

**NORTH BAY VILLAGE, FLORIDA
BASIC FINANCIAL STATEMENTS
AND OTHER SCHEDULES**

September 30, 2013

NORTH BAY VILLAGE, FLORIDA
 BASIC FINANCIAL STATEMENTS
 AND OTHER SCHEDULES
 For the Year Ended September 30, 2013

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NORTH BAY VILLAGE, FLORIDA
BASIC FINANCIAL STATEMENTS
AND OTHER SCHEDULES
For the Year Ended September 30, 2013

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the Village Commission
North Bay Village, Florida

Report on the Financial Statements

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 North Bay Village, Florida, (the "Village") as of and for the year ended September 30, 2013 and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village, as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America
Members of the Village Commission

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedule of funding progress, other post-employment benefits plan on pages 4-8 and 38-42, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's, basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison information, other financial information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A- 133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison information, other financial information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary comparison information, other financial information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Members of the Village Commission

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2014, on our consideration of the Village'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* in considering the Village's internal control over financial reporting and compliance.

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
March 31, 2014

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

NORTH BAY VILLAGE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2013

As management of the North Bay Village, Florida (the "Village") we offer readers of the accompanying financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended September 30, 2013.

FINANCIAL HIGHLIGHTS

The assets of the North Bay Village exceeded its liabilities at the close of the most recent fiscal year by \$ 12,894,625 (net position). Governmental net position amounted to \$ 3,945,420 and business-type net position amount to \$ 8,949,205. Net position decreased by \$ 389,616 during the current fiscal year.

For the fiscal year ended September 30, 2013, the Village's governmental activities revenues and expenses were \$ 7,744,107 and \$ 8,385,435 respectively. As a result, governmental net position decreased by \$ 641,328.

For the fiscal year ended September 30, 2013, the Village's business-type activities revenues and expenses were \$ 4,829,633 and \$ 4,577,921 respectively. As a result, business-type net position increased by \$ 251,712.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The North Bay Village's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, 3) and notes to the basic financial statements. This report also contains supplementary information in addition to the basic financial statements.

Government-wide financial statements - The government-wide financial statements, which consist of the following two statements described below, were designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements distinguish functions of the North Bay Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include general government, public safety, building, planning and zoning, public works, parks and recreation, and interest on long-term debt. The business-type activities of the Village include water, sanitation and sewer operations. The government-wide financial statements can be found on pages 9 and 10 of this report.

NORTH BAY VILLAGE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2013

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

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

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

North Bay Village maintains four governmental fund types. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the capital projects fund, the federal forfeiture fund and debt service fund, which are the only four funds considered to be a major fund. All other special revenue funds and debt service fund have been combined and are presented as non-major funds.

The governmental fund financial statements can be found on pages 11 through 14 of this report.

Proprietary funds - The North Bay Village maintains one type of proprietary fund referred to as enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government wide financial statements and are used to account for water and sewer and stormwater operations. These include the Utility Fund and the Stormwater Utility Fund.

The proprietary fund provides the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer and stormwater operations, which are considered to be major funds of the North Bay Village. The proprietary fund financial statements can be found on pages 15 through 18 of this report.

Notes to the basic financial statements - The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 19 through 37 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time may serve as a useful indicator of the Village's financial position. In the case of the North Bay Village, total assets exceeded liabilities by \$ 12,894,625 at the close of September 30, 2013. Governmental activities net position totaled \$ 3,945,420, and business-type activities net position totaled \$ 8,949,205. The following table presents a condensed statement of net assets as compared to the prior year.

