years and is used to guide the development of the annual operating budget. The plan is in the process of being updated.

The Town has also recognized the long-term financial cost implications of its pension benefits and for FY 11/12 continued to fund 100% of the actuarially determined employer contribution. Accordingly, the funded ratio is 89.4%, well above funded percentages considered to be healthy. The Town continues to monitor its pension costs for sustainability and to provide cost containment so as not to shift the costs to future taxpayers.

The Capital Improvements Program (CIP) is prepared and presented to the Town Commission as part of the annual budget process. The projects represent the Town's plan for infrastructure improvement and major equipment acquisition for the next five years.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to

the Town for its CAFR for the fiscal year ended September 30, 2011. This was the second year that the Town has submitted and received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

It should be noted that the Certificate of Achievement is a prestigious national award, presented to less than 4,000 of approximately 90,000 governmental units nationwide, which recognizes conformance with the highest standards for preparation of state and local government financial reports.

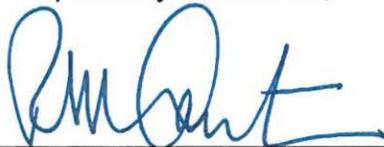
A Certificate of Achievement is valid for a period of one year only. We believe that our current FY 11/12 CAFR continues to meet the Certificate of Achievement requirements and we will submit it to GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

The preparation of this CAFR would not have been possible without the efficient and dedicated service of the Finance Department. The accounting staff consisting of Mayte D Gamiotea, Front Office Manager/Controller, Marisol Rodriguez, Accounting Clerk, Jenorgen Guillen, Customer Service Representative and Andria Meiri, Budget Officer are to be especially thanked for preparing this report. Thank you to our Department heads who assisted and contributed to the preparation of this report and who worked diligently to provide quality service. We also wish to extend our appreciation to the auditing firm of Marcum LLP for their professionalism in conducting the audit of the Town's basic financial statements and related note disclosures.

Finally, credit also must be given to the Town Commission for their unfailing support for maintaining the highest standards of professionalism and transparency in the management of the Town's finances.

Respectfully Submitted,



Roger M. Carlton
Town Manager



Donald G. Nelson
Finance Director

TOWN OF SURFSIDE, FLORIDA

LISTING OF ELECTED OFFICIALS AND ADMINISTRATIVE PERSONNEL

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

TOWN COMMISSION

Daniel Dietch, Mayor

Michael Karukin, Vice Mayor

Joe Graubart, Commissioner

Michelle Kligman, Commissioner

Marta Olchyk, Commissioner

OFFICIALS

Roger M. Carlton, Town Manager

David Allen, Chief of Police

Sandra Novoa, Town Clerk

Lynn M. Dannheisser, Esq., Town Attorney

Tim Milian, Parks and Recreation Director

William H. Evans, Public Works Director

Duncan Tavares, Tourism, Economic Dev. & Community Svs. Director

Paul Gioia, Building Official

Joe Damien, Code Compliance Director

Sarah Sinatra Gould, AICP, Planning/Zoning Manager

Yamileth Slate-McCloud, Human Resource Director

Donald G. Nelson, Finance Director

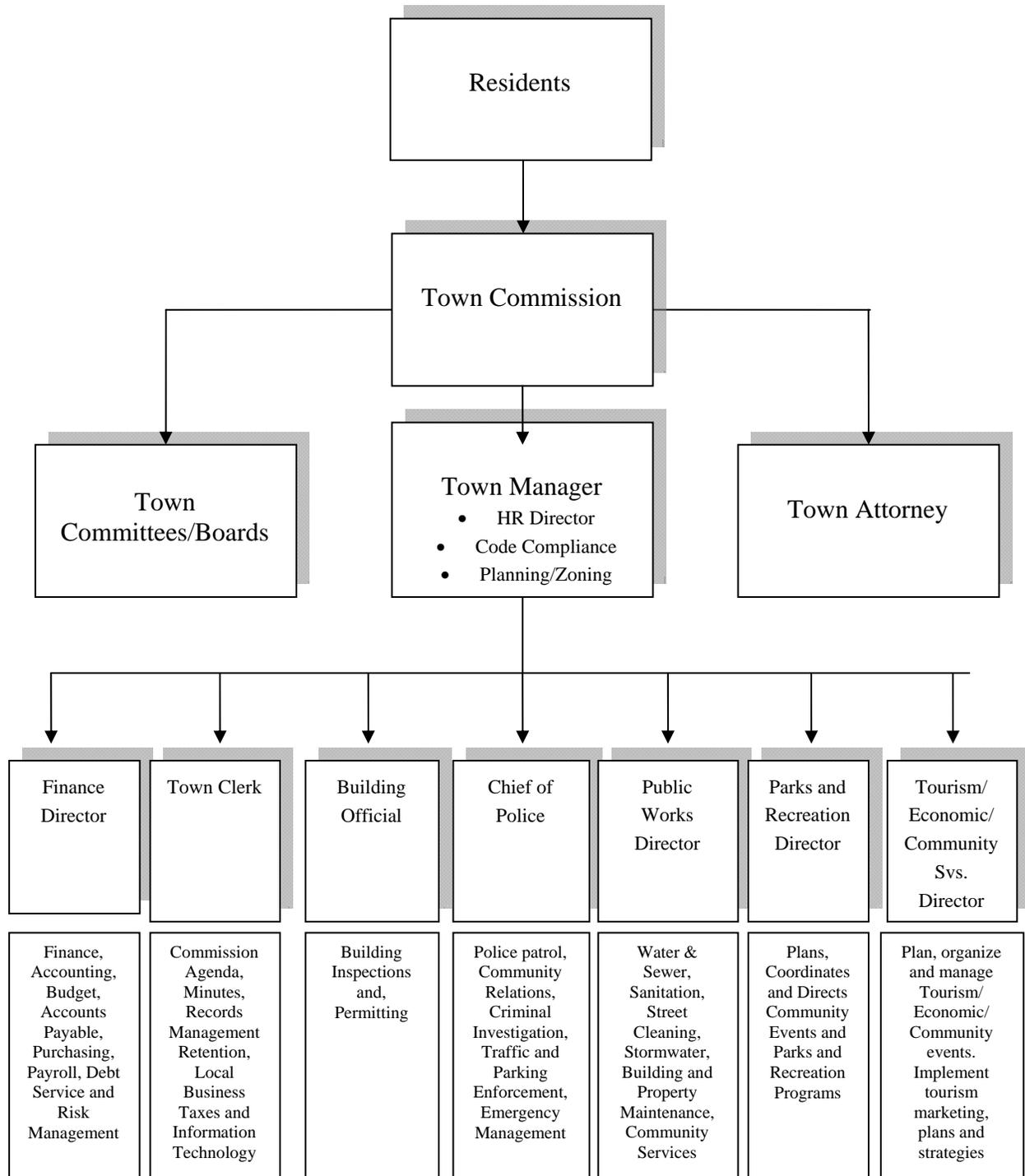
INDEPENDENT AUDITORS

Marcum LLP

TOWN OF SURFSIDE, FLORIDA

ORGANIZATION CHART

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Surfside
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2011

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.



Christopher P. Morrell

President

Jeffrey R. Emer

Executive Director



FINANCIAL SECTION



INDEPENDENT AUDITOR'S
REPORT

INDEPENDENT AUDITORS' REPORT

Honorable Mayor, Town Commission and Town Manager
Town of Surfside, 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 Surfside, Florida (the Town) as of and for the year ended September 30, 2012, 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 Retirement Plan for the Employees of the Town of Surfside, Florida (Pension Trust Fund) which represents approximately 97% and 73% respectively, of the assets and revenues of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the Retirement Plan for the Employees of the Town of Surfside, Florida (Pension Trust Fund), is based solely on the report of the other 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit 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, 2012, 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 April 2, 2013, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the schedules of finding progress and employer contributions on pages 3 through 14 and 56 through 60, 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, which 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 principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We and the other auditors 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 basic financial statements. The combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the report of other auditors, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The information identified in the table of contents as the Introductory and Statistical Sections are presented for the purposes of analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Marcum LLP
Miami, FL
April 2, 2013

MANAGEMENT'S DISCUSSION
AND ANALYSIS

Within this section of the comprehensive annual financial report for the Town of Surfside (the Town), the Town's management is pleased to provide this narrative discussion and analysis of the financial activities of the Town for the fiscal year ended September 30, 2012. The Town's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

2012 FINANCIAL HIGHLIGHTS

- The Town's assets exceeded its liabilities by \$29,930,028 (total net assets) as of September 30, 2012.
- Total net assets increased \$2,031,552 and are comprised of the following:
 - (1) Capital assets, net of related debt, of \$24,767,761 include property and equipment, net of accumulated depreciation, and reduced by related outstanding debt.
 - (2) Net assets of \$416,070 are restricted by constraints imposed from outside the Town such as grantors, laws, or regulations.
 - (3) Unrestricted net assets consist of \$5,086,491 that may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's governmental funds reported total ending fund balance of \$5,815,227 at September 30, 2012. This compares to the prior year total ending fund balance of \$5,198,585 showing an increase of \$616,642 during the current year. Unassigned fund balance is \$3,121,636 at September 30, 2012.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$3,121,636, or 32.3% of total General Fund expenditures. The unrestricted fund balance for the General fund was \$5,266,374 or 54.5% of total General Fund expenditures.
- Overall, the Town continues to maintain a strong financial position.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management Discussion and Analysis document introduces the Town's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. The Town also includes in this report additional information to supplement the basic financial statements. Comparative data is presented to allow comparison to the prior fiscal year.

Government-wide Financial Statements

The Town's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the Town's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first of these government-wide statements is the *Statement of Net Assets*. This is the government-wide statement of position presenting information that includes all of the Town's assets and liabilities, with the difference 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 as a whole is improving or deteriorating. Evaluation of the overall health of the Town would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of the Town's infrastructure, in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the Town's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the Town's distinct activities or functions on revenues provided by the Town's taxpayers.

Both government-wide financial statements distinguish governmental activities of the Town principally supported by taxes from business-type activities intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, public works, leisure services and transportation. Business-type activities include water and sewer, municipal parking, sanitation and storm water utilities activities.

The government-wide financial statements are presented on pages 15 and 16 of this report.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Town uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Town's most significant funds rather than the Town as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for nonmajor funds is provided in the form of combining statements in a later section of this report.

The Town has three types of funds:

Governmental funds are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Town's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives.

The basic governmental fund financial statements are presented on pages 17 - 18 of this report.

Individual fund information for nonmajor governmental funds is found in combining statements in a later section of this report.

Proprietary funds are reported in the fund financial statements and generally report services for which the Town charges customers a fee. The Town's proprietary funds are classified as enterprise funds. The enterprise funds essentially encompass the same function reported as business-type activities in the government-wide statements.

The basic proprietary fund financial statements are presented on pages 20 - 23 of this report.

The Town's *Fiduciary fund* is reported in the fiduciary fund financial statements, but is excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund the Town's programs. The Town's fiduciary fund reports the Town's single employer pension plan balances and activities.

The basic fiduciary fund financial statements are presented on pages 24 and 25 of this report.

Notes to the Basic Financial Statements

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the basic financial statements begin on page 26 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. A budgetary comparison schedule is included as "required supplementary information" for the General Fund. Budgetary comparison schedules for all other governmental funds can be found in the supplementary information section of this report. These schedules demonstrate compliance with the Town's adopted and final revised budget. In addition, some required trend information for the Town's pension trust fund and other post employment benefits (OPEB) plan are presented in this section. Required supplementary information can be found on pages 56 - 60 of this report.

Supplementary Information

As discussed, the Town reports major funds in the basic financial statements. Combining and individual fund statements and schedules for nonmajor funds are presented in a supplementary information section of this report beginning on page 61.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

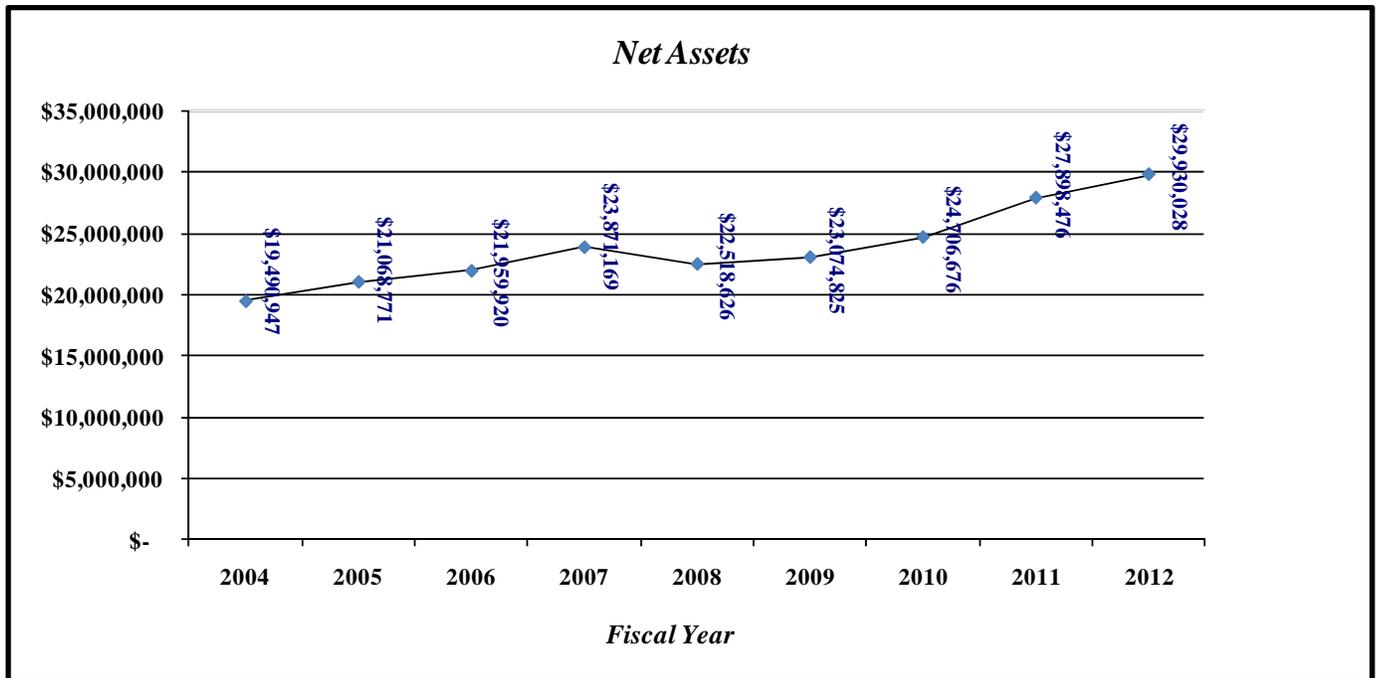
The Town's net assets at fiscal year-end are \$29,930,028. The following table provides a summary of the Town's net assets:

Summary of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets:						
Current assets	\$ 6,965,075	\$ 6,848,765	\$ 2,858,944	\$ 5,756,789	\$ 9,824,019	\$ 12,605,554
Non-current assets						
Other	207,392	217,686	5,859,707	16,378,291	6,067,099	16,595,977
Capital assets	14,095,832	14,039,238	20,132,159	6,106,956	34,227,991	20,146,194
Total assets	21,268,299	21,105,689	28,850,810	28,242,036	50,119,109	49,347,725
Liabilities:						
Current liabilities	1,609,879	1,678,871	6,796,626	2,098,210	8,406,505	3,777,081
Long-term liabilities	627,762	317,484	11,154,814	17,354,684	11,782,576	17,672,168
Total liabilities	2,237,641	1,996,355	17,951,440	19,452,894	20,189,081	21,449,249
Net assets:						
Investment in capital assets, net of related debt	13,528,097	13,308,427	11,239,664	4,161,480	24,767,761	17,469,907
Restricted	416,070	542,516	1,283,916	1,171,714	1,699,986	1,714,230
Unrestricted	5,086,491	5,258,391	(1,624,210)	3,455,948	3,462,281	8,714,339
Total net assets	\$ 19,030,658	\$ 19,109,334	\$ 10,899,370	\$ 8,789,142	\$ 29,930,028	\$ 27,898,476

(This page continued on the subsequent page)

The following chart reports the Town's total net asset balances from fiscal year 2004 - 2012.



Note over the last eight years, the total net assets have increased \$10,439,081 or 53.6%.

Current assets in governmental activities increased and business-type activities decreased in fiscal year September 30, 2012. Unrestricted cash for governmental activities increased approximately \$250,000. For business-type activities, cash decreased approximately \$2.6 million.

The Town continues to maintain high current ratios. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. The current ratio for governmental activities is 4.3 to 1 as compared to 4.1 to 1 at September 30, 2011. The current liabilities exceed the current assets. Overall, the total current ratio at September 30, 2012 was 1.2 to 1 as compared to 3.3 to 1 at September 30, 2011.

The Town reported positive balances in net assets for both governmental and business-type activities. During 2012, net assets decreased \$78,676 for governmental activities and increased \$2,110,228 for business-type activities. The Town's overall financial position improved during fiscal year 2012. The Town remains in a strong financial position, in spite of a continued depressed economy.

Note that 66.3% of the governmental activities' total assets are tied up in capital assets. The Town uses these capital assets to provide services to its citizens. Approximately, 69.8% of the business-type activities total assets are included in capital assets. These capital assets provide utility and parking services to the Town's citizens. By combining governmental activities with business-type activities, the Town has invested approximately 68.3% of its total assets in capital assets, as presented in the government-wide statement of net assets.

The following table provides a summary of the Town's changes in net assets:

Summary of Changes in Net Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Revenues:						
Program:						
Charges for services	\$ 2,288,488	\$ 1,105,914	\$ 5,401,035	\$ 5,289,522	\$ 7,689,523	\$ 6,395,436
Operating grants and contributions	245,305	272,696	-	-	245,305	272,696
Capital grants	-	131,054	276,844	567,710	276,844	698,764
General:						
Property taxes	5,264,387	5,619,494	-	-	5,264,387	5,619,494
Other taxes	1,540,780	1,675,469	-	-	1,540,780	1,675,469
Unrestricted intergovernmental	639,582	656,461	-	-	639,582	656,461
Unrestricted investment earnings	62,782	37,368	14,790	15,130	77,572	52,498
Miscellaneous	205,832	138,283	-	-	205,832	138,283
Total revenues	10,247,156	9,636,739	5,692,669	5,872,362	15,939,825	15,509,101
Program Expenses:						
General government	3,117,750	2,791,917	-	-	3,117,750	2,791,917
Public safety	4,418,680	4,099,678	-	-	4,418,680	4,099,678
Public works	980,590	829,383	-	-	980,590	829,383
Leisure services	1,691,572	1,139,460	-	-	1,691,572	1,139,460
Transportation	138,815	124,500	-	-	138,815	124,500
Interest	4,754	-	-	-	4,754	-
Water and sewer	-	-	1,730,300	1,818,762	1,730,300	1,818,762
Municipal parking	-	-	622,208	368,497	622,208	368,497
Sanitation	-	-	1,073,281	1,022,897	1,073,281	1,022,897
Stormwater utility	-	-	130,323	122,207	130,323	122,207
Total expenses	10,352,161	8,984,938	3,556,112	3,332,363	13,908,273	12,317,301
Changes in net assets before transfers	(105,005)	651,801	2,136,557	2,539,999	2,031,552	3,191,799
Transfers	26,329	212,172	(26,329)	(212,172)	-	-
Changes in net assets after transfers	(78,676)	863,973	2,110,228	2,327,827	2,031,552	3,191,800
Beginning net assets	19,109,334	18,245,361	8,789,142	6,461,315	27,898,476	24,706,676
Ending net assets	<u>\$ 19,030,658</u>	<u>\$ 19,109,334</u>	<u>\$ 10,899,370</u>	<u>\$ 8,789,142</u>	<u>\$ 29,930,028</u>	<u>\$ 27,898,476</u>

Governmental Activity Revenues

The Town is heavily reliant on property taxes to support governmental operations. Property taxes provided 51.4% of the Town's total revenues as compared to 58.3% in fiscal year 2011. Other taxes, which includes resort, franchise, utility and communications taxes provided 15% of the Town's total revenues as compared to 17.4% in fiscal year 2011. The charges for services increased \$1,182,574, due primarily to the increase in building permit revenue. Because of the Town's healthy financial position, we have been able to earn \$62,782 in unrestricted investment earnings to support governmental activities.

Note that program revenues covered 24.5% of governmental operating expenditures as compared to 16.8% in fiscal year 2011. This means that the government's taxpayers and the Town's other general revenues normally fund 75.5% of the governmental activities, primarily from property taxes, other taxes and unrestricted intergovernmental revenue. As a result, the general economy and the success of local businesses have a major impact on the Town's revenue streams.

Governmental Activity Expenses

The following table presents the cost of each of the Town's services, including the net costs (i.e., total cost less program revenues generated by the activities). The net costs illustrate the financial burden that is placed on the Town's taxpayers by each of these services.

	Governmental Activities			
	Total Cost of Services	Percentage of Total	Net Cost of Services	Percentage of Total
General government	\$ 3,117,750	30.1%	\$ 1,842,804	23.6%
Public safety	4,418,680	42.7%	3,738,299	47.8%
Physical environment	980,590	9.5%	980,590	12.5%
Leisure services	1,691,572	16.3%	1,304,402	16.7%
Transportation	138,815	1.3%	(52,481)	-0.7%
Interest	4,754	0.1%	4,754	0.1%
Total	\$ 10,352,161	100.0%	\$ 7,818,368	100.0%

The public safety expenditures, both gross and net of program revenues total over 42% of total costs. As noted, total cost and net costs do not differ substantially by percentage for each service.

Business-Type Activities

The Town reports four major enterprise funds.

Overall Analysis of Major Funds – Total operating revenues increased \$111,513 or 2.1%. Operating expenses increased \$223,749 or 6.7%. In total, the operating income decreased \$112,236. The total increase in net assets for all enterprise funds was \$2,110,228.

The operating income for each major enterprise fund was as follows for fiscal years 2012 and 2011:

	2012	2011	Increase (Decrease)
Water and sewer	\$ 1,055,048	\$ 1,057,248	\$ (2,200)
Municipal parking	270,818	311,473	(40,655)
Sanitation	146,408	208,990	(62,582)
Stormwater	372,649	379,448	(6,799)
Total	\$ 1,844,923	\$ 1,957,159	\$ (112,236)

The following includes an analysis of the fiscal year 2012 financial activities for each fund.

Water and Sewer Fund - The total assets increased \$674,821, due primarily to \$12.2 million in the cost of capital assets and a decrease in cash of \$11.2 million. Total liabilities decreased about \$700,000. Operating revenues decreased \$90,662 or 3.2%. This decrease occurred due to a combination of factors. It is largely attributable to the decrease in consumption (an anticipated benefit of the recent rate restructuring emphasizing conservation) and substantial rainfall, which causes less use of irrigation water.

In total, operating expenses decreased \$88,462 or 4.9%. As described above there was less consumption, therefore, the water purchases (our wholesale costs) declined. This decrease is attributed to the efforts of our residents/customer imposing conservation efforts.

Net assets increased \$1,354,701 or 31.5% in fiscal year 2012, resulting in ending net assets of \$5,657,827.

Municipal Parking Fund - The total assets increased \$284,007. Capital assets increased \$376,817 and the accumulated depreciation increased approximately \$79,000.

Operating revenues increased \$213,056 or 24%. This increase relates to the successful implementation of a full year of new parking pay stations, increased rates and the addition of 17 new single meters installed on street sides. In addition, there is an increase in visitors to our beaches, downtown area and utilization of parking by construction workers.

In total, operating expenses increased \$253,711 or 68.9%. The cost of personal services increased \$50,592 or 25.1%. This department was restructured to handle the workload; the increase in expense was more than exceeded by the increase in revenues. The administrative costs increased \$187,594 or 181.8%. The increase in these costs relates to the City's program to improve three municipal parking lots during the year, which were completed along with the related landscaping cost of approximately \$135,000 and the purchase of parking stations and meter warranty for \$67,000.

In total, operating income decreased \$40,655 in fiscal year 2012 from fiscal year 2011. Net assets increased \$250,234 or 8.1% in fiscal year 2012, resulting in ending net assets of \$3,325,301.

Sanitation Fund - The total assets increased \$45,167. Total liabilities increased \$9,656. Operating revenues were \$12,198 below the fiscal year 2011 amount. In total, operating expenses increased \$50,384. The garbage demands have increased the cost of \$21,043 for solid waste disposal and recycling. The solid waste fleet is aging and maintenance and repairs were necessary totaling \$23,290 and personnel costs increased due to the results of a compensation study.

Operating income decreased \$62,582 or 29.9%. Net assets increased \$35,511 or 13.5% in fiscal year 2012, resulting in ending net assets of \$297,973.

Stormwater Fund - The total assets decreased \$395,221, due primarily to the decrease in restricted cash. Most of the cash resulting in an increase in construction in progress. Total liabilities increased \$865,003 due to an increase in the issuance of utility revenue bonds. Operating revenues were almost identical to those of fiscal year 2011. Operating expenses were \$130,323 or an \$8,116 increase over 2011. As a result, operating income was \$372,649, down \$6,799 from fiscal year 2011.

Net assets increased \$469,782 or 40.9% in fiscal year 2012, resulting in ending net assets of \$1,618,269.

FUND ANALYSIS

Governmental Funds

Governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$5,815,227 compared to \$ 5,198,585 at September 30, 2011.

The total governmental revenues exceeded expenditures by \$90,239. This difference results primarily from the activity of our two major funds. The general fund's revenues exceeded its expenditures by \$141,932. The capital projects fund's expenditures exceeded total revenue, by \$116,971.

Governmental funds report total fund balance of \$5,815,227. Of this year-end total, \$416,070 is legally restricted. \$2 million is assigned in the General Fund for emergencies and disasters since we are a coastal community subject to hurricane risk, as well as for working capital, and \$132,783 is assigned in the Capital Projects Fund for future capital projects. \$144,738 is considered nonspendable and \$3,121,636 is unassigned and available for future appropriation within the General Fund.

The total ending fund balances of governmental funds show an increase of \$616,642 or 11.9% over the prior year.

Major Governmental Funds

The Town reports two major governmental funds, the General Fund and the Capital Projects Fund.

General Fund - The General Fund is the Town's primary operating fund and the largest source of day-to-day service delivery. The General Fund's fund balance increased by approximately \$1 million or 23.7% as compared to a 34.6% decrease in 2011. The ending assigned and unassigned fund balance is considered adequate, representing the equivalent of 53% of annual expenditures. This compares to 51.5% at September 30, 2011.

Property taxes decreased \$355,107 or 6.3%. In this fiscal year, the millage/taxes were decreased from 5.603 to 5.500. In addition, the taxable values have been decreasing due to the recession. In total, all other tax revenues were \$35,906, or 3.2% above those of 2011.

Licenses and permit revenue were \$1,274,946, or \$815,397 and 177.4% more than fiscal year 2011. The building permits increased due to the activity of large-scale projects going under construction around the Town, mainly the Grand Beach Hotel. Licenses increased due to the implementation of the staff understanding the ordinance and the fee structure, along with code enforcement monitoring.

Revenue for fines and forfeitures increased \$146,577 or 30.5% resulting from more red light citations along with the increase of code compliance and staff efforts to collect delinquent fines.

All other revenue streams were consistent with the 2011 amounts.

Total General Fund expenditures increased \$1,611,474 or 20% above the fiscal year 2011 level. The most significant changes, by department, from fiscal year 2011 are described below.

General government costs were \$539,600 over the 2011 amount. Of this increase, \$481,805 relates to executive, finance and administration. The compensation study was implemented during the year, and resulted in salary adjustments to approximately 50% of the Town's employees and a third year reopener of the FOP collective bargaining agreement was negotiated.

Public works costs were \$152,661 over the fiscal year 2011 level. The increase relates to enhanced landscape upgrades and maintenance to parks, beach and Town's facilities along with an increase in salaries due to the compensation study.

Leisure services costs increased \$406,162 or 36.2% primarily because of a full year of operation for the new Community Center. In addition, there was an expansion of programs. These costs are offset by general fund revenues of 66% share of Tourist tax.

Capital outlay expenditures increased \$401,670 as the Town implemented phases 1 and 2 of the police vehicle replacement program.

Capital Projects Fund - This fund reported revenue from investment earnings totaling \$12,201. This fund spent \$121,205 on capital items and transferred \$150,000 to the general fund. This fund is spending their fund balance on needed capital projects. This transfer was made to return funds back to the general fund upon the completion of the community center, which was completed in fiscal year 2011. At September 30, 2012, this fund reported approximately \$292,394 in cash. Of this amount, \$196,503 will be paid to liquidate the retainage payable. At year-end, this fund reported fund balance of \$132,783.

Proprietary Funds

Proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. The business-type activities analysis above discusses the Town's enterprise funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund's revenue budget was amended upward in this fiscal year, by \$605,401. The property tax budget was amended downward by \$76,790; however, actual revenues were \$23,912 over the amended budget. The licenses and permits budget was amended upward \$724,393 to account for the anticipated fees from the Grand Beach Hotel construction project. Also planned construction projects include the Surf Club, the 92nd Street Hotel, Young Israel, the Shul and replacement of the Best Western Hotel, all totaling over \$600 million in construction.

The fines and forfeitures budget also was amended downward \$215,000, primarily due to projecting the first full year of red light camera revenues and the effect of the water and sewer project inhibiting speeding/red light violations, and to adjust the projections for the new revenue line item, "Fines-Liens" enforcement. The reduced revenues still cover the cost of the cameras.

The General Fund's expenditure (excluding transfers) budget was increased \$605,401 or 6.1%.

Total general government function budget for executive, finance and administration was amended upward by \$463,384 or 19%. This increase relates to the following anticipated costs:

- The continuation of legal resources to cover for ongoing lawsuits and prosecutions,
- Position reclassification due to the implemented compensation study,
- The increase in information technology support
- The maintenance of the elevator in Town Hall along with all other building and grounds maintenance.

The executive, finance and administration final budget was underspent by \$722,794 due to the following major items:

- The mid-year budget adjustment increased budgeted Contingency/Reserves from \$95,175 to \$514,019. The net \$418,844 increase was predominantly from higher than expected building permit revenue.
- Legislative:
 - ✓ Various expenditures under budget \$8,980.
- Public Safety:
 - ✓ Red light cameras off-line for three months due to FDOT repaving of Collins Avenue resulted in savings of approximately \$51,000.
 - ✓ Reduction in vehicle maintenance costs of \$18,000 from replacement of aging fleet.
- Town Clerk:
 - ✓ Salaries less than projected budget of approximately \$45,000.
 - ✓ Election costs of \$28,500 budgeted in fiscal year 2012 but billed by MDC in 2013.
 - ✓ Information Technology Service costs approximately \$35,000 under budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of September 30, 2012, was \$14,095,832 and \$20,132,159 respectively. The change in this net investment was an approximately just 4/10th of 1% increase for governmental activities and a 230% increase for business-type activities. See Note 6 for additional information about changes in capital assets during the fiscal year and outstanding at the end of the year.

The following table provides a summary of capital asset activity:

	Capital Assets					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Non-depreciable assets:						
Land	\$ 1,461,229	\$ 1,461,229	\$ 1,358,011	\$ 1,358,011	\$ 2,819,240	\$ 2,819,240
Construction in progress	411,606	403,606	17,600,215	3,783,755	18,011,821	4,187,361
Total non-depreciable	<u>1,872,835</u>	<u>1,864,835</u>	<u>18,958,226</u>	<u>5,141,766</u>	<u>20,831,061</u>	<u>7,006,601</u>
Depreciable assets:						
Buildings	10,551,831	10,450,516	-	-	10,551,831	10,450,516
Machinery, equipment and furniture	3,024,117	2,809,072	940,410	908,815	3,964,527	3,717,887
Infrastructure	<u>2,315,800</u>	<u>2,311,479</u>	<u>2,718,195</u>	<u>2,429,163</u>	<u>5,033,995</u>	<u>4,740,642</u>
Total depreciable assets	15,891,748	15,571,067	3,658,605	3,337,978	19,550,353	18,909,045
Less accumulated depreciation	<u>3,668,751</u>	<u>3,396,664</u>	<u>2,484,672</u>	<u>2,372,788</u>	<u>6,153,423</u>	<u>5,769,452</u>
Book value - depreciable assets	<u>12,222,997</u>	<u>12,174,403</u>	<u>1,173,933</u>	<u>965,190</u>	<u>13,396,930</u>	<u>13,139,593</u>
Percentage depreciated	<u>23%</u>	<u>22%</u>	<u>68%</u>	<u>71%</u>	<u>31%</u>	<u>31%</u>
Total net capital assets	<u>\$ 14,095,832</u>	<u>\$ 14,039,238</u>	<u>\$ 20,132,159</u>	<u>\$ 6,106,956</u>	<u>\$ 34,227,991</u>	<u>\$ 20,146,194</u>

At September 30, 2012, the depreciable capital assets for governmental activities were 23% depreciated. This compares to the 22% at September 30, 2011. With the Town's business-type activities, 68% of the asset values were depreciated at September 30, 2012 compared to 71% at September 30, 2011. These percentages indicate that the Town is replacing their capital assets at the same rate, as they are being depreciating, which is a positive financial indicator.

In the business-type activities, the Town has undertaken a \$16 million capital project, which is being funded by utility revenue bonds. The construction in progress for business-type activities at September 30, 2012 includes the following improvements:

- Water and Sewer maintenance/rehabilitation project (\$12.2 million)
- Stormwater pollution control project (\$1.5 million)

Included in the business-type activities infrastructure additions include the improvement of three parking lots for the Municipal Parking fund.

Debt

In this fiscal year, in addition to the revenue bond amortization scheduled payments, the City repaid \$4 million of the original \$16 million at no penalty. This payment reduces our interest costs.

In this fiscal year, the inception of a capital lease of \$500,000 relates to a three-phase vehicle replacement program for the Public Safety department to replace its aging fleet. This program was approved as a policy and adopted by the Town Commission in fiscal year 2012 for 5 years to keep maximum mileage per vehicle at 75,000 before replacement. Phase I (\$300,000) and Phase II (\$200,000) were implemented during this fiscal year for the purchased vehicles.

The “due to other governments” classification includes a memorandum of understanding between the Town and Bal Harbour Village, Florida, for a sewer force main project along Collins Avenue.

The Municipal Parking Fund reports \$160,000 of non-interest bearing notes, used to purchase land for this fund. This note is due in three increments, in February 2012 (paid in fiscal year 2012), 2013, 2014.

The following table reports long-term debt balances at September 30, 2012 and 2011:

	Outstanding Long-term Debt					
	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Revenue bonds	\$ -	\$ -	11,507,445	16,000,000	\$ 11,507,445	\$ 16,000,000
Capital lease	427,130	-	-	-	-	-
Due to other governments	-	-	1,597,636	1,597,636	-	-
Notes	-	-	160,000	240,000	160,000	240,000
Compensated absences	296,509	286,911	73,872	83,201	370,381	370,112
Net OPEB obligation	89,352	59,264	22,981	14,719	112,333	73,983
Total	\$ 812,991	\$ 346,175	\$ 13,361,934	\$ 17,935,556	\$ 12,150,159	\$ 16,684,095

See Note 8 for additional information about the Town’s long-term debt.

A SUMMARY OF THE ECONOMIC CONDITIONS AFFECTING THE TOWN

The State of Florida, by Constitution, does not have a state personal income tax and therefore the State operates primarily using sales, gasoline and corporate income taxes. Local governments (towns and cities, counties, school boards) primarily rely on property and an array of permitted other taxes (utility taxes, franchise fees and occupational taxes) as well as intergovernmental revenues for their governmental activities. For business-type activities and certain governmental activities (building/construction services and recreational programs), the user pays a related fee or charge associated with the service. The unemployment rate for Miami-Dade County/Fort Lauderdale is currently 9.4%, which is a decrease from a rate of 10.3% a year ago. The Town’s residents would expect to have a lower unemployment rate than is reported for the county. However, inflationary trends in the region compare favorably to national indices, which is a positive sign.

In the fiscal year 2013 adopted budget, we operated in a modestly improving economic environment. There are preliminary indications of an increase in property values, both new and existing.

Some of the key elements affecting the fiscal year 2013 budget include:

- A decline in taxable values
- A continuing low interest yield environment
- Variable crude oil prices which may assert some inflationary pressures

- Significant value of approved major construction projects as proposed in the Five Year Financial Plan
- Little new growth in the State of Florida shared revenues

All of these factors result in many budget challenges in our fiscal year 2013 and beyond.

The millage rate for fiscal year 2013 was decreased from 5.6030 to 5.5000, the latter being below the rollback rate. This millage rate was established to share a portion of the improved Town financial situation (growth in reserves) with the taxpayers.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Town's finances, comply with finance-related laws and regulations, and demonstrate the Town's commitment to public accountability. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Finance Support Services Director, Town of Surfside, 9293 Harding Avenue, Surfside, FL 33154.

BASIC FINANCIAL STATEMENTS

These basic financial statements contain

Government-wide Financial Statements, Fund Financial Statements and Notes to the Financial Statements.

TOWN OF SURFSIDE, FLORIDA

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2012

	Governmental Activities	Business- type Activities	Total
Assets			
Cash and cash equivalents	\$ 6,099,373	\$ 2,012,116	\$ 8,111,489
Investments	249,538	10,750	260,288
Receivables	471,226	821,190	1,292,416
Prepaid items	144,938	14,888	159,826
Restricted assets:			
Cash and cash equivalents	--	5,796,761	5,796,761
Bond issue costs	--	62,946	62,946
Net pension asset	207,392	--	207,392
Capital assets not being depreciated	1,872,835	18,958,226	20,831,061
Capital assets being depreciated, net	<u>12,222,997</u>	<u>1,173,933</u>	<u>13,396,930</u>
Total Assets	<u>21,268,299</u>	<u>28,850,810</u>	<u>50,119,109</u>
Liabilities			
Accounts payable	255,556	2,931,025	3,186,581
Accrued liabilities	821,730	98,396	920,126
Due to other governments	--	1,597,636	1,597,636
Interest payable	--	304,980	304,980
Retainage payable	196,503	1,060,573	1,257,076
Unearned revenue	--	39,842	39,842
Customer deposits	150,861	154,690	305,551
Noncurrent liabilities:			
Due within one year	185,229	609,484	794,713
Due in more than one year	<u>627,762</u>	<u>11,154,814</u>	<u>11,782,576</u>
Total Liabilities	<u>2,237,641</u>	<u>17,951,440</u>	<u>20,189,081</u>
Net Assets			
Invested in capital assets, net of related debt	13,528,097	11,239,664	24,767,761
Restricted for:			
Tourism	171,496	--	171,496
Transportation	122,302	--	122,302
Police forfeiture	122,272	--	122,272
Renewal and replacement	--	1,283,916	1,283,916
Unrestricted	<u>5,086,491</u>	<u>(1,624,210)</u>	<u>3,462,281</u>
Total Net Assets	<u>\$ 19,030,658</u>	<u>\$ 10,899,370</u>	<u>\$ 29,930,028</u>

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

TOWN OF SURFSIDE, FLORIDA

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	
Governmental Activities							
General government	\$ 3,117,750	\$ 1,274,946	\$ --	\$ --	\$ (1,842,804)	\$ --	\$ (1,842,804)
Public safety	4,418,680	626,372	54,009	--	(3,738,299)	--	(3,738,299)
Public works	980,590	--	--	--	(980,590)	--	(980,590)
Leisure services	1,691,572	387,170	--	--	(1,304,402)	--	(1,304,402)
Transportation	138,815	--	191,296	--	52,481	--	52,481
Interest on long-term debt	4,754	--	--	--	(4,754)	--	(4,754)
Total Governmental Activities	<u>10,352,161</u>	<u>2,288,488</u>	<u>245,305</u>	<u>--</u>	<u>(7,818,368)</u>	<u>--</u>	<u>(7,818,368)</u>
Business-type Activities							
Water and sewer	1,730,300	2,785,348	--	276,844	--	1,331,892	1,331,892
Municipal parking	622,208	893,026	--	--	--	270,818	270,818
Sanitation	1,073,281	1,219,689	--	--	--	146,408	146,408
Stormwater utility	130,323	502,972	--	--	--	372,649	372,649
Total Business-type Activities	<u>3,556,112</u>	<u>5,401,035</u>	<u>--</u>	<u>276,844</u>	<u>--</u>	<u>2,121,767</u>	<u>2,121,767</u>
Total	<u>\$ 13,908,273</u>	<u>\$ 7,689,523</u>	<u>\$ 245,305</u>	<u>\$ 276,844</u>	<u>(7,818,368)</u>	<u>2,121,767</u>	<u>(5,696,601)</u>
General Revenues							
Taxes							
Property taxes					5,264,387	--	5,264,387
Resort taxes					344,063	--	344,063
Franchise fees based on gross receipts					399,621	--	399,621
Utility taxes					471,994	--	471,994
Communications services tax					325,102	--	325,102
Unrestricted intergovernmental revenues					639,582	--	639,582
Unrestricted investment earnings					62,782	14,790	77,572
Miscellaneous revenues					205,832	--	205,832
Transfers					26,329	(26,329)	--
Total General Revenues and Transfers					<u>7,739,692</u>	<u>(11,539)</u>	<u>7,728,153</u>
Change in Net Assets					(78,676)	2,110,228	2,031,552
Net Assets - Beginning					<u>19,109,334</u>	<u>8,789,142</u>	<u>27,898,476</u>
Net Assets - Ending					<u>\$ 19,030,658</u>	<u>\$ 10,899,370</u>	<u>\$ 29,930,028</u>

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

TOWN OF SURFSIDE, FLORIDA

BALANCE SHEET GOVERNMENTAL FUNDS

SEPTEMBER 30, 2012

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 5,438,717	\$ 292,394	\$ 368,262	\$ 6,099,373
Investments	186,530	56,265	6,743	249,538
Receivables	416,313	200	54,713	471,226
Prepaid items	144,738	--	200	144,938
Total Assets	<u>\$ 6,186,298</u>	<u>\$ 348,859</u>	<u>\$ 429,918</u>	<u>\$ 6,965,075</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 222,933	\$ 19,573	\$ 13,050	\$ 255,556
Accrued liabilities	546,130	--	798	546,928
Retainage payable	--	196,503	--	196,503
Customer deposits	150,861	--	--	150,861
Total Liabilities	<u>919,924</u>	<u>216,076</u>	<u>13,848</u>	<u>1,149,848</u>
Fund Balances				
Non-spendable:				
Prepaid items	144,738	--	--	144,738
Restricted for:				
Tourism	--	--	171,496	171,496
Transportation Surtax	--	--	122,302	122,302
Police Forfeiture	--	--	122,272	122,272
Assigned for:				
Hurricanes and emergencies	2,000,000	--	--	2,000,000
Capital projects	--	132,783	--	132,783
Unassigned	3,121,636	--	--	3,121,636
Total Fund Balances	<u>5,266,374</u>	<u>132,783</u>	<u>416,070</u>	<u>5,815,227</u>
Total Liabilities and Fund Balances	<u>\$ 6,186,298</u>	<u>\$ 348,859</u>	<u>\$ 429,918</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	\$ 14,095,832
A net pension asset is not considered to represent a financial asset and therefore is not reported in the governmental fund	207,392
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Compensated absences	(296,509)
Claim settlement	(274,802)
Capital Lease	(427,130)
Net OPEB obligation	(89,352)
Net Assets of Governmental Activities	<u>\$ 19,030,658</u>

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

TOWN OF SURFSIDE, FLORIDA

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 5,264,387	\$ --	\$ --	\$ 5,264,387
Resort taxes	344,063	--	179,580	523,643
Utility taxes	471,994	--	--	471,994
Communications services tax	325,102	--	--	325,102
Franchise fees	399,621	--	--	399,621
Licenses and permits	1,274,946	--	--	1,274,946
Intergovernmental	639,582	--	191,296	830,878
Charges for services	207,563	--	--	207,563
Fines and forfeitures	626,372	--	52,195	678,567
Investment earnings	44,763	12,201	1,855	58,819
Miscellaneous	205,832	--	5,804	211,636
Total Revenues	<u>9,804,225</u>	<u>12,201</u>	<u>430,730</u>	<u>10,247,156</u>
Expenditures				
Current:				
General government	2,711,016	7,967	198,782	2,917,765
Public safety	3,948,737	--	41,537	3,990,274
Public works	873,549	--	--	873,549
Leisure services	1,529,608	--	--	1,529,608
Transportation	--	--	117,044	117,044
Capital outlay	521,685	121,205	8,089	650,979
Debt service:				
Principal	72,944	--	--	72,944
Interest and fiscal charges	4,754	--	--	4,754
Total Expenditures	<u>9,662,293</u>	<u>129,172</u>	<u>365,452</u>	<u>10,156,917</u>
Excess (Deficiency) of Revenues over Expenditures	<u>141,932</u>	<u>(116,971)</u>	<u>65,278</u>	<u>90,239</u>
Other Financing Sources (Uses)				
Capital lease proceeds	500,074	--	--	500,074
Transfers in	394,565	--	--	394,565
Transfers out	(26,512)	(150,000)	(191,724)	(368,236)
Total Other Financing Sources (Uses)	<u>868,127</u>	<u>(150,000)</u>	<u>(191,724)</u>	<u>526,403</u>
Net Change in Fund Balances	1,010,059	(266,971)	(126,446)	616,642
Fund Balances - Beginning	<u>4,256,315</u>	<u>399,754</u>	<u>542,516</u>	<u>5,198,585</u>
Fund Balances - Ending	<u>\$ 5,266,374</u>	<u>\$ 132,783</u>	<u>\$ 416,070</u>	<u>\$ 5,815,227</u>

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

TOWN OF SURFSIDE, FLORIDA

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

Amounts reported for governmental activities in the statement of activities (Page 16) are different because:

Net change in fund balances - total governmental funds (Page 18)	\$	616,642
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

The details of the difference are as follows:

Cost of assets	\$	650,979
Depreciation and amortization		<u>(553,078)</u>
Net adjustment		97,901
Loss on disposal of capital assets		(41,307)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources to governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This detail of the difference is as follows:

Capital lease proceeds	(500,074)	
Repayment of principal	<u>72,944</u>	(427,130)

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

The detail of the difference is as follows:

Claim settlement	(274,802)	
Compensated absences	(9,598)	
Net OPEB obligation	<u>(30,088)</u>	
Net adjustment		(314,488)

Governmental funds report pension contributions as expenditures. However, contributions in excess of annual pension cost is reported as a net pension asset in the statement of net assets.