NORTH BAY VILLAGE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2013

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 4,305,089	\$ 5,367,284	\$ 1,141,304	\$ 906,657	\$ 5,446,393	\$ 6,273,941
Restricted assets	-	-	486,728	461,875	486,728	461,875
Capital assets, net	9,459,614	9,213,914	9,801,769	9,949,101	19,261,383	19,163,015
Total assets	13,764,703	14,581,198	11,429,801	11,317,633	25,194,504	25,898,831
Current and other liabilities	802,216	477,581	847,057	772,639	1,649,273	1,250,220
Long term liabilities	9,017,067	9,401,433	1,633,539	1,845,001	10,650,606	11,246,434
Total liabilities	9,819,283	9,879,014	2,480,596	2,617,640	12,299,879	12,496,654
Net assets:						
Invested in capital assets, net of related debt	1,915,328	2,675,129	8,316,098	8,261,570	10,231,426	10,936,699
Restricted	2,159,112	1,533,377	-	-	2,159,112	1,533,377
Unrestricted (deficit)	(129,020)	493,678	633,107	438,423	504,087	932,101
Total net position	\$ 3,945,420	\$ 4,702,184	\$ 8,949,205	\$ 8,699,993	\$ 12,894,625	\$ 13,402,177

Unrestricted net deficit totaled \$ 129,020 at September 30, 2013.

The largest portion of the Village's net assets reflects its investment in capital assets (e.g., land, buildings, vehicles, etc.).

The North Bay Village uses these capital assets to provide services to citizens; consequently, they are not available for future spending. An additional portion of the Village's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the Village's ongoing obligations to citizens and creditors.

At the end of September 30, 2013, the North Bay Village is able to report positive balances in all two categories of net position, both for the Village as a whole, as well as for its separate governmental and business-type activities. Total net position decreased by \$ 389,616 during the current fiscal year.

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 1,084,524	\$ 1,464,618	\$ 4,829,619	\$ 4,600,001	\$ 5,914,143	\$ 6,064,619
Operating grants and contributions	411,205	441,042	-	-	411,205	441,042
Capital grants and contributions	196,099	279,035	-	122,542	196,099	401,577
General revenues:						
Property taxes	3,809,173	3,948,913	-	-	3,809,173	3,948,913
Other taxes and fees	2,002,621	1,935,239	-	-	2,002,621	1,935,239
Other general revenues	240,485	222,894	14	924	240,499	223,818
Total revenues	7,744,107	8,291,741	4,829,633	4,723,467	12,573,740	13,015,208

NORTH BAY VILLAGE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2013

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Expenses:						
General government	2,259,244	1,829,411	-	-	2,259,244	1,829,411
Public safety	4,348,783	4,138,772	-	-	4,348,783	4,138,772
Building, planning, and zoning	429,095	211,375	-	-	429,095	211,375
Public works	685,040	588,680	-	-	685,040	588,680
Parks and recreation	376,206	200,319	-	-	376,206	200,319
Interest on long term debt	287,067	316,958	-	-	287,067	316,958
Loss on disposition of capital assets	-	250,287	-	-	-	250,287
Utility	-	-	4,463,577	4,450,352	4,463,577	4,450,352
Stormwater utility	-	-	114,344	80,972	114,344	80,972
Total expenses	<u>8,385,435</u>	<u>7,535,802</u>	<u>4,577,921</u>	<u>4,531,324</u>	<u>12,963,356</u>	<u>12,067,126</u>
Increase in net positions before transfers	(641,328)	755,939	251,712	192,143	(389,616)	948,082
Transfers	-	-	-	-	-	-
Increase (decrease) in net positions	(641,328)	755,939	251,712	192,143	(389,616)	948,082
Net position, October 1	<u>4,586,748</u>	<u>3,946,245</u>	<u>8,697,493</u>	<u>8,507,850</u>	<u>13,284,241</u>	<u>12,454,095</u>
Net position, September 30	<u>\$ 3,945,420</u>	<u>\$ 4,702,184</u>	<u>\$ 8,949,205</u>	<u>\$ 8,699,993</u>	<u>\$ 12,894,625</u>	<u>\$ 13,402,177</u>

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

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

The general fund is the chief operating fund of the Village. At the end of the current fiscal year, unassigned fund balance of the general fund was \$ 385,411. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Assigned fund balance of \$1,066,063, represents approximately 20% of total general fund budgeted expenditures.