Change in net assets of governmental activities (Page 16)	\$	<u>(78,676)</u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF SURFSIDE, FLORIDA

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

SEPTEMBER 30, 2012

	Business-type Activities - Enterprise Funds				Totals
	Water and Sewer	Municipal Parking	Sanitation	Stormwater Utility	
Assets					
Current Assets					
Cash and cash equivalents	\$ 65,562	\$ 1,390,030	\$ 234,320	\$ 322,204	\$ 2,012,116
Accounts receivable, net	631,157	5,948	89,814	94,271	821,190
Prepaid items	4,584	758	8,940	606	14,888
Total Current Assets	<u>701,303</u>	<u>1,396,736</u>	<u>333,074</u>	<u>417,081</u>	<u>2,848,194</u>
Noncurrent Assets					
Investments	10,750	--	--	--	10,750
Restricted cash and cash equivalents	3,635,145	--	--	2,161,616	5,796,761
Bond issue costs	48,990	--	--	13,956	62,946
Capital Assets					
Construction in progress	15,378,720	77,019	--	2,144,476	17,600,215
Land	--	1,358,011	--	--	1,358,011
Infrastructure	1,273,252	1,177,115	--	267,828	2,718,195
Equipment	154,268	421,801	364,341	--	940,410
	16,806,240	3,033,946	364,341	2,412,304	22,616,831
Less: accumulated depreciation	(1,296,116)	(806,970)	(294,805)	(86,781)	(2,484,672)
Total Capital Assets, Net	<u>15,510,124</u>	<u>2,226,976</u>	<u>69,536</u>	<u>2,325,523</u>	<u>20,132,159</u>
Total Noncurrent Assets	<u>19,205,009</u>	<u>2,226,976</u>	<u>69,536</u>	<u>4,501,095</u>	<u>26,002,616</u>
Total Assets	<u>19,906,312</u>	<u>3,623,712</u>	<u>402,610</u>	<u>4,918,176</u>	<u>28,850,810</u>
Liabilities					
Current Liabilities					
Accounts payable	2,541,689	117,594	24,462	247,280	2,931,025
Accrued liabilities	77,614	6,467	13,233	1,082	98,396
Due to other governments	1,597,636	--	--	--	1,597,636
Interest payable	228,735	--	--	76,245	304,980
Retainage payable	963,913	--	--	96,660	1,060,573
Current portion note payable	--	80,000	--	--	80,000
Current portion of revenue bonds payable	391,573	--	--	130,524	522,097
Compensated absences	1,882	690	4,815	--	7,387
Unearned revenue	26,652	4,860	8,330	--	39,842
Customer deposits	154,690	--	--	--	154,690
Total Current Liabilities	<u>5,984,384</u>	<u>209,611</u>	<u>50,840</u>	<u>551,791</u>	<u>6,796,626</u>
Noncurrent Liabilities					
Net OPEB obligation	8,149	2,590	10,463	1,779	22,981
Compensated absences	16,941	6,210	43,334	--	66,485
Note payable	--	80,000	--	--	80,000
Revenue bonds payable	8,239,011	--	--	2,746,337	10,985,348
Total Noncurrent Liabilities	<u>8,264,101</u>	<u>88,800</u>	<u>53,797</u>	<u>2,748,116</u>	<u>11,154,814</u>
Total Liabilities	<u>14,248,485</u>	<u>298,411</u>	<u>104,637</u>	<u>3,299,907</u>	<u>17,951,440</u>
Net Assets					
Invested in capital assets, net of related debt	7,589,534	2,066,976	69,536	1,513,618	11,239,664
Restricted for renewal and replacement	1,017,776	--	--	266,140	1,283,916
Unrestricted	(2,949,483)	1,258,325	228,437	(161,489)	(1,624,210)
Total Net Assets	<u>\$ 5,657,827</u>	<u>\$ 3,325,301</u>	<u>\$ 297,973</u>	<u>\$ 1,618,269</u>	<u>\$ 10,899,370</u>

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

TOWN OF SURFSIDE, FLORIDA

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Business-type Activities - Enterprise Funds				Totals
	Water and Sewer	Municipal Parking	Sanitation	Stormwater Utility	
Operating Revenues					
Charges for services:					
Water sales	\$ 1,405,372	\$ --	\$ --	\$ --	\$ 1,405,372
Sewer charges	1,374,137	--	--	--	1,374,137
Parking fees	--	893,026	--	--	893,026
Solid waste fees	--	--	1,068,798	--	1,068,798
Recycling fees	--	--	120,654	--	120,654
Drainage fees	--	--	--	502,972	502,972
Miscellaneous	5,839	--	30,237	--	36,076
Total Operating Revenues	<u>2,785,348</u>	<u>893,026</u>	<u>1,219,689</u>	<u>502,972</u>	<u>5,401,035</u>
Operating Expenses					
Personal services	258,563	252,095	513,777	80,681	1,105,116
Administrative	69,099	290,785	159,009	36,146	555,039
Water system	536,674	--	--	--	536,674
Sewer system	853,197	--	--	--	853,197
Solid waste system	--	--	394,202	--	394,202
Depreciation and amortization	12,767	79,328	6,293	13,496	111,884
Total Operating Expenses	<u>1,730,300</u>	<u>622,208</u>	<u>1,073,281</u>	<u>130,323</u>	<u>3,556,112</u>
Operating Income	<u>1,055,048</u>	<u>270,818</u>	<u>146,408</u>	<u>372,649</u>	<u>1,844,923</u>
Nonoperating Revenues (Expenses)					
Interest earnings	12,472	--	53	3,151	15,676
Interest expenses	--	(305)	--	(581)	(886)
Total Nonoperating Revenues	<u>12,472</u>	<u>(305)</u>	<u>53</u>	<u>2,570</u>	<u>14,790</u>
Income Before Capital Contributions and Transfers					
Contributions and Transfers	1,067,520	270,513	146,461	375,219	1,859,713
Capital contributions	252,343	24,501	--	--	276,844
Transfers in	210,001	--	--	112,202	322,203
Transfers out	(175,163)	(44,780)	(110,950)	(17,639)	(348,532)
Total Contributions and Transfers	<u>287,181</u>	<u>(20,279)</u>	<u>(110,950)</u>	<u>94,563</u>	<u>250,515</u>
Change in Net Assets	1,354,701	250,234	35,511	469,782	2,110,228
Net Assets - Beginning	<u>4,303,126</u>	<u>3,075,067</u>	<u>262,462</u>	<u>1,148,487</u>	<u>8,789,142</u>
Net Assets - Ending	<u>\$ 5,657,827</u>	<u>\$ 3,325,301</u>	<u>\$ 297,973</u>	<u>\$ 1,618,269</u>	<u>\$ 10,899,370</u>

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

TOWN OF SURFSIDE, FLORIDA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Business-type Activities - Enterprise Funds				Totals
	Water and Sewer	Municipal Parking	Sanitation	Stormwater Utility	
Cash Flows from Operating Activities					
Receipts from customers	\$ 3,105,862	\$ 890,928	\$ 1,192,279	\$ 498,462	\$ 5,687,531
Payments to suppliers	(1,028,403)	(178,195)	(537,890)	(101,457)	(1,845,945)
Payments to employees	(267,657)	(248,893)	(509,309)	(82,084)	(1,107,943)
Net Cash Provided by Operating Activities	<u>1,809,802</u>	<u>463,840</u>	<u>145,080</u>	<u>314,921</u>	<u>2,733,643</u>
Cash Flows from Noncapital Financing Activities					
Transfers in	210,001	24,501	--	112,202	346,704
Transfers out	(175,163)	(44,780)	(110,950)	(17,639)	(348,532)
Net Cash Provided (Used) by Noncapital and Financing Activities	<u>34,838</u>	<u>(20,279)</u>	<u>(110,950)</u>	<u>94,563</u>	<u>(1,828)</u>
Cash Flows from Capital and Related Financing Activities					
Acquisition and construction of capital assets	(9,943,331)	(376,818)	(20,829)	(1,191,027)	(11,532,005)
Capital contributions	252,343	--	--	--	252,343
Principal payments	(3,369,416)	(80,000)	--	--	(3,449,416)
Interest expense	(11,985)	(305)	--	(581)	(12,871)
Acquisition of note and bonds payable	(14,881)	--	--	(1,125,725)	(1,140,606)
Net Cash Used by Capital and Related Financing Activities	<u>(13,087,270)</u>	<u>(457,123)</u>	<u>(20,829)</u>	<u>(2,317,333)</u>	<u>(15,882,555)</u>
Cash Flows from Investing Activities					
Interest earnings	12,472	--	53	3,151	15,676
Sale of investments	(332)	--	--	--	(332)
Net Cash Provided by Investing Activities	<u>12,140</u>	<u>--</u>	<u>53</u>	<u>3,151</u>	<u>15,344</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(11,230,490)	(13,562)	13,354	(1,904,698)	(13,135,396)
Cash and Cash Equivalents - Beginning	<u>14,931,197</u>	<u>1,403,592</u>	<u>220,966</u>	<u>4,388,518</u>	<u>20,944,273</u>
Cash and Cash Equivalents - Ending	<u>\$ 3,700,707</u>	<u>\$ 1,390,030</u>	<u>\$ 234,320</u>	<u>\$ 2,483,820</u>	<u>\$ 7,808,877</u>
Cash and Cash Equivalents per Statement of Net Assets					
Unrestricted	\$ 65,562	\$ 1,390,030	\$ 234,320	\$ 322,204	\$ 2,012,116
Restricted	3,635,145	--	--	2,161,616	5,796,761
	<u>\$ 3,700,707</u>	<u>\$ 1,390,030</u>	<u>\$ 234,320</u>	<u>\$ 2,483,820</u>	<u>\$ 7,808,877</u>

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

TOWN OF SURFSIDE, FLORIDA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(Continued)**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Business-type Activities - Enterprise Funds				
	Water and Sewer	Municipal Parking	Sanitation	Stormwater Utility	Totals
Reconciliation of Operating Income to Net Cash Provided by Operating Activities					
Operating income	\$ 1,055,048	\$ 270,818	\$ 146,408	\$ 372,649	\$ 1,844,923
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation and amortization	12,767	79,328	6,293	13,496	111,884
Changes in assets and liabilities:					
(Increase) decrease in:					
Accounts receivable	322,848	(2,098)	(27,410)	(4,510)	288,830
Prepaid items	(1,544)	2,019	10,133	(606)	10,002
Increase (decrease) in:					
Accounts payable	(113,699)	111,250	9,146	(31,129)	(24,432)
Accrued liabilities	(374,716)	(679)	(1,700)	(33,576)	(410,671)
Other liabilities	904,451	--	--	--	904,451
Compensated absences	(12,041)	4,011	793	(2,092)	(9,329)
Net OPEB obligation	2,947	951	3,675	689	8,262
Unearned revenue	(2,334)	(1,760)	(2,258)	--	(6,352)
Customer deposits	16,075	--	--	--	16,075
Total adjustments	<u>754,754</u>	<u>193,022</u>	<u>(1,328)</u>	<u>(57,728)</u>	<u>888,720</u>
Net Cash Provided by Operating Activities	<u>\$ 1,809,802</u>	<u>\$ 463,840</u>	<u>\$ 145,080</u>	<u>\$ 314,921</u>	<u>\$ 2,733,643</u>

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

TOWN OF SURFSIDE, FLORIDA

**STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUND**

SEPTEMBER 30, 2012

Assets

Cash and Cash Equivalents \$ 641,774

Receivables

Plan members' contributions 24,251
Due from broker for unsettled investment sales 2,425,263
Accrued investment income 34,785

Total Receivables 2,484,299

Prepaid insurance 9,416

Investments, at Fair Value

U.S. Government securities 1,033,760
U.S. Government agency bonds 245,160
Mortgage backed securities 503,085
Corporate bonds 2,585,576
Municipal obligations 35,481
Common stocks 2,443,576
Mutual funds - I shares 5,099,760

Total Investments 11,946,398

Total Assets 15,081,887

Liabilities and Net Assets

Liabilities

Accounts payable 24,524
Due to broker for unsettled investment purchases 2,491,445
Refunds payable 9,793

Total Liabilities 2,525,762

Net Assets Held in Trust for Pension Benefits \$ 12,556,125

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

TOWN OF SURFSIDE, FLORIDA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

Additions

Contributions

Employer's contributions	\$ 515,440
Plan members' contributions	321,155
Buy back of contributions	<u>12,982</u>

Total Contributions 849,577

Investment Earnings

Interest	146,721
Dividends	181,101
Net appreciation in fair value of investments	<u>1,672,581</u>
	2,000,403
Less: investment expenses	<u>72,805</u>

Net Investment Earnings 1,927,598

Total Additions 2,777,175

Deductions

Benefits paid	550,266
Refunds of contributions	59,355
Administrative expenses	<u>75,410</u>

Total Deductions 685,031

Net Increase 2,092,144

Net Assets in Trust for Pension Benefits

Net assets - beginning, as previously reported	10,455,661
Prior period adjustment	<u>8,320</u>
Net assets - beginning, as restated	<u>10,463,981</u>
Net assets - ending	<u>\$ 12,556,125</u>

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



NOTES TO BASIC
FINANCIAL STATEMENTS

TOWN OF SURFSIDE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Surfside was incorporated on May 19, 1935. The Town of Surfside's Charter was adopted under the provisions of Chapter 27914, Laws of Florida, 1951. The Town is governed by an elected five-member Town Commissioners and operates under a commissioner-manager form of government. The Town provides services to its approximately 5,800 residents in many areas including general government and administrative services, public safety (police), physical environment, solid waste collection, transportation (maintenance of roads and streets), culture and recreation, tourism development, water/sewer and stormwater utilities.

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

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

A. FINANCIAL REPORTING ENTITY

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

TOWN OF SURFSIDE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

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

Separate financial statements are provided for governmental funds, proprietary funds, and the fiduciary fund, even though the latter is 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. All remaining nonmajor governmental funds are aggregated and reported as other governmental funds.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, 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 the 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 generally are recorded when a liability is incurred, as required by accrual accounting, except for expenditures related to compensated absences, which are recorded when payment is due.

TOWN OF SURFSIDE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. *MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)*

Property taxes and other taxes (such as franchise taxes, utilities taxes, and sales tax), charges for services, intergovernmental revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Revenues for expenditure driven grants are recognized when the qualifying expenditures are incurred. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The reporting practices of the proprietary fund types closely parallel comparable commercial financial reporting, which recognize revenue when earned and expenses when incurred (the accrual basis) including, in the case of the enterprise funds, depreciation on its exhaustible capital assets. Earned, but unbilled service receivables have been accrued as revenue in the enterprise funds.

The Town reports the following major governmental funds:

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

The *Capital Projects Fund* is used to account for the capital projects of the Town which have received the approval of the Town Commission. Transfers from the general and other funds are made to this fund to cover such expenditures.

The Town reports the following major proprietary funds:

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

The *Municipal Parking Fund* accounts for all parking revenues and expenses. Parking citation revenue is allocated to the General Fund.

The *Sanitation Fund* is used to account for the activities of the Town residential, multi-family, and commercial refuse and recycling.

TOWN OF SURFSIDE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. *MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)*

The *Stormwater Utility Fund* is used to account for the stormwater utility fees, which are collected to construct, operate, and maintain a stormwater management system.

Additionally, the government reports the following fund type:

The *Pension Trust Fund* is used to account for the Town's single-employer defined benefit pension plan covering substantially all of its employees.

The 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 enterprise functions and various other functions of the Town for services rendered. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary Funds distinguish *operating revenues* and *expenses* from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues and expenses of the Town's enterprise fund are charges to customers for 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 they are needed.

TOWN OF SURFSIDE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

1. Deposits and Investments

The Town utilizes a pooled cash account for cash of all Town funds other than those that are required to be physically segregated. The pooled cash account concept allows each participating fund to benefit from the economies of scale and improved yield which are inherent to a larger investment pool. Formal accounting records detail the individual equities of the participating funds. The pooled cash system utilizes a single checking account for Town receipts and disbursements with a separate checking account for payroll disbursements.

The Town's cash and cash equivalents, for purposes of the statement of cash flows, are considered to be cash and short-term investments with original maturities of three months or less from the date of acquisition. The Town's cash and cash equivalents include cash on hand, demand deposits, and investments with Florida PRIME administered by the State Board of Administration. Fund B, which is also administered by the State Board of Administration, is classified as an investment.

The Town's investment policy follows the requirements of Florida Statutes Chapter 218.415, *Local Government Investment Policies*, and attempts to promote, in order of priority, safety of principal, adequate liquidity, and maximization of total return. Investments in the Town of Surfside's local government surplus funds are governed by the provisions of Florida Statutes Section 218.415. Investments in the Town's retirement plan are governed by the Plan's investment policy. All investments of the Town, except Florida PRIME and Fund B, are reported at fair value using quoted market prices. The Florida PRIME is recorded at its 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 a fair value factor. Income or loss is recorded in the respective funds as it is earned.

2. Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of the interfund loans). 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 SURFSIDE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (CONTINUED)

3. 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 are based upon historical trends and the periodic aging of receivables.

4. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the fund financial statements. Prepaid items are accounted for under the purchases method.

5. Restricted Assets

Certain resources set aside for the repayment of certain obligations are classified as restricted assets on the statement of net assets because they are maintained in separate bank accounts and/or their use is limited such as bond proceeds restricted for debt service and renewal and replacement under the terms of the revenue bonds. Additionally, the Town reports amounts paid for water and sewer development fees as restricted assets.

6. Capital Assets

Capital assets include property, buildings, machinery, furniture and equipment, intangible and infrastructure assets (e.g., sidewalks and other similar items), and 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 \$1,000 and an estimated useful life in excess of one year, except for infrastructure and intangible assets for which the Town utilizes a \$25,000 capitalization threshold. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. The Town was not required to and did not retroactively report infrastructure assets acquired prior to the implementation of GASB Statement No. 34 during the fiscal year ended September 30, 2004.

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 Town's business-type activities incurred interest costs of \$745,513 in the current fiscal year, all of which was capitalized.

TOWN OF SURFSIDE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (CONTINUED)

6. Capital Assets (continued)

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

Assets	Years
Buildings	15-50
Machinery, furniture and equipment	5-10
Infrastructure	10-30
Intangibles	10-30

7. Compensated Absences

The Town's policy is to permit employees to accumulate earned but unused sick as well as vacation pay benefits, limited to certain maximums. All vacation and sick pay 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 resignations and retirements. Compensated absences of the governmental funds are typically liquidated from the general fund.

8. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable business-type activities or proprietary fund type statement of net assets. Bond issue costs are amortized over the term of the related debt.

9. Fund Equity

The Town follows the criteria for classifying governmental fund balances into specifically defined classifications. Classifications are hierarchical and are based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the funds may be spent. The Town's accounting and financial policies are used to interpret the nature and/or requirements of the funds and their corresponding classification of nonspendable, restricted, committed, assigned or unassigned.

The following are the fund balance classifications:

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

TOWN OF SURFSIDE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (CONTINUED)

9. Fund Equity (continued)

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

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

Assigned fund balance. Assigned fund balances are amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. Intent is established by management of the Town to which the Commission has delegated the authority to assign, modify or rescind amounts to be used for specific purposes. There is no formal policy through which this authority has been established. This balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as nonspendable, restricted, or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue or capital projects fund are assigned for the purposes in accordance with the nature of their fund type. Assignment within the General Fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the Town itself.

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

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

TOWN OF SURFSIDE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (CONTINUED)

10. Net Assets

The government-wide and proprietary fund financial statements utilize a net asset presentation. Net assets are categorized as invested in capital assets, net of related debt, restricted, and 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. When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first.

Included in the unrestricted net assets of the Water and Sewer Fund is an amount of \$651,144 designated for rate stabilization.

11. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results may differ from management's estimates.

NOTE 2 – DEPOSITS AND INVESTMENTS

DEPOSITS

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

TOWN OF SURFSIDE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENTS – TOWN

The Town's Investment Policy authorizes Town officials to invest in those instruments authorized by the Florida Statutes and the Town's Investment Policy, including the certificates of deposit and money market funds (placed with "qualified public depositories"); U.S. Treasury and Government Agency securities; corporate bonds; commercial paper; mutual funds; repurchase agreements; and the Florida PRIME (formerly known as the Local Government Surplus Funds Trust Fund (LGIP)) administered by the Florida State Board of Administration.

Florida PRIME and Fund B are both governed by Chapter 19-7 of the Florida Administrative Code and Chapters 215 and 218 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 does not meet the requirements of an SEC 2a-7 like fund and therefore is accounted for as a fluctuating NAV pool. As of September 30, 2012, the fair value factor for Fund B was \$ 0.94896811 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, 2012, the Town had the following investments:

	Fair Value	Weighted Average Maturity
Investments		
Florida PRIME	\$ 3,225,775	38 days
Fund B	<u>207,741</u>	4.82 years
Total Investments - Town	<u>\$ 3,433,516</u>	

Florida PRIME is presented as cash and cash equivalents in the financial statements.

TOWN OF SURFSIDE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENTS – TOWN (CONTINUED)

Interest Rate Risk

The Town has an investment policy to invest in a manner that is consistent with sound business practices in order to protect the assets of the Town residents, provide effective cash management to meet anticipated obligations and earn a rate of return consistent with these inherent restraints. Safety of capital and liquidity are also inherent in the Town's policy. The policy is structured to provide sufficient liquidity to pay obligations as they come due. The Town's investment policy limits the maturities to no more than 7 years for direct United States obligations and to no more than 5 years for United States agency obligations and corporate obligations. Term repurchase agreements are limited to maturities of 90 days or less and certificate of deposits are limited to 2 years or less.

Credit Risk

The Town's investment policy limits investments to the highest ratings issued by a nationally recognized statistical rating organization (NRSRO). The Florida PRIME is rated AAAM by Standard and Poor's. The Fund B is not rated by an NRSRO.

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. As of September 30, 2012, the Town's portfolio did not have any investments subject to a concentration of credit risk.

INVESTMENTS – PENSION TRUST FUND

The investment activity of the Plan is directed by an investment advisory firm. All investments made or held by the Fund shall be limited to the following:

1. Time or savings accounts of a national bank, a state bank or a savings and loan institution insured by the Savings Association Insurance Fund, which is administered by the Federal Deposit Insurance Corporation, provided the amount deposited does not exceed the insured amount, and the cash instruments have a quality rating of at least Standard & Poor's A1 or Moody's P1.
2. Obligations issued by the United States Government or obligations guaranteed as to principal and interest by the United States Government or by an agency of the United States Government.

TOWN OF SURFSIDE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENTS – PENSION TRUST FUND (CONTINUED)

3. Bonds issued by the State of Israel. Bonds or other evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States or any state, organized territory of the United States, or District of Columbia provided the corporation is listed on the recognized national stock exchanges or on the National Market System of the NASDAQ stock market.
4. Equity investments (common stock, convertible bonds and preferred stocks) in a corporation listed on one or more of the recognized national exchanges or on the National Market System of the NASDAQ and ETF exchange traded funds. Commingled equity, bond or money market funds whose investments are restricted to securities meeting the criteria of this section.

As of September 30, 2012, the investment in equities totaled 51.6% of the total investments excluding the mutual funds, which are not under management. The cost and fair value of assets held in trust for Plan benefits at September 30, follows:

	2012	
	Cost	Fair Value
Cash and Cash Equivalents:		
U.S. Treasury portfolio	\$ 641,774	\$ 641,774
Investments:		
U.S. Government Securities	995,833	1,033,760
Government Agency bonds	244,922	245,160
Mortgage backed securities	471,905	503,085
Corporate bonds	2,452,961	2,585,576
Municipal bonds	30,000	35,481
Mutual funds	2,452,961	2,443,576
Common stocks	5,145,184	5,099,760
	<u>11,793,766</u>	<u>11,946,398</u>
Total	<u>\$ 12,435,540</u>	<u>\$ 12,588,172</u>

TOWN OF SURFSIDE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENTS – PENSION TRUST FUND (CONTINUED)

As of September 30, 2012, the Plan had the following investment types:

Investment Type	Fair Value	Weighted Average Maturity (Years)
U.S. Treasuries	\$ 1,273,160	11.25
Government Agency bonds	95,217	2.32
Mortgage backed securities	503,085	22.54
Corporate bonds	2,439,632	6.37
Build America bonds (Municipal obligations)	<u>35,481</u>	<u>11.67</u>
Total Fair Value	<u>\$ 4,346,575</u>	
Portfolio Weighted Average Maturity		<u>6.35</u>

Interest Rate Risk

In accordance with its investment policy, the Plan manages its exposure to declines in the fair market value of its securities through a conservative approach of managing portfolio exposure to duration, maturity and sector relative to market indices.

Credit Risk

State law limits investments in commercial paper to the two top ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the Town's policy to limit its investments in this investment type to the top two ratings issued by NRSROs. As of September 30, 2012, the Plan's investments in the U.S. Treasury Portfolio were rated AAA by Standard & Poor's, and Aaa by Moody's Investors Service. The Investment Policy of the Plan states it is permitted to invest in corporate bonds with an investment quality rating with the top three rating classifications by at least two major rating services (Standards & Poor, Moody's or Fitch). The corporate bonds held by the Plan were in the top three rating classifications. The mortgage backed securities were ranked AAA and Aaa by Standard & Poor's, and Moody's, respectively.

Concentration of Credit Risk

The Town's investment policy does not allow for an investment in any one issuer, other than U.S. Government securities, that is in excess of five percent of the government's total investments. No investment in any one organization represents five percent or more of total investments.

TOWN OF SURFSIDE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENTS – PENSION TRUST FUND (CONTINUED)

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the securities, whether fixed or equities are held in the name of the Plan.

NOTE 3 - RECEIVABLES

Receivables as of September 30, 2012 for the Town's major and non major funds, including the applicable allowances for uncollectible accounts, are as follows:

	General	Capital Projects	Nonmajor Governmental	Water and Sewer	Municipal Parking	Sanitation	Stormwater Utility	Total
Receivables								
Property taxes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Intergovernmental	200,771	200	54,713	95,435	--	--	--	351,119
Other	215,542	--	--	--	5,948	--	--	221,490
Accounts - billed	--	--	--	93,748	--	105,657	10,316	209,721
Accounts - unbilled	--	--	--	447,394	--	--	83,955	531,349
Gross receivables	416,313	200	54,713	636,577	5,948	105,657	94,271	1,313,679
Less: allowance for uncollectibles	--	--	--	(5,420)	--	(15,843)	--	(21,263)
Total Receivables, Net	\$ 416,313	\$ 200	\$ 54,713	\$ 631,157	\$ 5,948	\$ 89,814	\$ 94,271	\$ 1,292,416

NOTE 4 – PROPERTY TAXES

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the State regulating tax assessments, also, are designed to assure a consistent property valuation method statewide. State statutes permit municipalities to levy property taxes at a rate of up to 10.0 mils. The millage rate assessed by the Town for the fiscal year ended September 30, 2012, was 5.5000. The tax levy of the Town is established by the Town Commission prior to October 1 each year, and the County Property Appraiser incorporates the millage into the total tax levy, which includes Miami-Dade County, Miami-Dade County School Board and special taxing districts.

TOWN OF SURFSIDE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

NOTE 4 – PROPERTY TAXES (CONTINUED)

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

All real and tangible personal property taxes are due and payable on November 1 of each year or as soon thereafter as the assessment roll is certified by the County Property Appraiser. Miami-Dade County mails to each property owner on the assessment roll a notice of taxes due and Miami-Dade County collects the taxes for the Town. Taxes may be paid upon receipt of such notice from Miami-Dade County, with discounts at the rate of four percent (4%) if paid in the month of November, three percent (3%) if paid in the month of December, two percent (2%) if paid in the month of January, and one percent (1%) if paid in the month of February. Taxes paid during the month of March are without discount and all unpaid taxes on real and tangible personal property become delinquent and liens are placed on April 1 of the year following the year in which the taxes were assessed. Procedures for the collection of delinquent taxes by Miami-Dade County are provided for in the laws of the State of Florida. As of September 30, 2012, there were no material delinquent taxes.

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

INTERFUND TRANSFERS

The composition of the interfund transfers as of September 30, 2012 is as follows:

Fund	Transfers In	Transfers Out
General Fund	\$ 394,565	26,512
Capital Projects Fund	--	150,000
Transportation Surtax Fund (Nonmajor Fund)	--	191,724
Water and Sewer Fund	210,001	175,163
Municipal Parking Fund	--	44,780
Sanitation Fund	--	110,950
Stormwater Utility Fund	112,202	17,639
Total Interfund Transfers	\$ 716,768	\$ 716,768

TOWN OF SURFSIDE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

INTERFUND TRANSFERS (CONTINUED)

General Fund Transfers In consisted entirely of \$394,565 from the Town's other funds providing cost reimbursement to recover general fund management, human resource utilization, payroll/accounts payable functions, pension/benefits management, billing, collection as well as legal recovery services.

General Fund Transfers Out consisted of \$26,512 to provide the water & sewer fund with funding required for non-operating costs.

Capital Projects Fund Transfers Out consisted of \$150,000 to the General Fund for reasons previously mentioned in the General Fund Transfers In above.

Transportation Surtax Fund (a nonmajor fund) Transfer Out consisted of a total of \$191,724. \$183,489 was transferred to the water and sewer fund to provide funding for replacement and paving elements of on-going construction projects. \$8,235 was transferred to the General Fund for the reasons previously mentioned in the General Fund Transfers In above.

Water and Sewer Fund Transfers In consisted of \$210,001. \$183,489 was transferred in from the Transportation Surtax Fund for reasons previously explained in the Transportation Surtax Fund Transfers Out above. \$26,512 was transferred in from the General Fund for reasons previously mentioned in the General Fund Transfers Out above.

Water and Sewer Transfers Out consisted of \$175,163. \$112,202 was transferred to the Stormwater Fund to provide funding for on-going construction projects. \$62,961 was transferred out to the General Fund for reasons previously mentioned in the General Fund Transfers In above.

Stormwater Utility Fund Transfers In consisted of \$112,202 from the Water and Sewer Fund for reasons previously mentioned in the Water and Sewer Transfers Out above.

All of the Transfers Out pertaining to the Municipal Parking, Stormwater and Sanitation Funds were transferred to reimburse the General Fund as previously mentioned.

TOWN OF SURFSIDE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

NOTE 6 – CAPITAL ASSETS

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

	Beginning Balances	Increase	Decrease	Ending Balances
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 1,461,229	\$ --	\$ --	\$ 1,461,229
Construction in progress	403,606	8,000	--	411,606
Total Capital Assets Not Being Depreciated	<u>1,864,835</u>	<u>8,000</u>	<u>--</u>	<u>1,872,835</u>
Capital Assets Being Depreciated				
Buildings	10,450,516	101,315	--	10,551,831
Machinery, furniture and equipment	2,809,072	537,343	322,298	3,024,117
Infrastructure	2,311,479	4,321	--	2,315,800
Total Capital Assets Being Depreciated	<u>15,571,067</u>	<u>642,979</u>	<u>322,298</u>	<u>15,891,748</u>
Less: Accumulated Depreciation for				
Buildings	1,230,776	208,423	--	1,439,199
Machinery, furniture and equipment	1,629,724	232,860	280,991	1,581,593
Infrastructure	536,164	111,795	--	647,959
Total Accumulated Depreciation	<u>3,396,664</u>	<u>553,078</u>	<u>280,991</u>	<u>3,668,751</u>
Total Capital Assets Being Depreciated, Net	<u>12,174,403</u>	<u>89,901</u>	<u>41,307</u>	<u>12,222,997</u>
Governmental Activities Capital Assets, Net	<u>\$ 14,039,238</u>	<u>\$ 97,901</u>	<u>\$ 41,307</u>	<u>\$ 14,095,832</u>
Business-type Activities				
Capital Assets Not Being Depreciated				
Land	\$ 1,358,011	\$ --	\$ --	\$ 1,358,011
Construction in progress	3,783,755	13,816,460	--	17,600,215
Total Capital Assets Not Being Depreciated	<u>5,141,766</u>	<u>13,816,460</u>	<u>--</u>	<u>18,958,226</u>
Capital Assets Being Depreciated				
Equipment	908,815	31,595	--	940,410
Infrastructure	2,429,163	289,032	--	2,718,195
Total Capital Assets Being Depreciated	<u>3,337,978</u>	<u>320,627</u>	<u>--</u>	<u>3,658,605</u>
Less: Accumulated Depreciation for				
Equipment	483,658	52,952	--	536,610
Infrastructure	1,889,130	58,932	--	1,948,062
Total Accumulated Depreciation	<u>2,372,788</u>	<u>111,884</u>	<u>--</u>	<u>2,484,672</u>
Total Capital Assets Being Depreciated, Net	<u>965,190</u>	<u>208,743</u>	<u>--</u>	<u>1,173,933</u>
Business-type Activities Capital Assets, Net	<u>\$ 6,106,956</u>	<u>\$ 14,025,203</u>	<u>\$ --</u>	<u>\$ 20,132,159</u>

TOWN OF SURFSIDE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

NOTE 6 – CAPITAL ASSETS (CONTINUED)

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

Governmental Activities

General government	\$ 108,698
Public safety	153,604
Public works	107,041
Leisure services	161,964
Transportation	<u>21,771</u>

Total Depreciation and Amortization Expense – Governmental Activities

\$ 553,078

Business-type Activities

Water and sewer	\$ 12,767
Municipal parking	79,328
Sanitation	6,293
Stormwater utility	<u>13,496</u>

Total Depreciation and Amortization Expense – Business-type Activities

\$ 111,884

NOTE 7 – DUE TO OTHER GOVERNMENTS

On August 24, 2011, the Town entered into a memorandum of understanding with Bal Harbour Village for the construction of a sewer force main. The Town will retain a 50% ownership in the improvements. Bal Harbour Village and Town of Surfside are in disagreement regarding the final cost sharing and the Town of Surfside has reserved \$1,597,636 with Bal Harbour Village claiming approximately \$1,900,000. This matter will be resolved through arbitration as per the agreement. No resolution had been reached as of the date of the financial statements.

TOWN OF SURFSIDE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

NOTE 8 – LONG TERM LIABILITIES

GOVERNMENTAL ACTIVITIES

The following is summary of changes in long-term liabilities of the Town for governmental activities for the fiscal year ended September 30, 2012:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Capital lease	\$ --	\$ 500,074	\$ 72,944	\$ 427,130	\$ 155,578
Compensated absences	286,911	31,662	22,064	296,509	29,651
Net OPEB obligation	<u>59,264</u>	<u>41,318</u>	<u>11,230</u>	<u>89,352</u>	<u>--</u>
	<u>\$ 346,175</u>	<u>\$ 573,054</u>	<u>\$ 106,238</u>	<u>\$ 812,991</u>	<u>\$ 185,229</u>

BUSINESS-TYPE ACTIVITIES

The following is summary of changes in long-term liabilities of the Town for business-type activities for the fiscal year ended September 30, 2012:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities					
Revenue bonds series 2011	\$ 16,000,000	\$ --	\$ 4,492,555	\$ 11,507,445	\$ 522,097
Note payable	240,000	--	80,000	160,000	80,000
Compensated absences	83,056	5,746	14,930	73,872	7,387
Net OPEB obligation	<u>14,719</u>	<u>9,934</u>	<u>1,672</u>	<u>22,981</u>	<u>--</u>
	<u>\$ 16,337,775</u>	<u>\$ 15,680</u>	<u>\$ 4,589,157</u>	<u>\$ 11,764,298</u>	<u>\$ 609,484</u>

The General Fund is typically used to liquidate the compensated absences and the Net OPEB obligation.

TOWN OF SURFSIDE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

NOTE 8 – LONG TERM LIABILITIES (CONTINUED)

UTILITY SYSTEM REVENUE BONDS SERIES 2011

On April 28, 2011, the Town issued a \$16,000,000 Utility System Revenue Bonds, Series 2011 to finance the cost of certain construction projects, including improvements for the existing facilities for the water, sewer, and storm water systems. Principal and interest is to be paid from the pledge of Water/Sewer and Storm Water fund revenues. Principal is paid annually. The Note bears interest of 4.720% payable semi-annually, and it matures on May 1, 2026. The outstanding balance as of September 30, 2012 is \$11,507,445. Total principal and interest remaining on the bond is \$19,344,045. For the current year, debt service which is comprised of accrued interest is \$745,513. Pledged revenues were \$3,282,477.

Fiscal Year Ending September 30	Principal	Interest	Total
2013	\$ 522,097	\$ 731,952	\$ 1,254,049
2014	546,740	707,308	1,254,048
2015	572,546	681,502	1,254,048
2016	599,571	654,478	1,254,049
2017	627,870	626,179	1,254,049
2018-2022	3,612,868	2,657,375	6,270,243
2023-2027	4,549,883	1,720,359	6,270,242
2028-2031	475,870	57,447	533,317
	<u>\$ 11,507,445</u>	<u>\$ 7,836,600</u>	<u>\$ 19,344,045</u>

PROOF OF DEBT COVERAGE

Revenues

Stormwater revenues	\$ 502,968
Water and sewer revenues	<u>2,785,348</u>
Water, sewer and stormwater revenues	<u>\$ 3,288,316</u>

TOWN OF SURFSIDE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

NOTE 8 – LONG TERM LIABILITIES (CONTINUED)

PROOF OF DEBT COVERAGE (CONTINUED)

Expenses

Stormwater	\$ 130,323
Water and sewer	<u>1,730,300</u>
Water, sewer and stormwater expenses	<u>\$ 1,860,623</u>
Stormwater Difference	\$ 372,645
Water and Sewer Difference	<u>1,055,048</u>
Combined Utility Net Revenues	<u>\$ 1,427,693</u>
Debt Service Requirement	<u>\$ 1,175,135</u>
Combined Actual Coverage	1.2149
Combined Ratio Requirements	<u>1.1000</u>
Coverage in Excess of Requirement	<u>0.1149</u>

The Town is in compliance with its debt coverage ratio.

NOTE PAYABLE

On March 24, 2011, the Town signed two non-interest bearing promissory notes for \$120,000 each, proceeds of which were used to acquire property to be used for municipal parking. As of September 30, 2012, the outstanding balance was \$160,000. Payments are due on February 1st of each year. Payments are \$40,000 per year, per note, for a total payment of \$80,000 per year for 3 years to be paid from parking revenues.

STATE REVOLVING LOAN FUND

The Town executed a Clean Water State Revolving Fund Construction Loan Agreement #WW131710 with the State of Florida Department of Environmental Protection on August 24, 2012 in the amount of \$9,310,000 for the construction of Wastewater and Stormwater improvements. The loan bearing an interest rate of 1.87% matures on January 15, 2033. The first disbursement of the loan from the State of Florida was \$4,151,234 and received by the Town on October 4, 2012. The repayment of the loan by the Town will be computed after the final disbursement of loan proceeds from the State based on the actual project costs, the actual loan service fee and capitalized interest, and actual dates and amounts of disbursements by the State. As of September 30, 2012, the Town did not have a liability as the program's first payment had not been requested as of yearend.

TOWN OF SURFSIDE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

NOTE 8 – LONG TERM LIABILITIES (CONTINUED)

CAPITAL LEASES

The Town entered into two separate lease agreements, at different dates, totaling approximately \$500,000 for the purpose of financing the acquisition of Police vehicles for the Town. Both lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of its future minimum lease payments as of the inception date.

The first lease agreement was entered into on September 26, 2011. The lease agreement was for the amount of \$300,000 with an applicable annual interest rate of 1.5848%. The second lease agreement was entered into on March 23, 2012. The lease agreement was for the amount of \$200,000 with an applicable annual interest rate of 1.5640%. Both are payable every six months.

Asset Acquired Under the Capital Lease

Machinery and equipment	\$ 444,176
Accumulated depreciation	<u>(44,416)</u>
	<u>\$ 399,760</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2012 were as follows:

Fiscal Year Ending September 30,	Amount
2013	\$ 155,578
2014	129,425
2015	129,425
2016	<u>25,937</u>
Total minimum lease payments	440,365
Less: interest portion	<u>13,235</u>
Present Value of Future Minimum Lease Payments	<u><u>\$ 427,130</u></u>

TOWN OF SURFSIDE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

NOTE 9 – EMPLOYEE RETIREMENT PLAN

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

PLAN DESCRIPTION

The Retirement Plan is a contributory defined benefit single-employer retirement plan covering substantially all employees of the Town of Surfside. All full-time employees are eligible to participate in the Plan immediately upon employment. The administration of the Plan is under the responsibility of a five-member Board of Trustees, which is subject to the ultimate authority of the Town Commission.

The Retirement Plan was established by a Town ordinance approved by the Commissioners and effective January 1, 1962. The Plan is also subject to certain provisions of Chapter 112, Florida Statutes. The benefit provisions and all other requirements, and amendments are established by Town Ordinance. The benefits provided to the Fraternal Order of Police (FOP) members are subject to collective bargaining.

Financial statements for the Retirement Plan for Employees of the Town are separately issued and are available at the Town Hall location at 9293 Harding Avenue, Surfside, Florida.

CONTRIBUTIONS AND FUNDING POLICY

Funding of the Plan is provided by contributions from the Town and the employees. The Town's funding policy provides for annual actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due. The Town contributions to the Plan totaled \$515,440 for the year ended September 30, 2012.

General Employees

Initially employees were required to contribute either 5% of their salary or after October 1, 1979, members as of that date had the irrevocable option to contribute either 5% or 7% of their compensation. Effective July 1, 1996, each member had the irrevocable option to increase his or her contribution rate from 5% to 7% or 8% of compensation.

Police Officers

Certified law enforcement members of the plan contribute eight percent (8%) of earnable compensation to the Plan.

TOWN OF SURFSIDE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

NOTE 9 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

PLAN DESCRIPTION (CONTINUED)

Police Officers (continued)

The Town maintains a five-year Deferred Retirement Option (DROP) Program for Police Officers. The eligibility requirement is attainment of normal retirement date. The maximum period of participation in the DROP is five years. A Police Officer's account shall be credited with interest based upon the actual Fund investment return. No payments may be made from the DROP until the employee actually separates from service with the Town.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Retirement Plan for Employees of the Town of Surfside's financial statements are prepared on the accrual basis of accounting, reflecting income when earned and contributions for the year (regardless of when received) and expenses and other obligations when incurred (regardless of when paid). Benefit payments and refunds of contributions are recorded as they become due, and payable in accordance with the terms of the Plan. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and payable, and the employer has made a formal commitment to provide the contributions.

Method Used to Value Investments

The Retirement Plan investments are reported at fair value, and are managed by third-party money managers. The Retirement Plan's custodian and individual money manager price each instrument (using various third party pricing sources) and reconcile material differences. Investments that do not have an established market are reported at estimated value. Performance reporting, manager fees, and the retirement's asset valuation are based on the custodian's determination of value.

The net assets of the Retirement Fund are the difference between the total plan assets and the total plan liabilities, and are held in trust for pension benefits.

Both realized and unrealized gains/losses are recognized under the Net Appreciation (in the Fair Value of Investments).

Investment and administrative expenses of the Plan may be paid either by the Town or by the Plan. It is the policy of the Town that these expenses are to be paid by the Plan.

TOWN OF SURFSIDE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

NOTE 9 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

ANNUAL PENSION COST AND NET PENSION ASSET

The Town's annual pension cost and net pension asset (NPA) for the current year are as follows:

Annual Required Contribution	\$ 523,245
Interest on Net Pension Asset	(16,326)
Adjustment to ARC	18,815
Annual Pension Cost	525,734
Town Contributions	(515,440)
Decrease in NPA	10,294
Net Pension Asset:	
Beginning of year	(217,686)
End of year	\$ (207,392)

Annual Pension Cost (APC) is a measure of the periodic cost of an employer's participation in a defined benefit pension plan. The APC for the last three fiscal years follows:

Fiscal Year End	Three-Year Trend Information		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
September 30, 2010	\$ 556,068	100%	\$ (219,989)
September 30, 2011	628,266	100%	(217,686)
September 30, 2012	525,734	98%	(207,392)

FUNDED STATUS AND FUNDING PROGRESS

The funded status of the Plan as of October 1, 2012, the date of the most recent actuarial valuation date, is as follows:

Actual Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Annual Covered Payroll (c)	UAAL As % of Covered Payroll (b - a) / c
* October 1, 2012	\$ 12,768,869	\$ 14,165,870	\$ 1,397,001	90.1%	\$ 4,359,957	32.0%
** October 1, 2012	12,768,869	14,671,617	1,902,748	87.0%	4,359,957	43.6%

* Prior to Plan Amendment and update in actuarial assumptions

** After Plan Amendment and update in actuarial assumptions

TOWN OF SURFSIDE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

NOTE 9 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

FUNDED STATUS AND FUNDING PROGRESS (CONTINUED)

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

Additional information as of the October 1, 2010, Actuarial Valuation Report, which was used to compute the annual required contribution for the year ended September 30, 2012, as well as information as of the latest Actuarial Valuation Report dated October 1, 2012 is as follows:

Actuarial valuation date	October 1, 2010	October 1, 2012
Contribution rates:		
Employer	15.6%	12.7%
Plan members	7.0%	6.9%
Actuarial cost method	Entry age	Entry age
Amortization method	Level dollar amount, closed	Level dollar amount, closed
Remaining amortization	29 years	30 years
Asset valuation method	Five-year smoothed market	Five-year smoothed market
Actuarial assumptions		
Investment rate of return*	7.5%	7.5%
Projected salary increases*	1.5% - 13.5%	3.0% - 13.5%
Cost of living adjustments	1.5%	1.5%
*Includes inflation at	4.0%	4.0%

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS

The Town follows the standards for *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* (OPEB). The standard does not require funding of OPEB expense, but any difference between the annual required contribution (ARC) and the amount funded during the year is required to be recorded in the employer's Statement of Net Assets as an increase (or decrease) in the Net OPEB obligation.

TOWN OF SURFSIDE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

PLAN DESCRIPTION

The Town provides an optional single employer defined benefit post-employment healthcare plan to eligible individuals. The plan allows its employees and their beneficiaries, at their own cost, to continue to obtain health and dental insurance benefits upon retirement. The benefits of the plan conform to Florida Statutes, which are the legal authority for the plan. The plan has no assets and does not issue a separate financial report.

FUNDING POLICY AND ANNUAL OPEB COST

The Town does not directly make a contribution to the plan on behalf of retirees. Retirees and their beneficiaries pay the same group rates as are charged to the Town for active employees by its healthcare provider. However, the Town's actuaries, in their actuarial valuation, calculate an offset to the cost of these benefits as an Employer Contribution, based upon an implicit rate subsidy. This offset equals the total age-adjusted costs paid by the Town or its active employees for coverage of the retirees and their dependents for the year net of the retiree's own payments for the year.

The annual other post employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer, an amount actuarially determined. The annual required contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The annual OPEB cost for the Town for the current year and the related information is as follows:

	<u>Pay-as-you-go</u>
Required contribution rates:	
Employer	N/A
Plan members	
Annual required contribution	\$ 35,687
Interest on normal cost	13,573
Adjustment to the annual required contribution	<u>1,992</u>
Annual OPEB cost	51,252
Estimated employer contribution	<u>(12,902)</u>
Increase in net OPEB obligation	38,350
Net OPEB obligation - Beginning of Year	<u>73,983</u>
Net OPEB Obligation - End of Year	<u>\$ 112,333</u>

TOWN OF SURFSIDE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

THREE YEAR TREND INFORMATION

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation is as follows:

	2012	2011	2010
Annual OPEB cost	\$ 51,252	\$ 48,494	34,619
Percentage of OPEB cost contributed	25.2%	18.8%	0%
Net OPEB obligation	112,333	73,983	34,619

FUNDED STATUS AND FUNDING PROGRESS

The funded status of the plan as of October 1, 2009, the latest actuarial valuation, was as follows:

Actuarial Value of Assets (a)	Actuarial Liability (AAL) - (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a) / c)
\$ --	\$ 315,926	\$ 315,926	0.0%	\$ 4,364,293	7.2%

The actuarial valuation for the calculation of OPEB involves estimates of the value 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 show whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, the Town has not contributed assets to the plan at this time.

ACTUARIAL METHODS AND ASSUMPTIONS

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Town and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

TOWN OF SURFSIDE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)

Contribution rate	1.0%
Actuarial valuation date	10/1/2009
Actuarial cost method	Entry Age
Amortization method	Level percent, open
Remaining amortization	30 years
Asset valuation method	Unfunded
Actuarial assumptions:	
Investment rate of return*	4.0%
Projected salary increases*	6.0% - 15.0%
Payroll growth assumptions	3.0%
Initial trend rate	9.0%
	4.5%
* Includes inflation at	4.0%

NOTE 11 – COMMITMENTS AND CONTINGENCIES

RISK MANAGEMENT

The Town is exposed to various risks and losses related to torts, theft of or damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Town participates with other municipalities and governmental units in a public entity risk pool administered by the Florida League of Cities Public Risk Services known as the Florida Municipal Insurance Trust (FMIT). The Town pays annual premiums to the FMIT for its general liability insurance, commercial real and personal property, including electronic data processing equipment, automobile, liability, and physical damage insurance coverage.

The Town also participates in the Florida League of Cities public risk pool known as the Florida Municipal Self Insurers Fund (FMSIF) to which it pays annual premiums for its workers compensation insurance. The agreement with these public risk pools provides that the pools will be self-sustaining through member premiums and will reinsure through commercial companies for workers' compensation and liability insurance for claims in excess of \$1,000,000. All policies are issued by FMIT and FMSIF on a non-assessable basis.

TOWN OF SURFSIDE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

NOTE 11 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

RISK MANAGEMENT (CONTINUED)

The Town maintains commercial insurance for corporate fiduciary liability, flood, and windstorm coverage. There were no reductions, only increases in insurance coverage from the prior year and there were no settlements that exceeded insurance coverage for each of the past three years.

LITIGATION

The Town is a defendant in various lawsuits incidental to its operations. It is the opinion of Town Management and Town Legal Counsel, that the ultimate resolution of these matters will not have a material adverse effect on the financial position and results of operations of the Town.

In December 2012, the Town settled a labor claim related to a lawsuit which commenced in 2007. The settlement resulted in a financial obligation to the Town in the amount of \$274,802, which has been accrued in the government wide financial statements.

COMMITMENTS

During the fiscal year 2012, the Town entered into agreements for water/sewer and stormwater improvements for approximately \$15.6 million. As of September 30, 2012, the remaining obligation was approximately \$11.2 million.

NOTE 12 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the fiscal year ended September 30, 2012, expenditures exceeded appropriations in the General Fund in the legal services department by \$38,874. This was primarily due to the fact that the Town had to use outside counsel to complete pending cases that had been open for the past four years. In addition, the Public Works Department exceeded appropriations by \$38,751 because of overages in expenditures related to the Town's beautification project. These excess expenditures over appropriations were funded by prior years' fund balance.