The fund balance of the Village's general fund in the fund financial statements decreased by \$ 642,648 during the current fiscal year.

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$ 3,602,304, a decrease of \$ 1,266,757 from the prior year. Approximately \$ 385,411 constitutes unassigned general fund balance. The remainder of fund balance is deemed assigned, nonspendable, restricted or assigned to indicate it is not available for new spending because it has already been categorized for a variety of purposes, such as future spending or debt service requirements; or because it is to be used solely for specific fund related expenditures.

Proprietary Funds - The Village's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position of the proprietary funds at the end of the year amounted to \$ 8,949,205. Combining financial statements of the proprietary funds can be found in pages 15 through 18 of the financial statements.

NORTH BAY VILLAGE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2013

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The Village's capital assets, less accumulated depreciation, for its governmental and business-type activities as of September 30, 2013 amounted to \$ 9,459,614 and \$ 9,801,769 respectively, and consist of land, construction in progress, buildings and improvements, improvements other than buildings, vehicles, and machinery and equipment. A more detailed schedule can be found on page 28 and 29 of the notes to the financial statements.

Debt - Excluding compensated absences and the OPEB liability, the Village's debt totaled \$ 9,029,957 at September 30, 2013. Total debt outstanding, excluding compensated absences, at the end of the prior fiscal year was \$ 9,619,674. The decrease of \$ 589,717 is attributable to the payment of debt incurred in the current year. More information regarding the Village's debt can be found on page 30 through 32 of the notes to the financial statements. Outstanding debt as of September 30, 2013 and 2012 consisted of the following:

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Long-term debt:						
note, Series 2010	\$ 1,954,286	2,057,143	\$ -	\$ -	\$ 1,954,286	2,057,143
General obligation refunding note, Series 2010	5,590,000	\$ 5,875,000	-	-	5,590,000	\$ 5,875,000
General obligation Revolving state loans	-	-	1,485,671	1,687,531	1,485,671	1,687,531
Compensated absences	1,404,781	1,435,290	147,868	157,470	1,552,649	1,592,760
OPEB liability	68,000	34,000	-	-	68,000	34,000
Total	\$ 9,017,067	\$ 9,401,433	\$ 1,633,539	\$ 1,845,001	\$ 10,650,606	\$ 11,246,434

GENERAL FUND BUDGETARY HIGHLIGHTS

- Budget amendments totaling \$949,393 were necessary to account for unforeseen capital and operating expenditures.
- General fund revenues were \$ 434,055 lower than the final budget.
- General Fund expenditures were higher than the final budget by \$ 297,544. The most significant excess related to unanticipated capital expenditures of the Village.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The North Bay Village's main source of revenues are obtained from a combination of tax receipts from ad valorem property taxes, state revenue sharing and other taxes, franchise fees, and receipts from building permit fees. The budget for fiscal year 2014 is based on the Village's best expectations of revenues from these sources and other smaller sources, and expenses are based on historical data and known increases for the 2014 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the North Bay Village's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Village Manager, North Bay Village, 1666 Kennedy Causeway, Suite 300, North Bay Village, FL, 33141.