REQUIRED SUPPLEMENTARY
INFORMATION
(OTHER THAN MANAGEMENT'S DISCUSSION AND
ANALYSIS)

TOWN OF SURFSIDE, FLORIDA

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 5,317,265	\$ 5,240,475	\$ 5,264,387	\$ 23,912
Resort taxes	255,000	341,600	344,063	2,463
Utility taxes	435,339	452,744	471,994	19,250
Communications services tax	334,433	334,433	325,102	(9,331)
Franchise taxes	426,244	427,674	399,621	(28,053)
Licenses and permits	542,869	1,267,262	1,274,946	7,684
Intergovernmental	604,985	612,537	639,582	27,045
Charges for services	210,221	188,401	207,563	19,162
Fines and forfeitures	716,634	501,634	626,372	124,738
Interest earnings	6,500	7,500	44,763	37,263
Miscellaneous	81,250	161,881	205,832	43,951
Total Revenues	8,930,740	9,536,141	9,804,225	268,084
Expenditures				
Current:				
General government:				
Legislative	64,900	64,900	55,914	8,986
Legal services	436,243	436,243	475,117	(38,874)
Executive, finance and administration	2,439,395	2,902,779	2,179,985	722,794
Total general government	2,940,538	3,403,922	2,711,016	692,906
Public safety	4,112,742	4,206,348	4,026,435	179,913
Public works	802,179	834,798	873,549	(38,751)
Leisure services	1,543,100	1,558,892	1,529,608	29,284
Capital outlay	588,237	588,237	521,685	66,552
Total Expenditures	9,986,796	10,592,197	9,662,293	929,904
Excess (Deficiency) of Revenues over Expenditures	(1,056,056)	(1,056,056)	141,932	1,197,988
Other Financing Uses				
Capital lease transaction	500,000	500,000	500,074	(74)
Transfers in	394,565	394,565	394,565	--
Transfers out	(26,509)	(26,509)	(26,512)	--
Total Other Financing Uses	868,056	868,056	868,127	(74)
Net Change in Fund Balances	\$ (188,000)	\$ (188,000)	\$ 1,010,059	
Appropriated Beginning Fund Balance	\$ 188,000	\$ 188,000		

See notes to budgetary comparison schedule.

TOWN OF SURFSIDE, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
NOTE TO BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING

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

Annual appropriated budgets for the governmental (except for the capital projects fund) and proprietary funds are adopted on a basis consistent with accounting principles generally accepted in the United States.

1. Prior to August 1, the Town Manager submits to the Town Commission a proposed operating budget for the fiscal year commencing the following October 1. The budget includes proposed expenditures and the means of financing them.
2. The Town Commission holds a public workshop on the proposed budget. Formal public hearings are conducted in September to obtain taxpayers' comments.
3. Prior to October 1, the budget is legally adopted by resolution.

Budgets are monitored at the department level. Budgetary control over expenditures, including capital outlay and transfers, is maintained at the fund level whereby management cannot transfer or over expend appropriations at the individual fund level. Beginning fund balances, available for financing current appropriations, are considered in the budgetary process but have not been included in the financial statements of the governmental fund types as budgeted revenues.

The Town Manager is authorized to transfer part or all of an encumbered appropriation balance within a particular department or fund; however, any revisions that alter the total appropriations of any fund must be approved by the Town Commission.

If during the course of the fiscal year, it becomes evident that a particular fund is unable to provide the required level of services to the Town because of higher costs of providing services, or unforeseen circumstances, the budget may be amended. The Town Manager submits to the Town Commission a request to amend the budget. The request contains explanations, and includes a proposal for financing if additional appropriations are requested. The amendment requires the Town Commission approval and adoption. All necessary supplemental appropriations are adopted by the Town Commission as part of the budget review process and are included in the "Final Budget" columns on the schedule of revenues, expenditures and changes in fund balance – budget and actual. There was \$605,401 of supplemental appropriations in the General Fund.

Budgets in governmental funds are encumbered upon issuance of purchase orders, contracts or other forms of legal commitments. While appropriations lapse at the end of each year, the succeeding year's budget ordinance specifically provides for the reappropriation of year end encumbrances.

TOWN OF SURFSIDE, FLORIDA

RETIREMENT PLAN FOR EMPLOYEES

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

Actual Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Annual Covered Payroll (c)	UAAL As % of Covered Payroll (b - a) / c
10/1/07	\$ 11,201,453	\$ 10,225,271	\$ (976,182)	109.5%	\$ 3,978,291	(24.5)%
10/1/08	11,701,487	10,971,286	(730,201)	106.7%	4,568,544	(16.0)%
10/1/09	11,697,998	11,662,297	(35,701)	100.3%	4,059,522	(0.9)%
10/1/10	12,304,770	12,414,859	110,089	99.1%	4,016,852	2.7%
10/1/11	12,487,404	13,272,023	784,619	94.1%	4,053,208	19.4%
10/1/12 *	12,768,869	14,165,870	1,397,001	90.1%	4,359,957	32.0%
10/1/12 **	12,768,869	14,671,617	1,902,748	87.0%	4,359,957	43.6%

* Prior to Plan Amendment and update in actuarial assumptions

** After Plan Amendment and update in actuarial assumptions

TOWN OF SURFSIDE, FLORIDA

RETIREMENT PLAN FOR EMPLOYEES

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended September 30,	Annual Required Contribution (ARC)	Percentage Contributed
2007	\$ 264,370	100%
2008	384,905	100%
2009	423,747	100%
2010	553,919	100%
2011	625,963	100%
2012	525,734	98%

TOWN OF SURFSIDE, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF FUNDING PROGRESS*
POST EMPLOYMENT BENEFITS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) ÷ (b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a) ÷ c)
October 1, 2009	\$ --	\$ 315,926	\$ 315,926	0.0%	\$ 4,364,293	7.2%

*GASB Statement No. 45, Other Post Employment Benefits (OPEB), was implemented for the fiscal year ended September 30, 2010. Only one OPEB actuarial valuation has been performed to date.



COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Tourism Fund – This fund is used to account for the 34 percent portion of the resort tax collections, which are restricted to promote tourism related activities of the Town which are restricted to approved functions and activities.

Transportation Surtax Fund – This fund is used to account for the restricted proceeds of the Town's allocable share of the Miami-Dade County Transit System Surtax. The expenditures from this fund are restricted to specific purposes.

Police Forfeiture Fund – This fund is used to account for the restricted proceeds of police forfeitures and confiscations, and expenditures, which are restricted to approved functions and activities.

TOWN OF SURFSIDE, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2012

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Tourism	Transportation Surtax	Police Forfeiture	
Assets				
Cash and cash equivalents	\$ 163,213	\$ 87,979	\$ 117,070	\$ 368,262
Investments	--	--	6,743	6,743
Receivables	12,042	42,671	--	54,713
Prepays	200	--	--	200
Total Assets	\$ 175,455	\$ 130,650	\$ 123,813	\$ 429,918
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 3,161	\$ 8,348	\$ 1,541	\$ 13,050
Accrued liabilities	798	--	--	798
Total Liabilities	3,959	8,348	1,541	13,848
Fund Balances				
Restricted for:				
Tourism	171,496	--	--	171,496
Transportation surtax	--	122,302	--	122,302
Police forfeiture	--	--	122,272	122,272
Total Fund Balances	171,496	122,302	122,272	416,070
Total Liabilities and Fund Balances	\$ 175,455	\$ 130,650	\$ 123,813	\$ 429,918

TOWN OF SURFSIDE, FLORIDA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

NONMAJOR GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Tourism	Transportation Surtax	Police Forfeiture	
Revenues				
Resort taxes	\$ 179,580	\$ --	\$ --	\$ 179,580
Forfeitures	--	--	52,195	52,195
Intergovernmental	--	191,296	--	191,296
Interest	27	14	1,814	1,855
Miscellaneous	5,804	--	--	5,804
Total Revenues	<u>185,411</u>	<u>191,310</u>	<u>54,009</u>	<u>430,730</u>
Expenditures				
General government	198,782	--	--	198,782
Public safety	--	--	41,537	41,537
Transportation	--	117,044	--	117,044
Capital outlay	--	--	8,089	8,089
Total Expenditures	<u>198,782</u>	<u>117,044</u>	<u>49,626</u>	<u>365,452</u>
Excess (Deficiency) of Revenues Over Expenditures	(13,371)	74,266	4,383	65,278
Other Financing Uses				
Transfers out	--	(191,724)	--	(191,724)
Net Change in Fund Balances	(13,371)	(117,458)	4,383	(126,446)
Fund Balances - Beginning	<u>184,867</u>	<u>239,760</u>	<u>117,889</u>	<u>542,516</u>
Fund Balances - Ending	<u>\$ 171,496</u>	<u>\$ 122,302</u>	<u>\$ 122,272</u>	<u>\$ 416,070</u>

TOWN OF SURFSIDE, FLORIDA

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
TOURISM FUND**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Resort taxes	\$ 131,788	\$ 166,097	\$ 179,580	\$ 13,483
Interest	200	200	27	(173)
Miscellaneous	<u>3,000</u>	<u>57,600</u>	<u>5,804</u>	<u>(51,796)</u>
Total Revenues	<u>134,988</u>	<u>223,897</u>	<u>185,411</u>	<u>(38,486)</u>
Expenditures				
Current:				
General government	134,988	214,512	198,782	15,730
Culture and recreation	<u>--</u>	<u>9,385</u>	<u>--</u>	<u>9,385</u>
Total Expenditures	<u>134,988</u>	<u>223,897</u>	<u>198,782</u>	<u>25,115</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ --</u>	<u>\$ --</u>	<u>\$ (13,371)</u>	<u>\$ (13,371)</u>
Appropriated Beginning Fund Balance	<u>\$ --</u>	<u>\$ --</u>		

TOWN OF SURFSIDE, FLORIDA

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
TRANSPORTATION SURTAX FUND**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 170,055	\$ 170,055	\$ 191,296	\$ 21,241
Interest	<u>480</u>	<u>480</u>	<u>14</u>	<u>(466)</u>
Total Revenues	<u>170,535</u>	<u>170,535</u>	<u>191,310</u>	<u>20,775</u>
Expenditures				
Current:				
General government	<u>107,390</u>	<u>117,390</u>	<u>117,044</u>	<u>346</u>
Total Expenditures	<u>107,390</u>	<u>117,390</u>	<u>117,044</u>	<u>346</u>
Excess of Revenues over Expenditures	<u>63,145</u>	<u>53,145</u>	<u>74,266</u>	<u>(21,121)</u>
Other Financing Uses				
Transfers out	<u>(191,724)</u>	<u>(191,724)</u>	<u>(191,724)</u>	<u>--</u>
Net Changes in Fund Balances	<u>\$ (128,579)</u>	<u>\$ (138,579)</u>	<u>\$ (117,458)</u>	<u>\$ (21,121)</u>
Appropriated Beginning Fund Balance	<u>\$ 128,579</u>	<u>\$ 138,579</u>		

TOWN OF SURFSIDE, FLORIDA

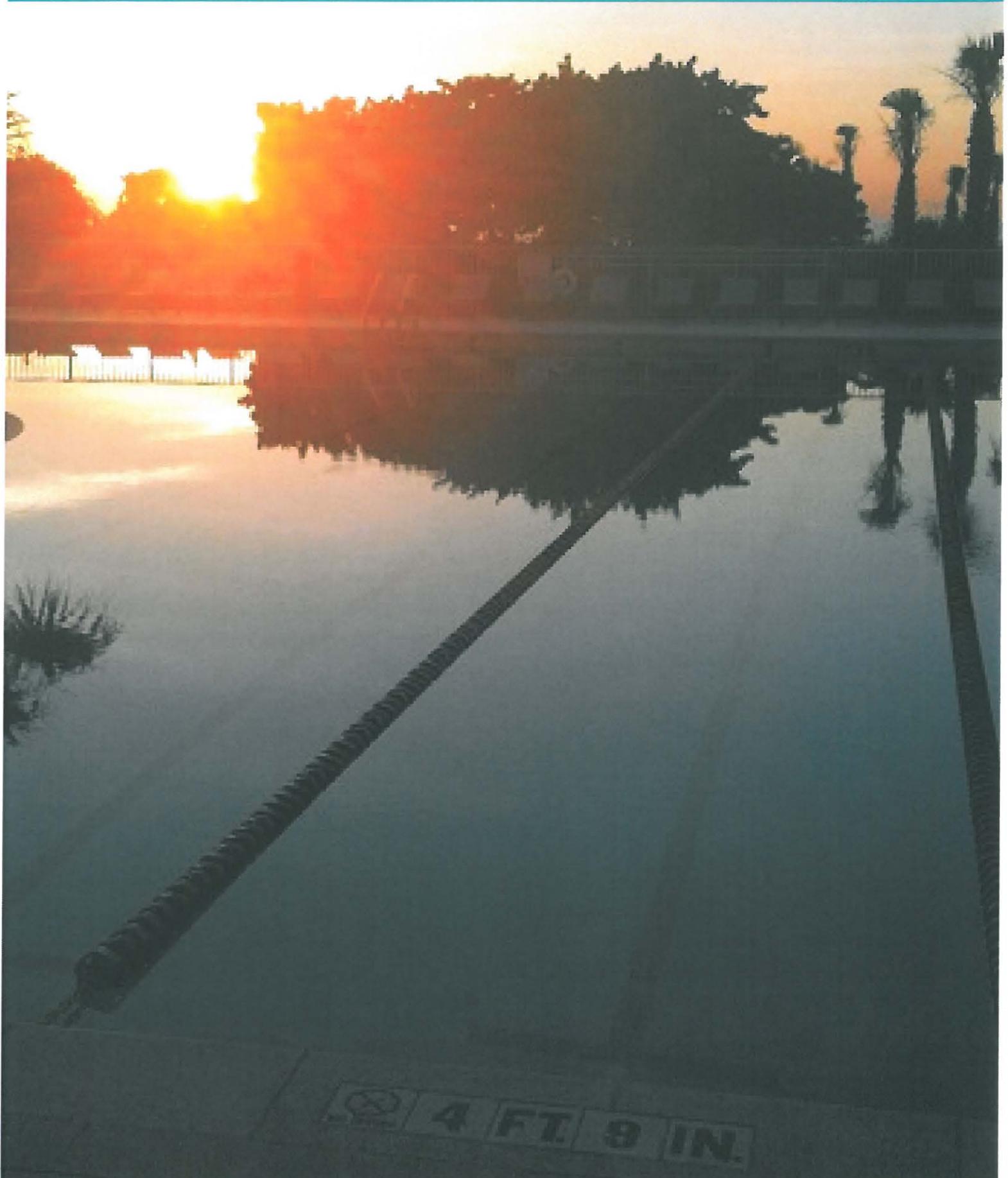
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
POLICE FORFEITURE FUND**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Forfeitures	\$ 34,066	\$ 34,066	\$ 52,195	\$ 18,129
Interest earnings	<u>100</u>	<u>100</u>	<u>1,814</u>	<u>1,714</u>
Total Revenues	<u>34,166</u>	<u>34,166</u>	<u>54,009</u>	<u>19,843</u>
Expenditures				
Current:				
Public safety	61,875	61,875	41,537	20,338
Capital Outlay	<u>17,335</u>	<u>17,335</u>	<u>8,089</u>	<u>9,246</u>
Total Expenditures	<u>79,210</u>	<u>79,210</u>	<u>49,626</u>	<u>29,584</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ (45,044)</u>	<u>\$ (45,044)</u>	<u>\$ 4,383</u>	<u>\$ 49,427</u>
Appropriated Beginning Fund Balance	<u>\$ 45,044</u>	<u>\$ 45,044</u>		



STATISTICAL SECTION



Town of Surfside, Florida
Introduction to Statistical Section
(Unaudited)

This part of the 's Town of Surfside, Florida' comprehensive annual financial report presents detailed information as a context for understanding this year's financial statements, note disclosures, and supplementary information. This information is unaudited.

Contents

Exhibits

Financial Trends

These tables contain trend information that may assist the reader in assessing the Town's current financial performance by placing it in historical perspective.

I - XII

Revenue Capacity

These tables contain information that may assist the reader in assessing the viability of the Town's most significant "own-source" revenue source, property taxes.

XIII - XVII

Debt Capacity

These tables present information that may assist the reader in analyzing the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. However, the Town does not have any outstanding general obligation bonded debt.

XVIII - XX

Demographic and Economic Information

These tables present demographic and economic information intended (1) to assist users in understanding the socioeconomic environment within which the Town operates and (2) to provide information that facilitates comparisons of financial statement information over time and among towns.

XXI - XXII

Operating Information

These tables contain service and infrastructure indicators that can inform one's understanding how the information in the Town's financial statements relates to the services the Town provides and the activities it performs.

XXIII - XXV

Data Source:

Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial report for the applicable year. The Town implemented GASB Statement No. 34 in fiscal year 2004, therefore exhibits presenting government-wide financial data include only nine years of information.

Town of Surfside, Florida
Changes in Net Assets - Governmental Activities (Unaudited)
Last Nine Fiscal Years ¹
(accrual basis of accounting)

	For the Fiscal Year Ended September 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses:									
General government	\$ 2,423,644	\$ 2,464,164	\$ 4,016,141	\$ 3,586,294	\$ 3,933,155	\$ 2,844,246	\$ 2,404,067	\$ 2,791,917	\$ 3,117,750
Public safety	2,388,141	2,664,931	3,029,368	3,599,072	3,703,961	4,094,093	3,786,485	4,099,678	4,418,680
Physical environment	736,607	909,393	1,161,599	959,705	848,334	961,381	803,147	829,383	980,590
Culture and recreation	992,699	1,247,493	1,460,284	1,238,174	1,748,556	1,558,000	1,086,071	1,139,460	1,691,572
Tourism development	147,451	131,335	146,885	89,635	-	-	-	-	-
Transportation	28,845	37,034	53,941	-	173,759	114,121	105,682	124,500	138,815
Interest	-	-	-	-	-	-	-	-	4,754
Total Expenses	6,717,387	7,454,350	9,868,218	9,472,880	10,407,765	9,571,841	8,185,452	8,984,938	10,352,161
Program Revenues:									
Charges for services:									
General government	869,361	370,259	257,767	340,597	169,749	198,504	374,556	459,549	1,274,946
Public safety	130,614	180,367	150,781	205,692	287,324	199,614	-	479,795	626,372
Leisure services	307,693	359,731	391,914	162,549	125,120	123,327	144,757	166,570	387,170
Tourism development	1,277	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	516	-
Operating grants and contributions	10,625	-	350,165	316,547	325,309	269,317	382,635	401,300	245,305
Capital grants and contributions	-	-	-	-	-	-	-	1,275	-
Total Program Revenues	1,319,570	910,357	1,150,627	1,025,385	907,502	790,762	901,948	1,509,005	2,533,793
Net (Expense) Revenue	(5,397,817)	(6,543,993)	(8,717,591)	(8,447,495)	(9,500,263)	(8,781,079)	(7,283,504)	(7,475,933)	(7,818,368)
General Revenues:									
Taxes:									
Property taxes	3,952,662	4,735,259	5,846,079	7,377,056	6,292,755	6,325,721	5,323,728	5,619,494	5,264,387
Resort taxes	534,731	505,346	546,264	477,563	424,279	366,867	390,873	435,175	344,063
Franchise fees based on gross receipts	401,532	385,984	470,541	453,901	463,823	416,728	414,835	416,277	399,621
Utility taxes	698,599	717,418	446,933	457,905	438,335	66,825	120,307	470,350	471,994
Communications services tax	-	-	281,143	272,870	337,348	385,486	343,440	353,667	325,102
Unrestricted intergovernmental revenues	685,798	590,402	662,034	584,219	519,837	862,137	905,255	657,120	639,582
Unrestricted investment earnings (losses)	127,922	263,603	563,494	639,616	194,695	(36,049)	98,208	37,368	62,782
Miscellaneous	227,295	58,743	544,216	57,941	49,503	81,280	56,481	138,283	205,832
Total General Revenues	6,628,539	7,256,755	9,360,704	10,321,071	8,720,575	8,468,995	7,653,127	8,127,734	7,713,363
Net Transfers In (Out)	(55,000)	(258,833)	(284,134)	-	(110,940)	121,893	208,502	212,172	26,329
Total General Revenues									
Net Transfers	6,573,539	6,997,922	9,076,570	10,321,071	8,609,635	8,590,888	7,861,629	8,339,906	7,739,692
Change in Net Assets	\$ 1,175,722	\$ 453,929	\$ 358,979	\$ 1,873,576	\$ (890,628)	\$ (190,191)	\$ 578,125	\$ 863,973	\$ (78,676)

Notes:

¹ The Town implemented GASB Statement No. 34 in fiscal year 2004, therefore, only nine years of government-wide financial data is presented.

Data Source:

Applicable years' comprehensive annual financial report.

Town of Surfside, Florida
Changes in Net Assets - Governmental Activities - Percentage of Total (Unaudited)
Last Nine Fiscal Years ¹
(accrual basis of accounting)

	For the Fiscal Year Ended September 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses:									
General government	36.1%	33.1%	40.7%	37.9%	37.8%	29.7%	29.4%	31.1%	30.1%
Public safety	35.6%	35.8%	30.7%	38.0%	35.6%	42.8%	46.3%	45.6%	42.7%
Physical environment	11.0%	12.2%	11.8%	10.1%	8.2%	10.0%	9.8%	9.2%	9.5%
Culture and recreation	14.8%	16.7%	14.8%	13.1%	16.8%	16.3%	13.3%	12.7%	16.3%
Tourism development	2.2%	1.8%	1.5%	0.9%	0.0%	0.0%	0.0%	0.0%	0.0%
Transportation	0.3%	0.5%	0.5%	0.0%	1.7%	1.2%	1.3%	1.4%	1.4%
Total Expenses	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Program Revenues:									
Charges for services:									
General government	65.9%	40.7%	22.4%	33.2%	18.7%	25.1%	41.5%	30.5%	50.3%
Public safety	9.9%	19.8%	13.1%	20.1%	31.7%	25.2%	0.0%	31.8%	24.7%
Leisure services	23.3%	39.5%	34.1%	15.9%	13.8%	15.6%	16.0%	11.0%	15.3%
Tourism development	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Operating grants and contributions	0.8%	0.0%	30.4%	30.9%	35.8%	34.1%	42.5%	26.7%	9.7%
Total Program Revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
General Revenues:									
Taxes:									
Property taxes	59.6%	65.3%	62.5%	71.5%	72.2%	74.7%	69.6%	69.1%	68.3%
Resort taxes	8.1%	7.0%	5.8%	4.6%	4.9%	4.3%	5.1%	5.4%	4.5%
Franchise fees based on gross receipts	6.1%	5.3%	5.0%	4.4%	5.3%	4.9%	5.4%	5.1%	5.2%
Utility taxes	10.5%	9.9%	4.8%	4.4%	5.0%	0.8%	1.6%	5.8%	6.1%
Communications services tax	0.0%	0.0%	3.0%	2.6%	3.9%	4.6%	4.5%	4.4%	4.2%
Unrestricted intergovernmental revenues	10.3%	8.1%	7.1%	5.7%	6.0%	10.2%	11.8%	8.1%	8.3%
Unrestricted investment earnings (losses)	1.9%	3.6%	6.0%	6.2%	2.2%	-0.4%	1.3%	0.5%	0.8%
Miscellaneous	3.5%	0.8%	5.8%	0.6%	0.5%	0.9%	0.7%	1.6%	2.6%
Total General Revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Notes:

¹ The Town implemented GASB Statement No. 34 in fiscal year 2004, therefore, only nine years of government-wide financial data is presented.

Data Source:

Applicable years' comprehensive annual financial report.

Town of Surfside, Florida
Changes in Net Assets - Business-type Activities
Last Nine Fiscal Years ¹
(accrual basis of accounting)

	For the Fiscal Year Ended September 30,								
Source	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses:									
Water and sewer	\$ 1,379,880	\$ 1,178,986	\$ 1,360,734	\$ 1,428,258	\$ 1,788,324	\$ 1,669,477	\$ 1,990,702	\$ 1,818,762	\$ 1,730,300
Municipal parking	134,292	143,472	107,555	176,715	188,086	174,680	222,108	368,497	622,208
Sanitation	875,509	920,923	1,412,283	1,172,075	1,139,619	1,018,579	949,505	1,022,897	1,073,281
Stormwater utility	57,044	62,268	82,940	100,970	115,723	128,910	114,086	122,207	130,323
Total Expenses	2,446,725	2,305,649	2,963,512	2,878,018	3,231,752	2,991,646	3,276,401	3,332,363	3,556,112
Program Revenues:									
Charges for services:									
Water and sewer	1,569,718	1,555,453	1,521,173	1,512,757	1,352,247	1,966,915	2,518,218	2,876,010	2,785,348
Municipal parking	336,475	335,327	282,430	288,959	296,600	394,975	404,293	679,970	893,026
Sanitation	785,509	750,510	806,053	798,028	782,024	1,251,695	1,244,547	1,231,887	1,219,689
Stormwater utility	115,504	115,407	115,324	114,134	114,219	243,775	247,002	501,655	502,972
Operating grants and contributions	-	12,952	333,674	-	-	-	-	-	-
Capital grants and contributions	-	-	-	761	12,500	-	-	567,710	276,844
Total Program Revenues	2,807,206	2,769,649	3,058,654	2,714,639	2,557,590	3,857,360	4,414,060	5,857,232	5,677,879
Net (Expense) Revenue	360,481	464,000	95,142	(163,379)	(674,162)	865,714	1,137,659	2,524,869	2,121,767
General Revenues:									
Investment earnings	30,820	82,036	151,372	201,052	101,307	2,569	15,622	15,130	14,790
Capital contributions	-	-	-	-	-	-	108,947	-	-
Net Transfers	55,000	258,833	285,656	-	110,940	(121,893)	(208,502)	(212,172)	(26,329)
Total General Revenues	85,820	340,869	437,028	201,052	212,247	(119,324)	(83,933)	(197,042)	(11,539)
Net Transfers	85,820	340,869	437,028	201,052	212,247	(119,324)	(83,933)	(197,042)	(11,539)
Change in Net Assets	\$ 446,301	\$ 804,869	\$ 532,170	\$ 37,673	\$ (461,915)	\$ 746,390	\$ 1,053,726	\$ 2,327,827	\$ 2,110,228

Notes:

¹ The Town implemented GASB Statement No. 34 in fiscal year 2004, therefore, only nine years of government-wide financial data is presented.