BASIC FINANCIAL STATEMENTS

NORTH BAY VILLAGE, FLORIDA
STATEMENT OF NET POSITION
September 30, 2013

	Governmental Activities	Business- Type Activities	Total
ASSETS:			
Pooled cash, cash equivalents and investments	\$ 3,773,652	\$ 715,208	\$ 4,488,860
Receivables, net	531,437	426,096	957,533
Restricted cash	-	486,728	486,728
Capital assets:			
Non-depreciable	5,203,406	-	5,203,406
Depreciable, net	4,256,208	9,801,769	14,057,977
Total assets	13,764,703	11,429,801	25,194,504
LIABILITIES:			
Accounts payable	588,877	471,754	1,060,631
Accrued liabilities	113,908	19,239	133,147
Customer deposits	-	356,064	356,064
Accrued interest payable	99,431	-	99,431
Due within one year:			
Compensated absences payable	234,130	24,645	258,775
Debt	392,857	195,740	588,597
Due in more than one year:			
Compensated absences payable	1,170,651	123,223	1,293,874
Debt	7,151,429	1,289,931	8,441,360
OPEB obligation	68,000	-	68,000
Total liabilities	9,819,283	2,480,596	12,299,879
NET POSITION:			
Net investment in capital assets	1,915,328	8,316,098	10,231,426
Restricted for:			
Infrastructure and transportation projects	1,344,594	-	1,344,594
Law enforcement	487,336	-	487,336
Culture and recreation	274,953	-	274,953
Debt service	52,229	-	52,229
Unrestricted net position (deficit)	(129,020)	633,107	504,087
Total net position	\$ 3,945,420	\$ 8,949,205	\$ 12,894,625

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

NORTH BAY VILLAGE, FLORIDA
STATEMENT OF ACTIVITIES
For the year ended September 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	
Governmental activities:							
General government	\$ 2,259,244	\$ 64,151	\$ -	\$ -	\$ (2,195,093)	\$ -	\$ (2,195,093)
Public safety	4,348,783	578,532	36,248	-	(3,734,003)	-	(3,734,003)
Public works	685,040	-	261,476	196,099	(227,465)	-	(227,465)
Building, planning and zoning	429,095	441,841	-	-	12,746	-	12,746
Parks and recreation	376,206	-	113,481	-	(262,725)	-	(262,725)
Interest on long-term debt	287,067	-	-	-	(287,067)	-	(287,067)
Total governmental activities	<u>8,385,435</u>	<u>1,084,524</u>	<u>411,205</u>	<u>196,099</u>	<u>(6,693,607)</u>	<u>-</u>	<u>(6,693,607)</u>
Business-type activities:							
Utility Fund	4,463,577	4,708,014	-	-	-	244,437	244,437
Stormwater Utility Fund	114,344	121,605	-	-	-	7,261	7,261
Total business-type activities	<u>4,577,921</u>	<u>4,829,619</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>251,698</u>	<u>251,698</u>
Total	<u>\$ 12,963,356</u>	<u>\$ 5,914,143</u>	<u>\$ 411,205</u>	<u>\$ 196,099</u>	<u>(6,693,607)</u>	<u>251,698</u>	<u>(6,441,909)</u>
General revenues:							
Taxes:							
Ad valorem taxes					3,809,173	-	3,809,173
Franchise fees					392,198	-	392,198
Utility service taxes					508,687	-	508,687
Local option gas tax					108,427	-	108,427
Communication service tax					288,083	-	288,083
State revenue sharing					189,928	-	189,928
Local 1/2 cent sales tax					504,473	-	504,473
Other intergovernmental					10,825	-	10,825
Interest income					37,068	14	37,082
Miscellaneous					203,417	-	203,417
Total general revenues					<u>6,052,279</u>	<u>14</u>	<u>6,052,293</u>
Change in net position					(641,328)	251,712	(389,616)
Net position, beginning, as restated (Note 12)					<u>4,586,748</u>	<u>8,697,493</u>	<u>13,284,241</u>
Net position, ending					<u>\$ 3,945,420</u>	<u>\$ 8,949,205</u>	<u>\$ 12,894,625</u>

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

NORTH BAY VILLAGE, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2013

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Federal Forfeiture Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:						
Pooled cash, cash equivalents and investments	\$ 1,492,328	\$ 998,035	\$ 440,617	\$ 52,229	\$ 790,443	\$ 3,773,652
Receivables	333,814	122,375	-	-	75,248	531,437
Due from other funds	<u>40,795</u>	<u>192,394</u>	<u>-</u>	<u>-</u>	<u>19,038</u>	<u>252,227</u>
Total assets	<u>\$ 1,866,937</u>	<u>\$ 1,312,804</u>	<u>\$ 440,617</u>	<u>\$ 52,229</u>	<u>\$ 884,729</u>	<u>\$ 4,557,316</u>
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts payable	\$ 307,001	\$ 271,518	\$ 5,228	\$ -	\$ 5,130	\$ 588,877
Accrued liabilities	108,462	-	2,790	-	2,656	113,908
Due to other funds	<u>-</u>	<u>-</u>	<u>19,038</u>	<u>-</u>	<u>233,189</u>	<u>252,227</u>
Total liabilities	<u>415,463</u>	<u>271,518</u>	<u>27,056</u>	<u>-</u>	<u>240,975</u>	<u>955,012</u>
Fund Balances:						
Restricted for:						
Capital projects	-	1,041,286	-	-	-	1,041,286
Transportation projects	-	-	-	-	303,308	303,308
Law enforcement	-	-	413,561	-	73,775	487,336
Culture and recreation	-	-	-	-	274,953	274,953
Debt service	-	-	-	52,229	-	52,229
Assigned to:						
Operating reserves	1,066,063	-	-	-	-	1,066,063
Unassigned (Deficit)	<u>385,411</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,282)</u>	<u>377,129</u>
Total fund balances	<u>1,451,474</u>	<u>1,041,286</u>	<u>413,561</u>	<u>52,229</u>	<u>643,754</u>	<u>3,602,304</u>
Total liabilities and fund balances	<u>\$ 1,866,937</u>	<u>\$ 1,312,804</u>	<u>\$ 440,617</u>	<u>\$ 52,229</u>	<u>\$ 884,729</u>	<u>\$ 4,557,316</u>

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

NORTH BAY VILLAGE, FLORIDA
RECONCILIATION THE OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
September 30, 2013

TOTAL FUND BALANCES OF GOVERNMENTAL FUNDS IN THE BALANCE SHEET		\$ 3,602,304
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:</p>		
Governmental capital assets	\$ 13,092,028	
Less accumulated depreciation	<u>(3,632,414)</u>	9,459,614
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:</p>		
Bonds payable	\$ (7,544,286)	
Compensated absences	(1,404,781)	
Accrued interest payable	(99,431)	
Other post employment benefit obligation (OPEB)	<u>(68,000)</u>	<u>(9,116,498)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		\$ <u><u>3,945,420</u></u>

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

NORTH BAY VILLAGE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the year ended September 30, 2013

	General Fund	Capital Projects Fund	Federal Forfeiture Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:						
Taxes	\$ 3,571,203	\$ -	\$ -	\$ 746,657	\$ 261,476	\$ 4,579,336
Licenses and permits	441,841	-	-	-	-	441,841
Franchise fees	392,198	-	-	-	-	392,198
Intergovernmental revenue	1,137,984	196,099	-	-	113,481	1,447,564
Charges for services	64,151	-	-	-	-	64,151
Fines and forfeitures	349,991	-	202,041	-	26,500	578,532
Interest income	30,551	2,554	3,910	-	53	37,068
Other	172,991	-	11,388	-	19,038	203,417
Total revenues	6,160,910	198,653	217,339	746,657	420,548	7,744,107
EXPENDITURES:						
Current:						
General government	2,039,426	-	-	-	-	2,039,426
Public safety	3,698,355	-	515,062	-	997	4,214,414
Public works	315,453	-	-	-	78,769	394,222
Building, planning and zoning	389,832	-	-	-	-	389,832
Parks and recreation	224,911	-	-	-	129,482	354,393
Capital outlay	60,395	705,114	12,894	-	169,887	948,290
Debt service:						
Principal	-	-	-	387,857	-	387,857
Interest and fiscal charges	-	-	-	282,430	-	282,430
Total expenditures	6,728,372	705,114	527,956	670,287	379,135	9,010,864
Excess (deficiency) of revenues over expenditures	(567,462)	(506,461)	(310,617)	76,370	41,413	(1,266,757)
OTHER FINANCING SOURCES (USES):						
Transfers in	-	269,825	-	-	75,186	345,011
Transfers out	(75,186)	-	-	-	(269,825)	(345,011)
Total other financing sources (uses)	(75,186)	269,825	-	-	(194,639)	-
Net change in fund balance	(642,648)	(236,636)	(310,617)	76,370	(153,226)	(1,266,757)
FUND BALANCES, beginning of year	2,094,122	1,277,922	724,178	(24,141)	796,980	4,869,061
FUND BALANCES end of year	\$ 1,451,474	\$ 1,041,286	\$ 413,561	\$ 52,229	\$ 643,754	\$ 3,602,304