Data Source:

Applicable years' comprehensive annual financial report.

Town of Surfside, Florida
Changes in Total Net Assets
*Last Nine Fiscal Years*³
(accrual basis of accounting)

	For the Fiscal Year Ended September 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses:									
Governmental activities ¹	\$ 6,717,387	\$ 7,454,350	\$ 9,868,218	\$ 9,472,880	\$ 10,407,765	\$ 9,571,841	\$ 8,185,452	\$ 8,984,938	\$ 10,352,161
Business-type activities ²	2,446,725	2,305,649	2,963,512	2,878,018	3,231,752	2,991,646	3,276,401	3,332,363	3,556,112
Total Expenses	9,164,112	9,759,999	12,831,730	12,350,898	13,639,517	12,563,487	11,461,853	12,317,301	13,908,273
Program Revenues:									
Governmental activities ¹	1,319,570	910,357	1,150,627	1,025,385	907,502	790,762	901,948	1,509,005	2,533,793
Business-type activities ²	2,807,206	2,769,649	3,058,654	2,714,639	2,557,590	3,857,360	4,414,060	5,857,232	5,677,879
Total Program Revenues	4,126,776	3,680,006	4,209,281	3,740,024	3,465,092	4,648,122	5,316,008	7,366,237	8,211,672
Net (Expense) Revenue	(5,037,336)	(6,079,993)	(8,622,449)	(8,610,874)	(10,174,425)	(7,915,365)	(6,145,845)	(4,951,064)	(5,696,601)
General Revenues and Transfers:									
Governmental activities ¹	6,573,539	6,997,922	9,076,570	10,321,071	8,609,635	8,590,888	7,861,629	8,339,906	7,739,692
Business-type activities ²	85,820	340,869	437,028	201,052	212,247	(119,324)	(83,933)	(197,042)	(11,539)
Total General Revenues	6,659,359	7,338,791	9,513,598	10,522,123	8,821,882	8,471,564	7,777,696	8,142,864	7,728,153
Change in Net Assets	\$ 1,622,023	\$ 1,258,798	\$ 891,149	\$ 1,911,249	\$ (1,352,543)	\$ 556,199	\$ 1,631,851	\$ 3,191,800	\$ 2,031,552

Notes:¹ See Exhibit I² See Exhibit III³ The Town implemented GASB Statement No. 34 in fiscal year 2004, therefore, only nine years of government-wide financial data is presented.

Town of Surfside, Florida
Government-wide Net Assets by Category²
Last Nine Fiscal Years¹
(accrual basis of accounting)

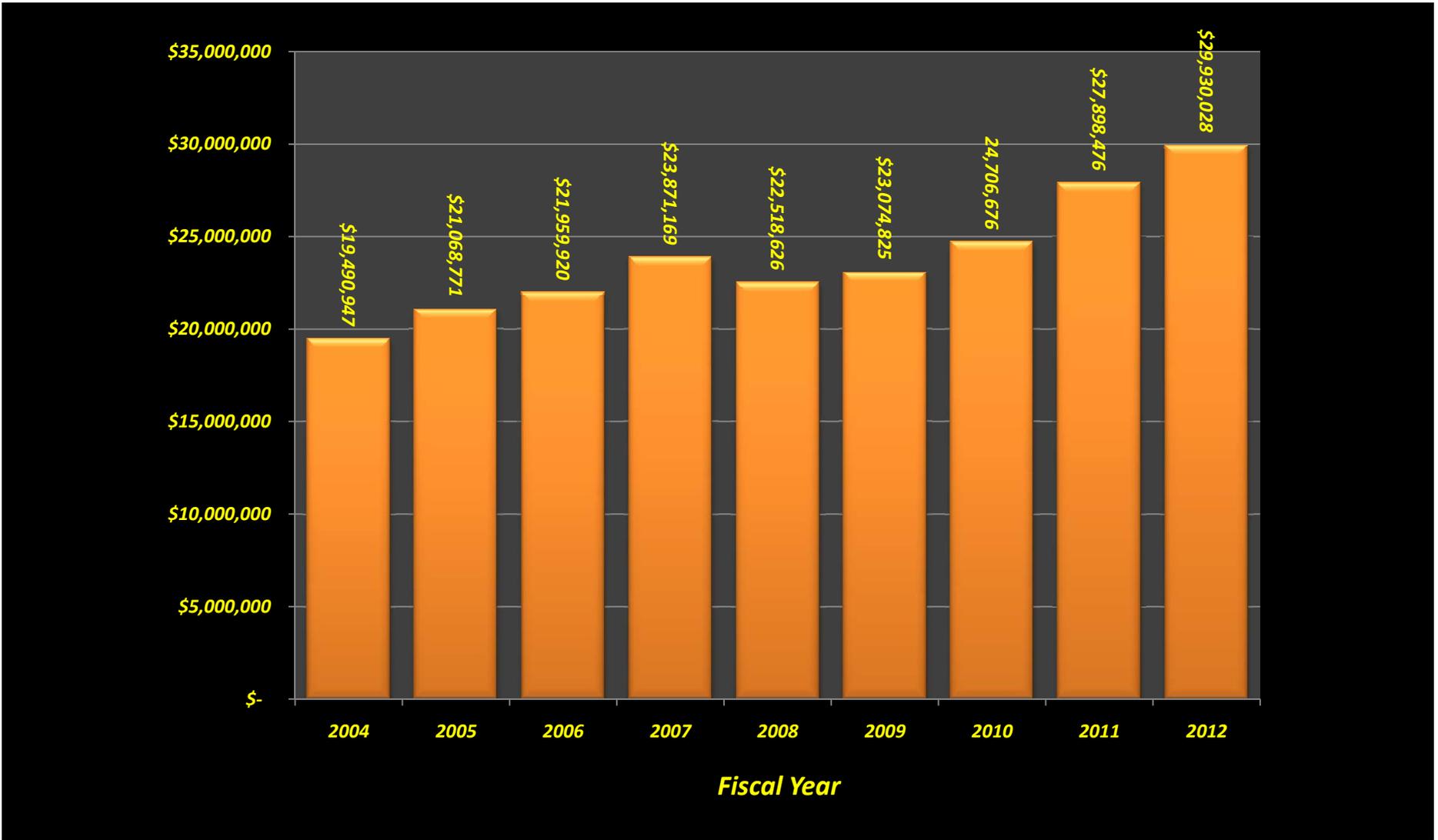
	September 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities									
Invested in capital assets, net of related debt	\$ 6,469,295	\$ 6,583,160	\$ 8,204,180	\$ 8,014,197	\$ 9,102,085	\$ 9,205,412	\$ 9,596,672	\$ 14,039,238	\$ 13,528,097
Restricted	3,327,718	3,538,145	822,422	788,412	819,427	724,122	667,360	542,516	416,070
Unrestricted	5,945,532	6,394,195	7,847,877	9,945,446	7,935,915	7,737,702	7,981,329	4,527,580	5,086,491
Subtotal Governmental Activities Net Assets	15,742,545	16,515,500	16,874,479	18,748,055	17,857,427	17,667,236	18,245,361	19,109,334	19,030,658
Business-type Activities									
Invested in capital assets, net of related debt	771,812	778,258	921,947	740,133	963,195	1,278,825	2,037,308	4,102,675	11,239,664
Restricted	340,824	342,346	343,868	343,868	1,689,815	1,358,811	1,822,858	1,822,858	1,283,916
Unrestricted	2,635,766	3,432,667	3,819,626	4,039,113	2,008,189	2,769,953	2,601,149	2,863,609	(1,624,210)
Subtotal Business-type Activities Net Assets	3,748,402	4,553,271	5,085,441	5,123,114	4,661,199	5,407,589	6,461,315	8,789,142	10,899,370
Primary Government									
Invested in capital assets, net of related debt	7,241,107	7,361,418	9,126,127	8,754,330	10,065,280	10,484,237	11,633,980	18,141,913	24,767,761
Restricted	3,668,542	3,880,491	1,166,290	1,132,280	2,509,242	2,082,933	2,490,218	2,365,374	1,699,986
Unrestricted	8,581,298	9,826,862	11,667,503	13,984,559	9,944,104	10,507,655	10,582,478	7,391,189	3,462,281
Total Primary Government Net Assets	\$ 19,490,947	\$ 21,068,771	\$ 21,959,920	\$ 23,871,169	\$ 22,518,626	\$ 23,074,825	\$ 24,706,676	\$ 27,898,476	\$ 29,930,028

Notes:

¹ The Town implemented GASB Statement No. 34 in fiscal year 2004, therefore, only nine years of government-wide financial data is presented.

² Accounting standards require that net assets be reported in three components in the financial statements: invested in capital assets, net of related debt; restricted; and unrestricted. Net assets are considered restricted only when (1) an external party, such as the State of Florida or the federal government, places a restriction on how the resources may be used, or (2) enabling legislation is enacted by the Town. There are no restrictions currently reported as a result of enabling legislation.

Town of Surfside, Florida
Chart-Total Government-wide Net Assets
Last Nine Fiscal Years
(accrual basis of accounting)



Town of Surfside, Florida
General Governmental Revenues by Source (Unaudited) ¹
Last Ten Fiscal Years
(modified accrual basis of accounting)

For the Fiscal Year Ended September 30,										
Revenue Source	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Amounts										
Taxes	\$ 5,087,080	\$ 5,587,524	\$ 6,344,007	\$ 7,590,960	\$ 9,039,295	\$ 7,956,540	\$ 7,561,627	\$ 6,936,623	\$ 7,294,963	\$ 6,984,747
Intergovernmental	572,133	685,798	788,467	1,008,198	858,405	887,507	1,131,454	745,540	967,988	830,878
Licenses and permits	427,226	365,350	259,024	256,007	340,597	169,749	198,504	374,556	459,549	1,274,946
Charges for services	292,820	301,923	356,725	391,537	162,549	125,120	123,327	144,757	166,183	207,563
Fines and forfeitures	153,748	636,673	311,961	156,755	205,692	287,324	199,614	190,243	570,227	678,567
Investment earnings	128,198	127,922	263,603	563,494	639,616	194,695	(36,049)	103,576	39,545	58,819
Miscellaneous	58,935	242,917	59,941	544,379	57,941	49,503	96,289	59,781	138,283	211,636
Total Revenues	\$ 6,720,140	\$ 7,948,107	\$ 8,383,728	\$ 10,511,330	\$ 11,304,095	\$ 9,670,438	\$ 9,274,766	\$ 8,555,076	\$ 9,636,738	\$ 10,247,156
% change from prior year	7.5%	18.3%	5.5%	25.4%	7.5%	-14.5%	-4.1%	-7.8%	12.6%	6.3%
Percentage of Total										
Taxes	75.7%	70.3%	75.7%	72.2%	80.0%	82.3%	81.5%	81.1%	75.7%	68.2%
Intergovernmental	8.5%	8.6%	9.4%	9.6%	7.6%	9.2%	12.2%	8.7%	10.0%	8.1%
Licenses and permits	6.4%	4.6%	3.1%	2.4%	3.0%	1.8%	2.1%	4.4%	4.8%	12.4%
Charges for services	4.4%	3.8%	4.3%	3.7%	1.4%	1.3%	1.3%	1.7%	1.7%	2.0%
Fines and forfeitures	2.3%	8.0%	3.7%	1.5%	1.8%	3.0%	2.3%	2.2%	5.9%	6.6%
Investment earnings	1.9%	1.6%	3.1%	5.4%	5.7%	2.0%	-0.4%	1.2%	0.4%	0.6%
Miscellaneous	0.8%	3.1%	0.7%	5.2%	0.5%	0.4%	1.0%	0.7%	1.4%	2.1%
Total Revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

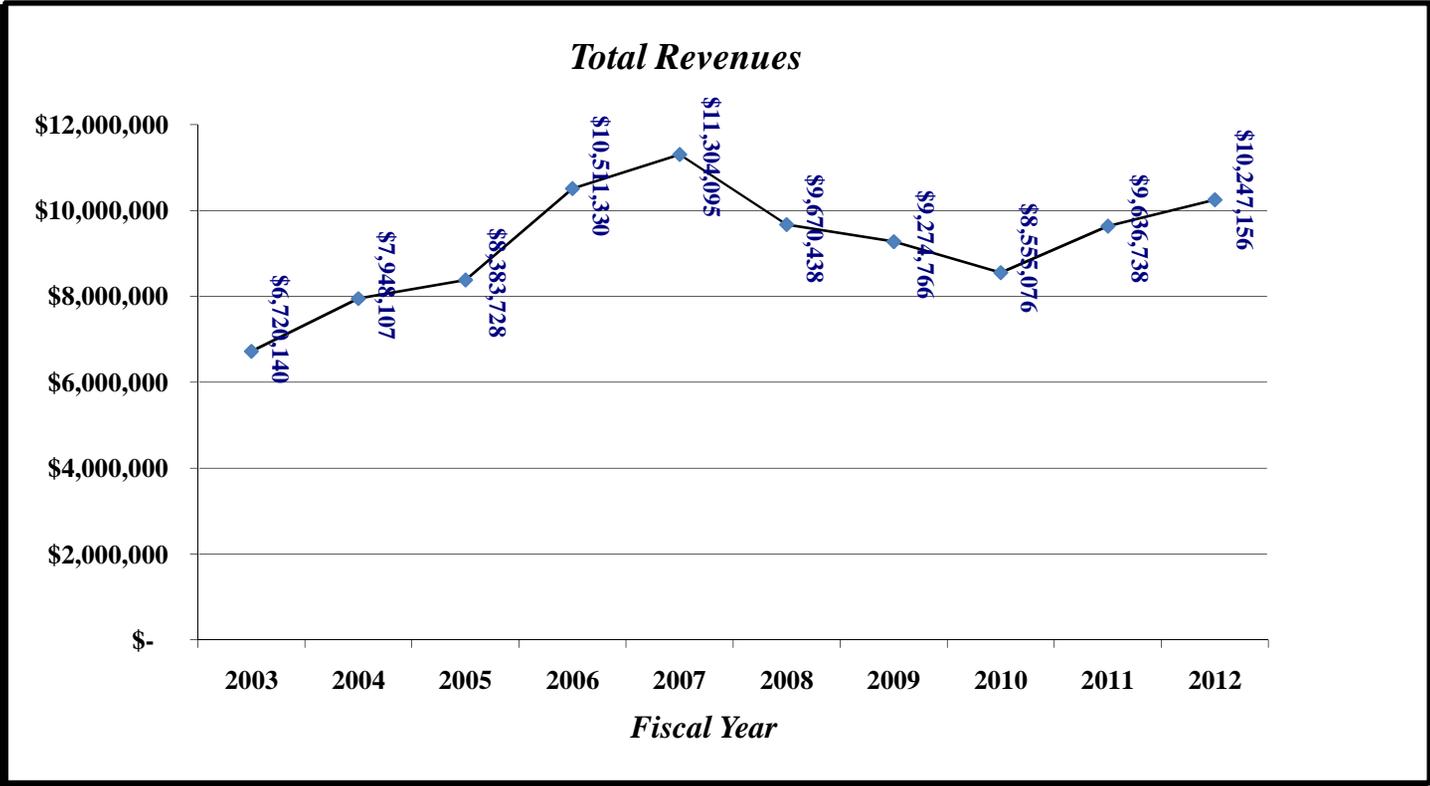
Notes:

¹ Includes all governmental fund types.

Data Source:

Applicable years' comprehensive annual financial report.

Town of Surfside, Florida
Chart-Total General Governmental Revenues (Unaudited)
Last Ten Fiscal Years
(modified accrual basis of accounting)



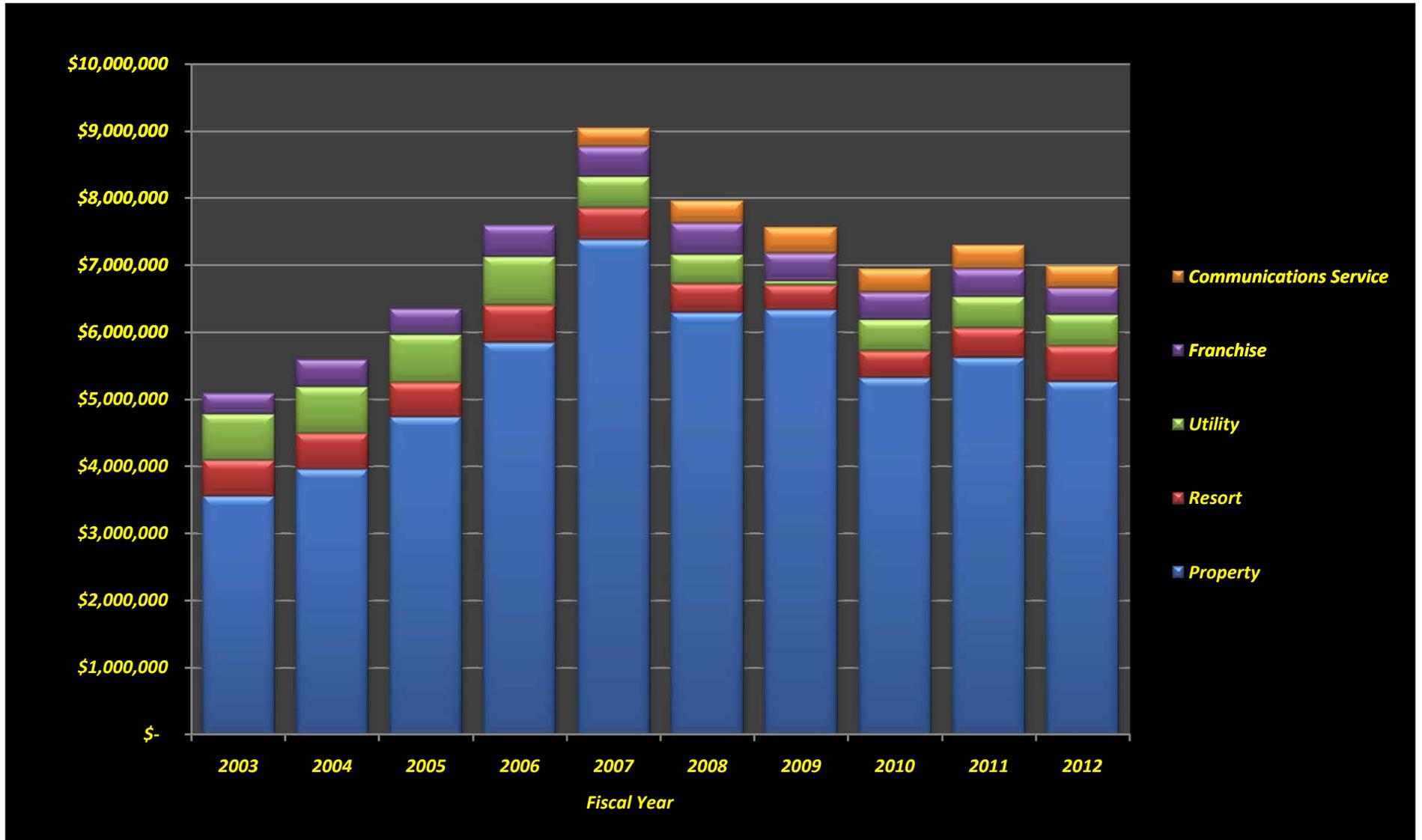
Town of Surfside, Florida
Tax Revenues by Source - Governmental Funds (Unaudited)
Last Ten Fiscal Years
(modified accrual basis of accounting)

For The Fiscal Year Ended September 30,	Property	Resort	Utility	Franchise	Communications Service	Total
Amounts						
2003	\$ 3,555,405	\$ 531,691	\$ 687,660	\$ 312,324	\$ -	\$ 5,087,080
2004	3,952,662	534,731	698,599	401,532	-	5,587,524
2005	4,735,259	505,346	717,418	385,984	-	6,344,007
2006	5,846,079	546,264	728,076	470,541	-	7,590,960
2007	7,377,056	477,563	457,905	453,901	272,870	9,039,295
2008	6,292,755	424,279	438,335	463,823	337,348	7,956,540
2009	6,325,721	366,867	66,825	416,728	385,486	7,561,627
2010	5,323,728	390,873	463,747	414,835	343,440	6,936,623
2011	5,619,494	435,175	470,350	416,277	353,667	7,294,963
2012	5,264,387	523,643	471,994	399,621	325,102	6,984,747
<i>% Change in Dollars Over 10 Years</i>	48.1%	-1.5%	-31.4%	28.0%	19.1%	37.3%
Percentage of Total						
2003	69.9%	10.5%	13.5%	6.1%	0.0%	100.0%
2004	70.7%	9.6%	12.5%	7.2%	0.0%	100.0%
2005	74.6%	8.0%	11.3%	6.1%	0.0%	100.0%
2006	77.0%	7.2%	9.6%	6.2%	0.0%	100.0%
2007	81.6%	5.3%	5.1%	5.0%	3.0%	100.0%
2008	79.1%	5.3%	5.5%	5.8%	4.2%	100.0%
2009	83.7%	4.9%	0.9%	5.5%	5.1%	100.0%
2010	76.7%	5.6%	6.7%	6.0%	5.0%	100.0%
2011	77.0%	6.0%	6.4%	5.7%	4.8%	100.0%
2012	75.4%	7.5%	6.8%	5.7%	4.6%	100.0%

Data Source:

Applicable years' comprehensive annual financial report.

Town of Surfside, Florida
Chart-Tax Revenues by Source - Governmental Funds (Unaudited)
Last Ten Fiscal Years
(modified accrual basis of accounting)



Town of Surfside, Florida
General Governmental Expenditures by Function (Unaudited) ¹
Last Ten Fiscal Years
(modified accrual basis of accounting)

For the Fiscal Year Ended September 30,										
Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Current:										
General government	\$ 1,742,336	\$ 2,604,325	\$ 2,763,146	\$ 4,556,094	\$ 3,549,729	\$ 3,828,840	\$ 2,703,868	\$ 2,315,554	\$ 2,303,523	\$ 2,917,765
Public safety	1,970,007	2,292,629	2,537,447	2,870,994	3,501,367	3,584,295	3,928,491	3,648,766	3,957,265	3,990,274
Physical environment	791,082	716,840	882,428	869,936	833,631	749,358	855,526	695,642	720,888	873,549
Culture and recreation	623,214	778,698	982,374	1,127,950	1,144,262	1,287,622	1,451,163	977,449	1,123,446	1,529,608
Transportation	-	-	-	-	76,722	159,979	99,476	91,037	106,292	117,044
Total Current	5,126,639	6,392,492	7,165,395	9,424,974	9,105,711	9,610,094	9,038,524	7,728,448	8,211,414	9,428,240
% Change From Prior Year	23.5%	24.7%	12.1%	31.5%	-3.4%	5.5%	-5.9%	-14.5%	6.2%	14.8%
Capital Outlay										
	314,464	712,975	474,141	1,979,702	321,287	1,903,727	611,486	877,372	5,157,666	650,979
% Change From Prior Year	-47.2%	126.7%	-33.5%	317.5%	-83.8%	492.5%	-67.9%	43.5%	487.9%	-87.4%
Debt Service										
Principal	-	-	-	-	-	-	-	-	-	72,944
Interest	-	-	-	-	-	-	-	-	-	4,754
Total Debt Service	-	-	-	-	-	-	-	-	-	77,698
% Change From Prior Year	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Total Expenditures	\$ 5,441,103	\$ 7,105,467	\$ 7,639,536	\$ 11,404,676	\$ 9,426,998	\$ 11,513,821	\$ 9,650,010	\$ 8,605,820	\$ 13,369,080	\$ 10,156,917
% Change From Prior Year	14.6%	30.6%	7.5%	49.3%	-17.3%	22.1%	-16.2%	-10.8%	55.3%	-24.0%
Debt Service as a % of Noncapital Expenditures ⁶	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.8%

Notes:

¹ Includes all governmental fund types.