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

NORTH BAY VILLAGE, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2013

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (1,266,757)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives:

Expenditures for capital assets	681,959
Less current year provision for depreciation	(436,259)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the statement of net assets.	387,857
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Certain items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Change in accrued interest payable	\$ (4,637)	
Change in long-term compensated absences	30,509	
Change in other post employment benefit obligation (OPEB)	(34,000)	(8,128)

CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (641,328)

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

NORTH BAY VILLAGE, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2013

	Business-Type Activities Enterprise Funds		
	Major Fund	Nonmajor Fund	
	Utility Fund	Stormwater Utility Fund	
	Total		
ASSETS:			
Current assets:			
Pooled cash, cash equivalents and investments	\$ 378,354	\$ 336,854	\$ 715,208
Restricted cash	486,728	-	486,728
Customer accounts receivable	417,084	9,012	426,096
Due from other funds	-	145,838	145,838
Total current assets	1,282,166	491,704	1,773,870
Noncurrent assets:			
Capital assets:			
Depreciable, net	9,418,453	383,316	9,801,769
Total assets	\$ 10,700,619	\$ 875,020	\$ 11,575,639
LIABILITIES:			
Current liabilities:			
Accounts payable	\$ 469,046	\$ 2,708	\$ 471,754
Accrued liabilities	19,239	-	19,239
Due to other funds	145,838	-	145,838
Current portion of compensated absences payable	24,645	-	24,645
Payable from restricted assets:			
Customer deposits	356,064	-	356,064
Current portion of debt	195,740	-	195,740
Total current liabilities	1,210,572	2,708	1,213,280
Long term liabilities:			
Compensated absences payable	123,223	-	123,223
Debt	1,289,931	-	1,289,931
Total long-term liabilities	1,413,154	-	1,413,154
Total liabilities	2,623,726	2,708	2,626,434
NET POSITION:			
Net investment in capital assets	7,932,782	383,316	8,316,098
Operating reserves	144,111	-	144,111
Unrestricted net position	-	488,996	488,996
Total net position	8,076,893	872,312	8,949,205
Total liabilities and net position	\$ 10,700,619	\$ 875,020	\$ 11,575,639

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

NORTH BAY VILLAGE, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the year ended September 30, 2013

	Business-Type Activities Enterprise Funds		Total
	Major Fund	Nonmajor Fund	
	Utility Fund	Stormwater Utility Fund	
OPERATING REVENUES:			
Sanitation charges	\$ 1,513,949	\$ -	\$ 1,513,949
Sewer charges	1,546,163	-	1,546,163
Metered water charges	1,539,097	-	1,539,097
Service fees and late penalties	108,805	16,671	125,476
Stormwater user fees	-	104,934	104,934
	<u>4,708,014</u>	<u>121,605</u>	<u>4,829,619</u>
OPERATING EXPENSES:			
Payroll and related expenses	1,340,625	24,000	1,364,625
Sewage disposal fees	960,351	-	960,351
Materials, supplies, repairs and other	662,108	16,413	678,521
Water purchases	629,434	-	629,434
Solid waste disposal and recycling services	399,122	-	399,122
Provision for uncollected accounts receivable	77,019	24,387	101,406
Provision for depreciation and amortization	357,785	49,544	407,329
	<u>4,426,444</u>	<u>114,344</u>	<u>4,540,788</u>
Total operating expenses			
Operating income	<u>281,570</u>	<u>7,261</u>	<u>288,831</u>
NONOPERATING REVENUES (EXPENSES):			
Interest income	14	-	14
Interest expense	(37,133)	-	(37,133)
	<u>(37,119)</u>	<u>-</u>	<u>(37,119)</u>
Total nonoperating revenues (expenses)			
Change in net assets	<u>244,451</u>	<u>7,261</u>	<u>251,712</u>
NET POSITION, beginning of year	<u>7,832,442</u>	<u>865,051</u>	<u>8,697,493</u>
NET POSITION, end of year	<u><u>\$ 8,076,893</u></u>	<u><u>\$ 872,312</u></u>	<u><u>\$ 8,949,205</u></u>