Data Source:

Applicable years' comprehensive annual financial report.

Town of Surfside, Florida
General Governmental Current Expenditures by Function (Unaudited) ¹
Last Ten Fiscal Years
(modified accrual basis of accounting)

For the Fiscal Year Ended September 30,										
Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Amounts										
Current:										
General government	\$ 1,742,336	\$ 2,604,325	\$ 2,763,146	\$ 4,556,094	\$ 3,549,729	\$ 3,828,840	\$ 2,703,868	\$ 2,315,554	\$ 2,303,523	\$ 2,917,765
Public safety	1,970,007	2,292,629	2,537,447	2,870,994	3,501,367	3,584,295	3,928,491	3,648,766	3,957,265	3,990,274
Physical environment	791,082	716,840	882,428	869,936	833,631	749,358	855,526	695,642	720,888	873,549
Culture and recreation	623,214	778,698	982,374	1,127,950	1,144,262	1,287,622	1,451,163	977,449	1,123,446	1,529,608
Transportation	-	-	-	-	76,722	159,979	99,476	91,037	106,292	117,044
Total Current	\$ 5,126,639	\$ 6,392,492	\$ 7,165,395	\$ 9,424,974	\$ 9,105,711	\$ 9,610,094	\$ 9,038,524	\$ 7,728,448	\$ 8,211,414	\$ 9,428,240
Percentage of Total										
Current:										
General government	34.0%	40.7%	38.6%	48.3%	39.0%	39.8%	29.9%	30.0%	28.1%	30.9%
Public safety	38.4%	35.9%	35.4%	30.5%	38.5%	37.3%	43.5%	47.2%	48.2%	42.3%
Physical environment	15.4%	11.2%	12.3%	9.2%	9.2%	7.8%	9.5%	9.0%	8.8%	9.3%
Culture and recreation	12.2%	12.2%	13.7%	12.0%	12.6%	13.4%	16.1%	12.6%	13.7%	16.2%
Transportation	0.0%	0.0%	0.0%	0.0%	0.7%	1.7%	1.0%	1.2%	1.3%	1.3%
Total Current	100.0%									

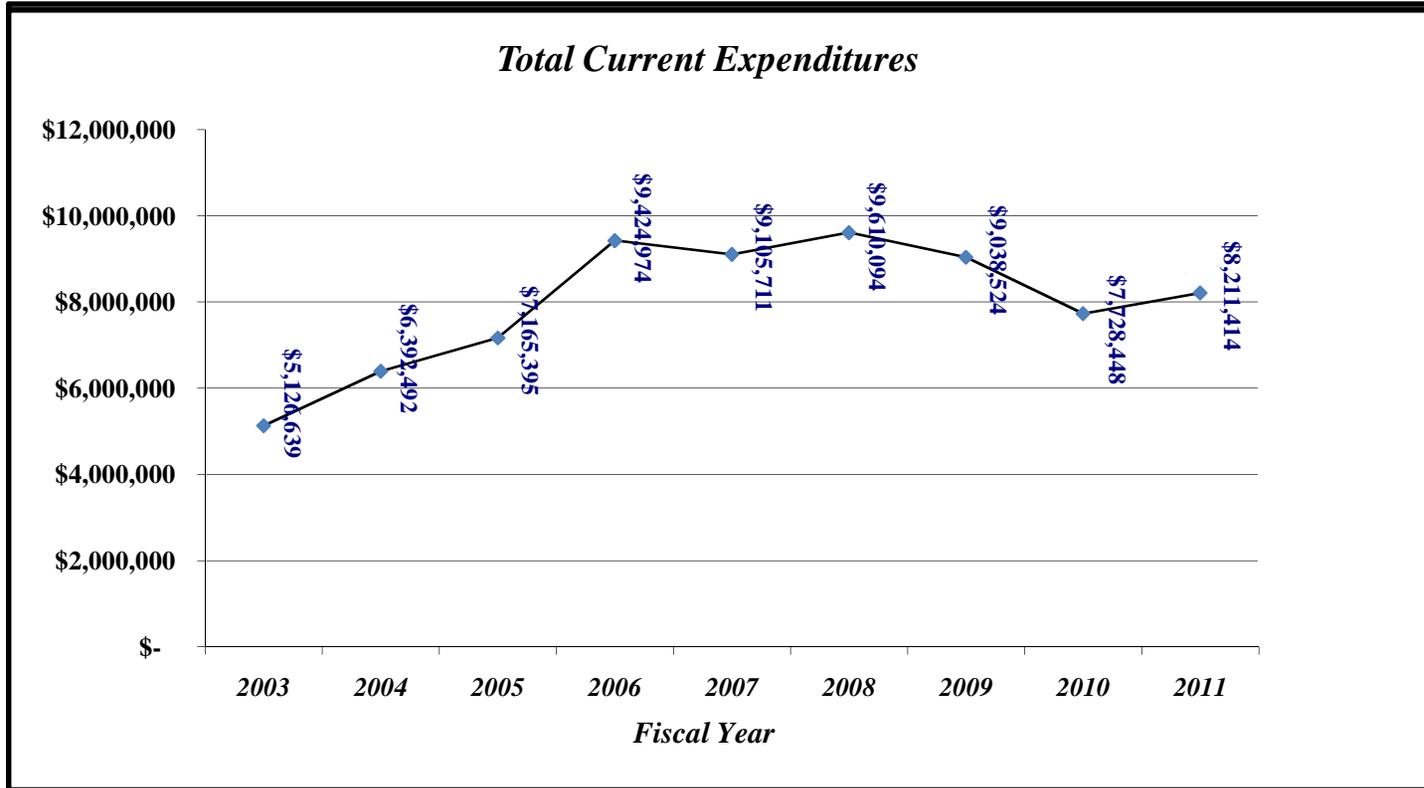
Notes:

¹ Includes all governmental fund types.

Data Source:

Applicable years' comprehensive annual financial report.

Town of Surfside, Florida
Chart-Total General Governmental Current Expenditures (Unaudited)
Last Ten Fiscal Years
(modified accrual basis of accounting)



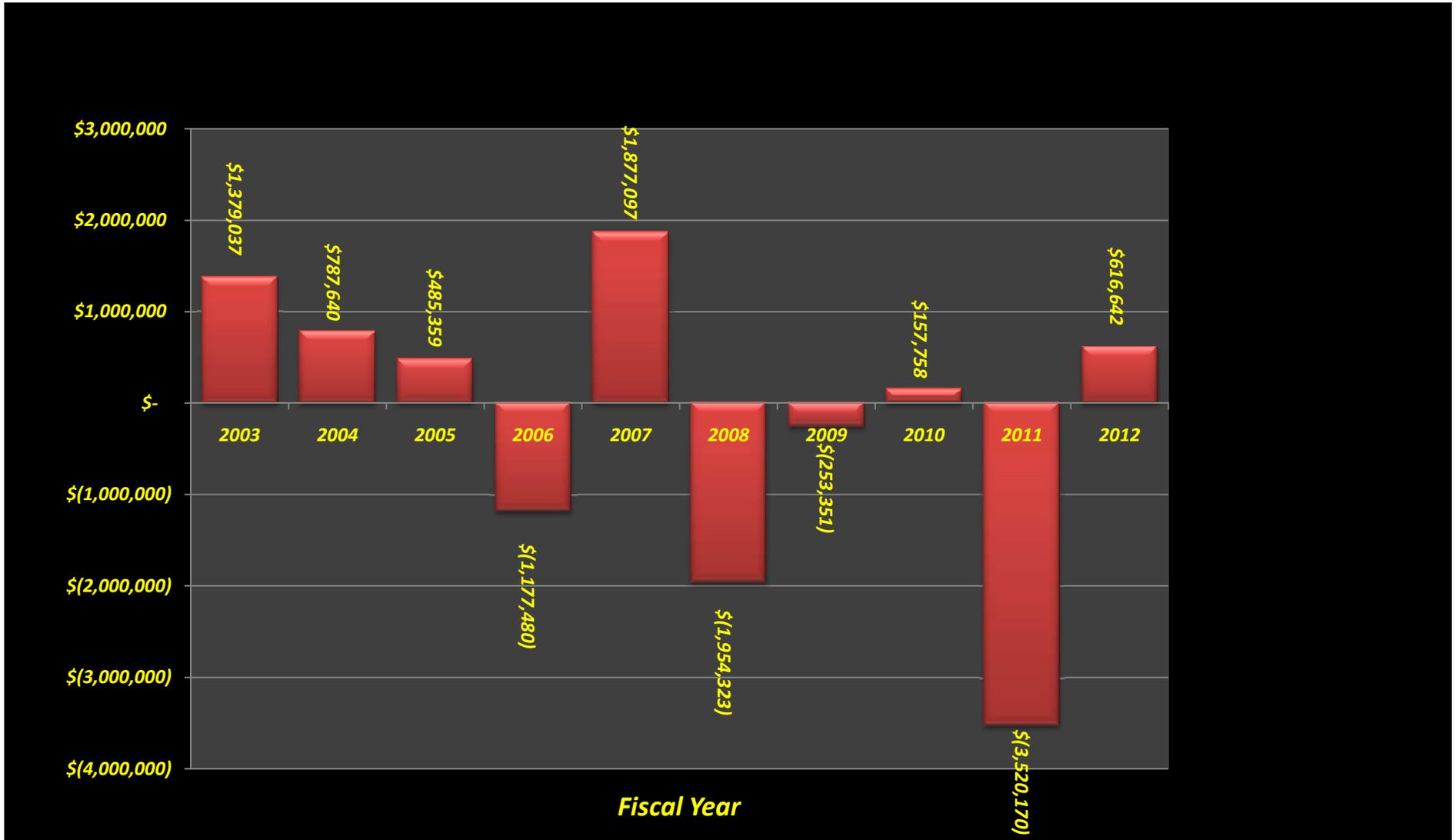
Town of Surfside, Florida
Summary of Changes in Fund Balances - Governmental Funds (Unaudited)
Last Ten Fiscal Years
(modified accrual basis of accounting)

	For the Fiscal Year Ended September 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total Revenues	\$ 6,720,140	\$ 7,948,107	\$ 8,383,728	\$ 10,511,330	\$ 11,304,095	\$ 9,670,438	\$ 9,274,766	\$ 8,555,076	\$ 9,636,738	\$ 10,247,156
Total Expenditures	5,441,103	7,105,467	7,639,536	11,404,676	9,426,998	11,513,821	9,650,010	8,605,820	13,369,080	10,156,917
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,279,037	842,640	744,192	(893,346)	1,877,097	(1,843,383)	(375,244)	(50,744)	(3,732,342)	90,239
Other Financing Sources (Uses)										
Inception of capital leases	-	-	-	-	-	-	-	-	-	500,074
Transfers in	400,000	575,483	56,926	-	161,738	2,665,101	232,878	5,239,461	356,532	394,565
Transfers out	(300,000)	(630,483)	(315,759)	(284,134)	(161,738)	(2,776,041)	(110,985)	(5,030,959)	(144,360)	(368,236)
Total Other Financing Sources (Uses)	100,000	(55,000)	(258,833)	(284,134)	-	(110,940)	121,893	208,502	212,172	526,403
Net Change in Fund Balances	<u>\$ 1,379,037</u>	<u>\$ 787,640</u>	<u>\$ 485,359</u>	<u>\$ (1,177,480)</u>	<u>\$ 1,877,097</u>	<u>\$ (1,954,323)</u>	<u>\$ (253,351)</u>	<u>\$ 157,758</u>	<u>\$ (3,520,170)</u>	<u>\$ 616,642</u>

Data Source:

Applicable years' comprehensive annual financial report.

Town of Surfside, Florida
Chart-Changes in Fund Balances - Governmental Funds (Unaudited)
Last Ten Fiscal Years
(modified accrual basis of accounting)



Town of Surfside, Florida
Fund Balances - Governmental Funds (Unaudited)
Fiscal Years 2003 - 2009
(modified accrual basis of accounting)

	September 30,						
	2003	2004	2005	2006	2007	2008	2009
General Fund							
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 104,240	\$ 101,996	\$ 117,013
Unreserved	5,553,798	6,234,808	6,508,243	5,336,016	7,223,228	6,786,540	7,178,522
Total General Fund	5,553,798	6,234,808	6,508,243	5,336,016	7,327,468	6,888,536	7,295,535
General Fund % Change From Prior Year	28.2%	12.3%	4.4%	-18.0%	37.3%	-6.0%	5.9%
All Other Governmental Funds							
Reserved ¹	-	-	-	-	3,919	8,590	-
Unreserved							
Special Revenue Funds	3,223,367	538,085	549,326	2,276,754	1,023,426	783,701	724,122
Capital Projects Funds	18,890	2,281,356	2,320,130	520,194	2,413,858	1,133,521	541,340
Total All Other Governmental Funds	3,242,257	2,819,441	2,869,456	2,796,948	3,441,203	1,925,812	1,265,462
All Other Governmental Funds % Change From Prior Year	501.0%	-13.0%	1.8%	-2.5%	23.0%	-44.0%	-34.3%
Total Governmental Funds							
Reserved	-	-	-	-	108,159	110,586	117,013
Unreserved	8,796,055	9,054,249	9,377,699	8,132,964	10,660,512	8,703,762	8,443,984
Total Governmental Funds	\$ 8,796,055	\$ 9,054,249	\$ 9,377,699	\$ 8,132,964	\$ 10,768,671	\$ 8,814,348	\$ 8,560,997
All Governmental Funds % Change From Prior Year	18.6%	2.9%	3.6%	-13.3%	32.4%	-18.1%	-2.9%

Notes:

The Town implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Definitions*, in Fiscal Year 2010 (See Exhibit XII). The Town did not restate the prior years.

Data Source:

Applicable years' comprehensive annual financial report.

Town of Surfside, Florida
Fund Balances - Governmental Funds (Unaudited)
Fiscal Years 2010 - 2012
(modified accrual basis of accounting)

	September 30,		
	2010	2011	2012
General Fund:			
Assigned to:			
Emergencies and cash flows	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
Subsequent years' expenditures	-	95,175	-
Nonspendable:			
Prepaid items	107,171	109,532	144,738
Asset held for resale	188,000	-	-
Unassigned	867,867	2,051,608	3,121,636
Total General Fund	3,163,038	4,256,315	5,266,374
General Fund % Change From Prior Year	-56.5%	34.6%	23.7%
All Other Governmental Funds:			
Restricted for:			
Tourism	179,035	184,867	171,496
Transportation surtax	416,500	239,760	122,302
Police forfeiture	71,825	117,889	122,272
Committed to:			
Capital projects	4,201,479	-	-
Assigned to:			
Capital projects	686,878	399,754	132,783
Total All Other Governmental Funds:	5,555,717	942,270	548,853
All Other Governmental Funds % Change From Prior Year	339.0%	-100.0%	-41.8%
Total Governmental Funds	\$ 8,718,755	\$ 5,198,585	\$ 5,815,227
All Governmental Funds % Change From Prior Year	1.8%	-100.0%	11.9%

Notes:

The Town implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Definitions*, in Fiscal Year 2010. The Town did not restate the prior eight years.

Data Source:

Applicable years' comprehensive annual financial report.

Town of Surfside, Florida
Taxable Assessed Value - Real and Personal Property (Unaudited) ¹
Last Ten Fiscal Years

Fiscal Year	Real Property		Personal Property		Total Taxable Assessed Value ¹	Total Direct Tax Rate ²	Total Annual Percentage Change
	Amount	Percentage Change	Amount	Percentage Change			
2003	\$ 710,829,366	29.0%	\$ 14,414,834	9.7%	\$ 725,244,200	5.6030	28.5%
2004	789,958,828	11.1%	13,889,674	-3.6%	803,848,502	5.6030	10.8%
2005	922,780,341	16.8%	13,798,601	-0.7%	936,578,942	5.6030	16.5%
2006	1,130,237,073	22.5%	16,959,267	22.9%	1,147,196,340	5.6030	22.5%
2007	1,434,501,842	26.9%	15,720,579	-7.3%	1,450,222,421	5.6000	26.4%
2008	1,644,730,371	14.7%	15,702,111	-0.1%	1,660,432,482	4.2500	14.5%
2009	1,513,235,324	-8.0%	18,434,095	17.4%	1,531,669,419	5.3580	-7.8%
2010	1,270,680,301	-16.0%	12,720,930	-31.0%	1,283,401,231	4.7332	-16.2%
2011	1,050,695,131	-17.3%	12,264,492	-3.6%	1,062,959,623	5.9499	-17.2%
2012	1,005,246,014	-4.3%	12,412,260	1.2%	1,017,658,274	5.5000	-4.3%
*	\$ 1,147,289,459		\$ 14,631,684		\$ 1,161,921,143		
**	41.4%		-13.9%		40.3%		

* Dollar average for ten years.

** Percentage change in dollars over ten years.

Notes:

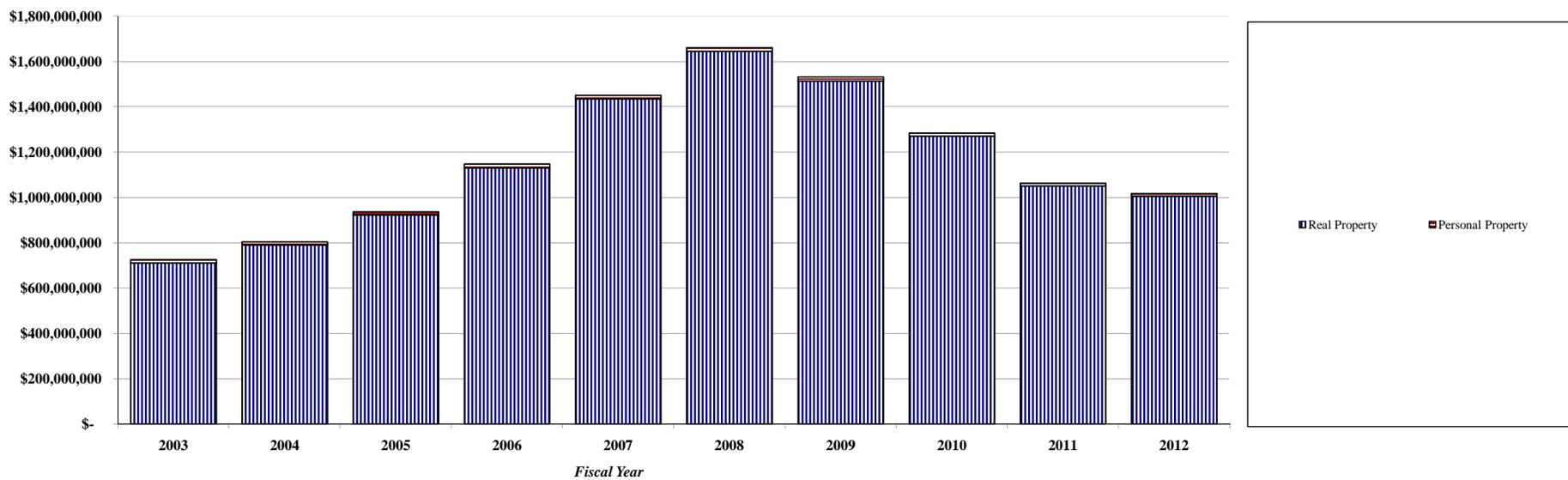
¹ All property is assessed at 100% of fair market value.

² Tax rates expressed in rate per \$1,000

Data Source:

Miami-Dade County Property Appraiser

Town of Surfside, Florida
Chart-Total Assessed Value (Unaudited)
Last Ten Calendar Years
(modified accrual basis of accounting)



Town of Surfside, Florida
Direct and Overlapping Property Tax Rates (Unaudited)
Last Ten Fiscal Years
(rate per \$1,000 of assessed taxable value)

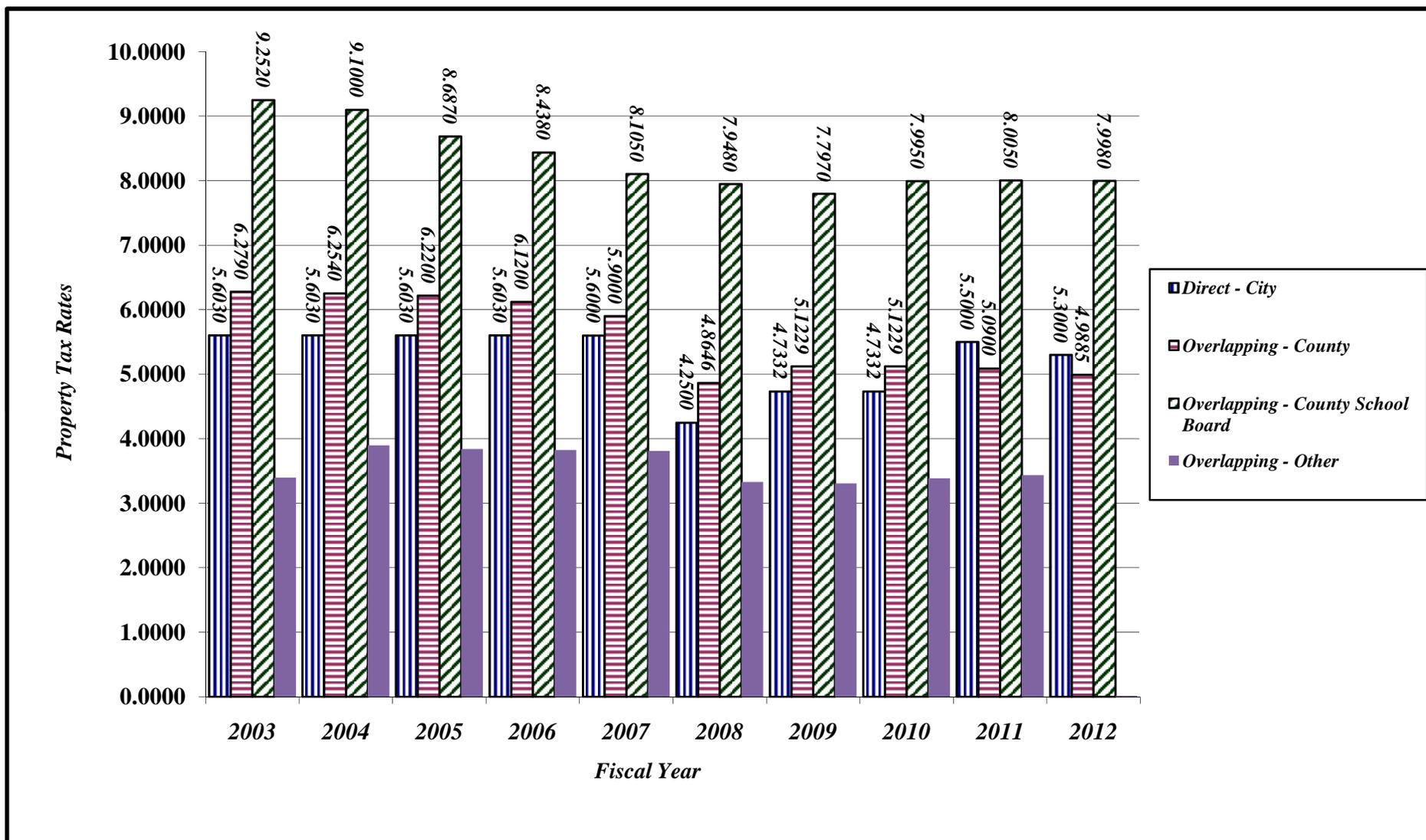
Overlapping Rates ²

Fiscal Year	Direct	Miami-Dade County			Miami-Dade County School Board			Water Management District	Environmental Project	Special District	Children's Trust	Fire and Rescue	Fire Debt	Total Direct and Overlapping Millage
	City Operating Millage	Operating Millage	Debt Service Millage	Total County Millage	Operating Millage	Debt Service Millage	Total School Millage							
2003	5.6030	5.8890	0.3900	6.2790	8.4820	0.7700	9.2520	0.5970	0.1000	0.0385	-	2.5820	0.0790	24.5305
2004	5.6030	5.9690	0.2850	6.2540	8.4180	0.6820	9.1000	0.5970	0.1000	0.0385	0.5000	2.5820	0.0790	24.8535
2005	5.6030	5.9350	0.2850	6.2200	8.0900	0.5970	8.6870	0.5970	0.1000	0.0385	0.4442	2.5920	0.0690	24.3507
2006	5.6030	5.8350	0.2850	6.1200	7.9470	0.4910	8.4380	0.5970	0.1000	0.0385	0.4288	2.6090	0.0520	23.9863
2007	5.6000	5.6150	0.2850	5.9000	7.6910	0.4140	8.1050	0.5970	0.1000	0.0385	0.4223	2.6090	0.0420	23.4138
2008	4.2500	4.5796	0.2850	4.8646	7.5700	0.3780	7.9480	0.5346	0.0894	0.0345	0.4223	2.2067	0.0420	20.3921
2009	4.7332	4.8379	0.2850	5.1229	7.5330	0.2640	7.7970	0.5346	0.0894	0.0345	0.4212	2.1851	0.0420	20.9599
2010	4.7332	4.8379	0.2850	5.1229	7.6980	0.2970	7.9950	0.5346	0.0894	0.0345	0.5000	2.1851	0.0420	21.2367
2011	5.5000	4.8050	0.2850	5.0900	7.7650	0.2400	8.0050	0.3739	0.0624	0.0345	0.5000	2.4496	0.0131	22.0285
2012	5.3000	4.7035	0.2850	4.9885	7.7650	0.2330	7.9980	0.3676	0.0613	0.0345	0.5000	2.4496	0.0131	21.7126

Notes:
¹ Overlapping rates are those of governments that overlap the Town's geographic boundaries.

Data Source:
 Miami-Dade County Property Appraiser Office, http://www.miamidade.gov/pa/millage_tables.asp

Town of Surfside, Florida
Chart-Direct and Overlapping Property Tax Rates (Unaudited)
Last Ten Fiscal Years
(rate per \$1,000 of assessed taxable value)



Town of Surfside, Florida
Total Property Tax Levies and Collections (Unaudited) ¹
Last Ten Fiscal Years

Fiscal Year	Taxes Levied for the Fiscal Year	Total Taxes Collected		Total Uncollected Taxes	
		Amount	Percentage of Levy	Amount	Percentage of Levy
2003	\$ 3,663,199	\$ 3,555,405	97.06%	\$ 107,794	2.94%
2004	4,197,694	3,952,662	94.16%	245,032	5.84%
2005	4,914,637	4,735,259	96.35%	179,378	3.65%
2006	6,013,274	5,846,079	97.22%	167,195	2.78%
2007	7,675,734	7,377,056	96.11%	298,678	3.89%
2008	6,702,904	6,292,755	93.88%	410,149	6.12%
2009	7,503,530	6,325,721	84.30%	1,177,809	15.70%
2010	5,550,925	5,323,728	95.91%	227,197	4.09%
2011	6,364,758	5,619,494	88.29%	745,264	11.71%
2012	5,597,121	5,264,387	94.06%	332,734	5.94%

Notes:

1 Currently the tax collections are not available for the year to which they apply.

Data Source:

Town Finance Department

Town of Surfside, Florida
Principal Real Property Taxpayers (Unaudited)
Fiscal Years Ended September 30, 2012 and 2010 ¹

2012				2010			
Principal Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Principal Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
The Surf Club	\$ 26,902,253	1	2.68%	The Surf Club	\$ 40,373,960	1	3.18%
9379 Realty Group	11,176,600	2	1.11%	9379 Realty Group	13,970,000	2	1.10%
Beach House Property, LLC	7,200,000	3	0.72%	Beach House Property, LLC	9,000,000	3	0.71%
Publix Super Markets, Inc.	6,800,000	4	0.68%	Publix Super Markets, Inc.	8,380,000	4	0.66%
New York Community Bank	5,285,000	5	0.53%	Ohio Savings Bank	5,736,360	5	0.45%
Collins Avenue Investment Group	3,485,000	6	0.35%	Transactaa Lanai Development LTD	5,695,000	6	0.45%
9501 Collins Avenue, LLC	2,631,200	7	0.26%	Collins Avenue Investment Group	3,800,000	7	0.30%
Danya Lindenfield	2,418,741	8	0.24%	9501 Collins Avenue, LLC	3,289,000	8	0.26%
Kelvim Escobar	2,337,921	9	0.23%	Robert and Rita Swedroe	2,993,148	9	0.24%
Yoram and Yleana Izhak	2,307,204	10	0.23%	Yoram and Yleana Izhak	2,614,259	10	0.21%
Total Principal Taxpayers	70,543,919		7.02%	Total Principal Taxpayers	95,851,727		7.54%
All Other Taxpayers	934,702,095		92.98%	All Other Taxpayers	1,174,828,574		92.46%
Total	\$ 1,005,246,014		100.00%	Total	\$ 1,270,680,301		100.00%

¹ 2010 is the oldest data readily available.

Data Source:

Town records.

Town of Surfside, Florida
Principal Personal Property Taxpayers (Unaudited)
Fiscal Years Ended September 30, 2012 and 2010 ¹

2012				2010			
Principal Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Principal Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Florida Power and Light Company	\$ 5,567,645	1	44.86%	Florida Power and Light Company	\$ 5,242,893	1	41.21%
Bell South Telecommunications, Inc.	1,080,660	2	8.71%	Atlantic Broadband	1,209,127	2	9.51%
Atlantic Broadband	1,023,904	3	8.25%	Bell South Telecommunications, Inc.	857,154	3	6.74%
People's Gas System	703,689	4	5.67%	Publix Super Markets, Inc.	814,421	4	6.40%
Publix Super Markets, Inc.	701,605	5	5.65%	People's Gas System	652,838	5	5.13%
The Surf Club	516,352	6	4.16%	The Surf Club	332,063	6	2.61%
Yudah Ari Benmergui DDA	258,103	7	2.08%	Café Ragazzi	258,972	7	2.04%
JP Morgan Chase Bank	174,504	8	1.41%	CVS	196,807	8	1.55%
Café Ragazzi	170,678	9	1.38%	Modular Space Corporation	148,275	9	1.17%
AT&T Mobility, LLC	147,938	10	1.19%	Food Gang Restaurant	147,000	10	1.16%
Total Principal Taxpayers	10,345,078		83.35%	Total Principal Taxpayers	9,859,550		77.51%
All Other Taxpayers	2,067,182		16.65%	All Other Taxpayers	2,861,380		22.49%
Total	<u>\$ 12,412,260</u>		<u>100.00%</u>	Total	<u>\$ 12,720,930</u>		<u>100.00%</u>

Notes:

¹ 2010 is the oldest data readily available.

Data Source:

Town records.

Town of Surfside, Florida
Ratios of Total Debt Outstanding by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities	Business-type Activities			Grand Total	Percentage of Personal Income	Population ¹	Total Debt Per Capita
	Capital Leases	Revenue Bonds	Notes Payable	Total	Total			
2003	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -
2004	-	-	-	-	-	-	-	-
2005	-	-	-	-	-	-	-	-
2006	-	-	-	-	-	-	-	-
2007	-	-	-	-	-	-	5,775	-
2008	-	-	-	-	-	-	5,789	-
2009	-	-	-	-	-	-	5,838	-
2010	-	-	-	-	-	-	5,744	-
2011	-	16,000,000	240,000	16,240,000	16,240,000	-	5,760	2,819
2012	427,130	11,507,445	160,000	11,667,445	12,094,575	-	5,776	2,094

Data Sources:

¹ Exhibit XXI

Notes:

Information not presented, not readily available.
 There are no public schools located within the Town.

Town of Surfside, Florida
Pledged Revenue Coverage
Fiscal Year 2012 ¹

Fiscal Year	Revenues ²	Less Operating Expenses ³	Net Available Revenues	Principal ⁵	Interest	Total	Coverage Ratio ⁴	Coverage Required	Excess Coverage
2011	\$ 3,389,732	\$ 1,985,169	\$ 1,404,563	\$ -	\$ 320,960	\$ 320,960	4.38	1.10	3.28
2012	3,303,943	1,834,360	1,469,583	492,555	761,493	1,254,048	1.17	1.10	0.07

Notes:

¹ Bonds first issued in fiscal year 2011.

² Includes, water, sewer and wastewater revenues.

³ Excludes depreciation expense.

⁴ Combined ratio requirements are 1.1000.

⁵ Excludes \$4 million bond payment.

Town of Surfside, Florida
Overlapping Governmental Activities Debt (Unaudited)
 September 30, 2012

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable ¹	Estimated Share of Underlying Debt
Overlapping Debt ^{1, 2}			
Miami-Dade County	\$ 1,062,146,000	0.32%	\$ 3,409,489
Miami-Dade County School Board	216,005,000	0.32%	693,376
Total Overlapping Debt			\$ 4,102,865

Notes:

¹ Applicable percentage was estimated by determining the portion of the Town's assessed value that is within the County's geographic boundaries.

² Only December 30, 2011 data is available.

Data Source:

² Each specific government

Town of Surfside, Florida
Demographic and Economic Statistics (Unaudited)
Last Ten Calendar Years

Calendar Year	Population ¹	Per Capita Personal Income ²	Unemployment Rate		
			County ³	State of Florida ³	United States ⁴
2003	-	\$ 28,480	5.9%	5.3%	6.1%
2004	-	29,817	5.5%	4.7%	5.4%
2005	-	31,867	4.6%	3.8%	5.0%
2006	-	34,709	4.1%	3.3%	4.5%
2007	5,775	35,791	4.5%	4.0%	4.7%
2008	5,789	37,264	6.4%	6.2%	6.1%
2009	5,838	37,909	10.6%	10.2%	9.8%
2010	5,744	37,219	12.6%	11.8%	9.5%
2011	5,760	37,849	11.5%	10.6%	9.0%
2012	5,776	38,449	8.9%	8.4%	8.7%

Notes:

Information not presented, not readily available

There are no public schools located within the Town.

Data Sources:

¹ Bureau of Economic and Business Research, University of Florida, April 1 of each year

² 2003-2009, Miami-Dade County comprehensive annual financial report
2010 - 2012 estimated by management.

³ 2003-2010, Miami-Dade County comprehensive annual financial report
2011 estimated by management.

⁴ Real Estate Center, <http://recenter.tamu.edu/data/emp/empst12.asp>

⁵ U.S. Department of Labor, Bureau of Labor Statistics,

Town of Surfside, Florida
Principal Employers (Unaudited) ¹
For the Fiscal Years Ended September 30, 2012 and 2007 ²

		2012	
Employer	Type of Business	Number of Employees	Rank
Public Supermarkets	Retail	144	1
Town of Surfside	Government	137	2
Flanigans	Restaurant	65	3
Best Western Hotels	Hotel	41	4
Surf Club	Resort	40	5
Solara	Apartment Rentals	30	6
Wachovia	Bank	12	7
CVS Pharmacy	Retail	10	8
Rolling Pin Bakery	Retail	3	9
Emergency Dental Center	Retail	4	10
Total Principal Employers		486	
		2007	
Employer	Type of Business	Number of Employees	Rank
Public Supermarkets	Retail	159	1
Surf Club	Resort	132	2
Town of Surfside	Government	117	3
CVS Pharmacy	Retail	19	4
Best Western Hotels	Hotel	35	5
Solara	Apartment Rentals	28	6
Flanigans	Restaurant	68	7
Wachovia	Bank	7	8
Rolling Pin Bakery	Retail	7	9
Emergency Dental Center	Retail	4	10
Total Principal Employers		576	

Notes:

¹ The total number of employees in the Town is not available

² Information only available back to 2007

Data Source:

³ Town records.

Town of Surfside, Florida
City Full-time Funded Positions by Function/Program (Unaudited)
Last Ten Fiscal Years

<u>Function/program</u>	<u>Fiscal Year</u>									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Government										
Legislative	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Town Attorney	1.00	1.00	1.00	1.00	1.00	1.00	2.00	2.00	2.00	2.00
Executive	8.00	9.00	9.00	10.00	10.00	6.00	5.00	4.00	4.00	4.00
Financial Support Services	-	-	-	-	-	3.00	3.00	3.00	3.00	4.00
Town Clerk	1.00	1.00	1.00	1.00	1.00	1.00	1.00	2.00	2.00	2.00
Building Services	2.00	2.00	2.00	2.00	3.00	3.00	3.00	2.00	3.00	3.00
Total General Government	17.00	18.00	18.00	19.00	20.00	19.00	19.00	18.00	19.00	20.00
Public Safety										
Public Safety	35.00	39.00	35.00	41.00	42.00	44.00	44.00	34.50	33.00	31.75
Municipal Parking	1.00	1.00	1.00	1.00	2.00	2.00	2.00	2.50	3.00	5.00
Total Public Safety	36.00	40.00	36.00	42.00	44.00	46.00	46.00	37.00	36.00	36.75
Public Works										
Public Works	9.00	9.00	10.00	9.00	9.00	8.00	7.25	5.25	6.25	5.25
Water/Sewer	4.00	5.00	5.00	5.00	5.00	5.00	5.25	5.25	5.25	5.75
Solid Waste	11.00	10.00	11.00	12.00	12.00	12.00	12.25	10.25	10.25	10.25
Stormwater	1.00	1.00	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25
Total Public Works	25.00	25.00	27.00	27.00	27.00	26.00	26.00	22.00	23.00	22.50
Leisure Services										
Leisure Services	15.00	16.00	18.00	23.00	23.00	17.00	17.00	7.00	10.00	10.75
Tourism	2.00	2.00	2.00	2.00	1.00	1.00	2.00	1.00	1.00	1.00
Library Services	4.00	4.00	4.00	4.00	3.00	3.00	3.00	-	-	-
Total Leisure Services	21.00	22.00	24.00	29.00	27.00	21.00	22.00	8.00	11.00	11.75
Total	99.00	105.00	105.00	117.00	118.00	112.00	113.00	85.00	89.00	89.00
Percentage Change From Prior Year	7.6%	6.1%	0.0%	11.4%	0.9%	-5.1%	0.9%	-24.8%	5.3%	5.3%

Data Source:

Town Administration

Surfside, Florida
Operating Statistics by Function/Program (Unaudited)
Last Ten Fiscal Years ¹

Function/program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public safety:										
Police										
Uniformed employees	21	24	21	32	32	32	28	27	27	27
Non-uniformed employees	11	11	10	12	14	15	11	7	9	9
Dispatched responses	6,882	10,716	25,144	29,039	18,109	23,640	19,751	16,545	19,800	23,097
Traffic citations issued	-	-	-	-	-	7,968	6,782	5,752	5,289	4,814
Traffic warnings issued	-	-	-	-	-	-	-	4,333	4,067	5,139
Parking violations issued	4,614	4,974	5,111	3,422	4,304	6,863	7,407	6,060	9,833	11,884
Building permits:										
Permits issued	1,320	1,120	1,098	1,261	1,177	779	700	923	1,073	931
Estimated values (in millions)	\$81,105	\$45,654	\$36,930	\$33,416	\$40,045	\$5,797	\$6,559	\$16,147	\$84,806	\$ 36,392
Utility:										
Municipal water system										
Active water accounts	1509	1535	1539	1542	1544	1547	1549	1551	1,551	1,647
New active accounts	82	102	130	75						
Meter sales (in million gallons)	326,404	343,061	351,766	374,956	335,789	298,102	314,304	307,723	328,519	276,650
Municipal sewer system										
Active accounts/units	-	-	-	4055	4058	4059	4059	4061	4061	4061
Solid waste services										
Active accounts	-	-	-	1342	1345	1346	1348	1349	1344	1344
General government:										
Tax rates										
Utility services:										
Electric	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Communication service	5.22%	5.22%	5.22%	5.22%	5.22%	5.22%	5.22%	5.22%	5.22%	5.22%
Gas	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Franchises:										
Electric	6%	6%	6%	6%	6%	6%	6%	5.90%	5.90%	5.90%
Communication service	**	**	**	**	**	**	**	**	**	**
Gas	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%
Cable television	3%	3%	3%	5%	5%	5%	5%	5%	5%	5%
Surfside Bus Service										
Total number of passengers	-	-	-	-	-	-	16,173	18,813	21,543	12,947
Average number of passengers per month	-	-	-	-	-	-	1,348	1,568	1,795	1,079
Total number of miles driven	-	-	-	-	-	-	23,648	29,260	32,401	30,775
Average number of miles driven per month	-	-	-	-	-	-	1,971	2,438	2,700	2,565
Culture and recreation:										
Participation:										
Youth programs	-	-	-	258	650	403	551	658	960	1,005
Adult programs	-	-	-	339	455	228	234	463	555	781
Special events	-	-	-	2,500	2,990	3,390	3,300	3,340	4,280	4,630
Community Center	-	-	-	-	-	-	-	-	17,517	29,028

Notes:

Data not available for items not presented.

Data Source

Various Town Departments

Town of Surfside, Florida
Capital Asset Statistics by Function/Program (Unaudited)
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Area:										
Land excluding airport (sq. miles)	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Water	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14
Infrastructure:										
Paved streets	10	10	10	10	10	10	10	10	10	10
Sidewalks	1 mile	1 mile	1 mile	1 mile	1 mile	1 mile	1 mile	1 mile	1 mile	1 mile
Canals & waterways	0	0	0	0	0	0	0	0	0	0
Storm Drainage (catch basins)	388	388	388	388	388	388	388	388	388	388
Town owned street lights	37	37	37	37	37	37	37	37	37	37
FP&L owned street lights	293	293	293	293	293	293	293	293	293	293
Public Safety:										
Fire Stations	0	0	0	0	0	0	0	0	0	0
Police Stations	1	1	1	1	1	1	1	1	1	1
Recreation:										
Public Beach (miles)	1	1	1	1	1	1	1	1	1	1
Municipal Parks	3	3	3	3	3	3	3	3	3	3
Municipal Swimming Pool	1	1	1	1	1	0	0	0	0	0
Recreation Acres (without-with Beach)	53-90	53-90	53-90	53-90	53-90	53-90	53-90	53-90	53-90	53-90
Community Center	1	1	1	1	1	-	-	-	1	1
Municipal Water/Sewer System:										
Water mains (miles)	15.7	15.7	15.7	15.7	15.7	15.7	15.7	15.7	15.7	15.7
Reuse water mains (miles)	0	0	0	0	0	0	0	0	0	0
Fire hydrants	84	84	84	84	84	84	84	84	84	84
Fire hydrants (reuse water)	0	0	0	0	0	0	0	0	0	0
Gravity Sewer (miles)	9.25	9.25	9.25	9.25	9.25	9.25	9.25	9.25	9.25	9.25
Wastewater force main (miles)	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Wastewater lift stations	2	2	2	2	2	2	2	2	2	2
Municipal Parking:										
Parking lots				6	6	6	6	6	6	6
Metered/Pay Station Parking Spaces				572	572	572	572	572	572	572



REPORTING SECTION



REPORT OF INDEPENDENT AUDITOR ON INTERNAL
CONTROLS OVER FINANCIAL REPORTING AND ON
OTHER MATTERS BASED ON AN AUDIT OF
THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS.

**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 Surfside, Florida

We have audited 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Surfside, Florida (the Town) as of and for the year ended April 2, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated April 2, 2013. We did not audit the financial statements of the Retirement Plan for the Employees of the Town of Surfside, Florida (Pension Trust Fund) which represents approximately 97% and 73% respectively, of the assets and revenues of the aggregate remaining fund information. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2012-01 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2012-02 to be a significant deficiency.

Compliance and Other Matters

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

The Town's written responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the Town's responses and, accordingly, we express no opinion on it.

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

Marcum LLP

Miami, FL
April 2, 2013

TOWN OF SURFSIDE, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

MATERIAL WEAKNESS (DEFINED ON PAGE 99)

2012-01 INTERNAL CONTROL OVER FINANCIAL REPORTING - CAPITAL ASSETS

CRITERIA

Prudent policies include a formal asset tracking process with supervisory Finance Department personnel being responsible for the review of transactions and balances recorded. Timeliness and accuracy of proper procedures for keeping track of capital assets (including proper tracking of construction in progress) are crucial to providing accurate accounting data and financial information including interim and year-end financial statements. In addition, supervisory review of capital assets records and schedules is critical in obtaining accurate and timely data. The Town should have these policies and procedures in place to properly safeguard assets from potential loss or misuse and to provide for accurate financial reporting.

CONDITION

The Town maintains its inventory of capital assets and depreciation schedules in excel spreadsheets. These excel spreadsheets along with a capital asset roll-forward schedule with supporting detail was provided to the auditors. We noted that the capital asset activity was not being tracked, monitored, or maintained during the year. It was evident based on the auditors' review that schedules and supporting detail were not fully reviewed prior to being provided to the auditors. This caused the auditors to return the schedule to the Town to be corrected and updated. This increased the time and effort that the Town and auditors had to spend correcting the errors. In addition, when capital asset records are maintained in excel they are more prone to error. Some examples of issues encountered that had to be researched, discussed, and corrected were as follows:

- Supporting documentation provided for additions tested did not properly support the capitalized amounts given that the amounts that were capitalized were not reconciled to the documentation. In addition, the work performed was not reviewed prior to submitting to us for review. Furthermore, supporting documentation was being maintained by outside consultants.
- Some of the capital assets were being depreciated in excess of the book value. Although the impact of the aggregate amounts was not material, future amounts have the potential of causing a material overstatement of expenses.

TOWN OF SURFSIDE, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

2012-01 INTERNAL CONTROL OVER FINANCIAL REPORTING - CAPITAL ASSETS
(CONTINUED)

CAUSE

Lack of an adequate preparation and review process relative to the tracking of capital assets in excel spreadsheets.

EFFECT

Capital assets are inventoried, tracked, and depreciated in excel spreadsheets which by design is more prone to errors. In addition, with a lack of review, one cannot ensure they are properly being properly tracked and depreciated and that errors are identified and corrected in a timely manner. If these controls are not in place, the Town's risk of loss or misuse of assets is increased. Our tests did not find any evidence that this has occurred.

RECOMMENDATION

We recommend that the Town develop and adopt written policies and procedures to ensure capital assets are properly monitored and accounted for. Also, we recommend that the Town invest in capital asset tracking software that will allow them to be able to properly depreciate capital assets, and will also allow them to better track additions and disposals with fewer errors.

Finally, we recommend that the capital assets schedule is thoroughly renewed prior to being provided to the auditors as this will save significant time and possible delays during the audit. In addition to the significant time savings from an audit perspective, errors will be identified and corrected in a timely manner.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

The Administration agrees with this finding and will recommend funding for the new software in the FY 13/14 budget. Further, the Budget Officer will be assigned responsibility to review the capital assets updates every month and the Finance Director will sign off on the work monthly and timely before the audit process begins.

TOWN OF SURFSIDE, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

SIGNIFICANT DEFICIENCY (DEFINED ON PAGE 99)

2012-02 INTERNAL CONTROL OVER FINANCIAL REPORTING - BANK RECONCILIATIONS

CRITERIA

Accurate and complete bank reconciliations should be prepared and reviewed on a monthly basis by a responsible official and signed off denoting it has been done. This helps the Town safeguard its assets from loss or misuse.

CONDITION

During our review of internal controls and our audit procedures, we noted that reconciliations of the Town's operating cash account had not been prepared and reviewed on a timely basis. We noted that the Town did not reconcile July and August until December 2012, and September was not reconciled until January 2013.

CAUSE

Lack of established schedules for bank reconciliations in place to prepare, review and approve bank reconciliations in a timely manner

EFFECT

Without timely bank reconciliations, the Town's risk of loss or misuse of assets is increased. We found no evidence that this has occurred.

RECOMMENDATION

We recommend that the Town, along with other closing procedures, reconcile its cash on a timely basis after month end. In addition, preparation of the bank reconciliations by a designated individual, there should be another supervisory individual with sufficient technical knowledge to review and approve the bank reconciliation.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

The staff resources to comply with a shorter schedule for reconciliations are very limited. The additional work load to comply with three major financings (2 bank loans and a lease) plus an ever increasing number of transactions are not available. The need to resolve this issue will be discussed during the FY 13/14 budget process.

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

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

Honorable Mayor, Town Commission and Town Manager
Town of Surfside, Florida

We have audited the financial statements of the Town of Surfside, Florida (the Town), as of and for the fiscal year ended September 30, 2012, and have issued our report thereon dated April 2, 2013. We did not audit the financial statements of the Retirement Plan for the Employees of the Town of Surfside, Florida (Pension Trust Fund) which represents approximately 97% and 73% respectively, of the assets and revenues of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amount included for the Retirement Plan for the Employees of the Town of Surfside, Florida (Pension Trust Fund), is based solely on the report of the other 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. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated April 2, 2013, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports or schedule:

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings and recommendations made in the preceding annual financial audit report.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Town complied with Section 218.415, Florida Statutes.

- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address 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. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) Deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. the Town of Surfside was established by the Town's Charter, which was adopted under provisions of Chapter 27914, Laws of the State of Florida in 1951. There are no component units related to the Town.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Town did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Town for the fiscal year ended September 30, 2011, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2011. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Town's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the Mayor, Town Commission, management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Marcum LLP

Miami, FL
April 2, 2013



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