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

NORTH BAY VILLAGE, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2013

	Business-type Activities Enterprise Funds		Total
	Major Fund	Nonmajor Fund	
	Utility Fund	Stormwater Utility Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 4,678,498	\$ 133,845	\$ 4,812,343
Payments to employees	(1,348,956)	(24,000)	(1,372,956)
Payments to suppliers	(2,667,890)	(38,092)	(2,705,982)
Net cash provided by operating activities	661,652	71,753	733,405
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	(259,997)	-	(259,997)
Proceeds from capital grants	395,870	-	395,870
Transfers to other funds	(826,886)	(145,838)	(972,724)
Repayments of revolving state loans	(201,860)	-	(201,860)
Interest and other charges	(37,133)	-	(37,133)
Net cash used in capital and related financing activities	(930,006)	(145,838)	(1,075,844)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	14	-	14
Net cash provided by investing activities	14	-	14
Net increase (decrease) in cash and cash equivalents	(268,340)	(74,085)	(342,425)
POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS, beginning	1,133,422	410,939	1,544,361
POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS, ending	\$ 865,082	\$ 336,854	\$ 1,201,936
POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS REPORTED ON THE STATEMENT OF NET POSITION:			
Pooled cash, cash equivalents and investments	\$ 378,354	\$ 336,854	\$ 715,208
Restricted cash	486,728	-	486,728
	\$ 865,082	\$ 336,854	\$ 1,201,936

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

NORTH BAY VILLAGE, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(continued)
For the Year Ended September 30, 2013

	Business-type Activities Enterprise Funds		Total
	Major Fund	Nonmajor Fund	
	Utility Fund	Stormwater Utility Fund	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income	\$ <u>281,570</u>	\$ <u>7,261</u>	\$ <u>288,831</u>
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Provision for depreciation	357,785	49,544	407,329
Provision for bad debt	77,019	24,387	101,406
Increase in Receivables	(116,830)	(12,147)	(128,977)
Increase (decrease) in:			
Accounts payable	60,144	2,708	62,852
Accrued liabilities	1,271	-	1,271
Customer deposits	10,295	-	10,295
Compensated absences	<u>(9,602)</u>	<u>-</u>	<u>(9,602)</u>
Total adjustments	<u>380,082</u>	<u>64,492</u>	<u>444,574</u>
Net cash provided by operating activities	\$ <u><u>661,652</u></u>	\$ <u><u>71,753</u></u>	\$ <u><u>733,405</u></u>

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

NORTH BAY VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Village is located in Miami-Dade County, Florida and was incorporated in 1945 as a municipality under the laws of the State of Florida. The Village operates under the Commission-Manager form of government, with the legislative function vested in a five member Village Commission. The Village provides the following services as authorized by its charter: general government, public safety, water and sewer, sanitation, public works, planning and zoning, building inspection, code enforcement, health and social services, culture and recreation.

Reporting Entity:

In accordance with GASB pronouncements, the Village's financial statements include all funds, departments, agencies, boards, and other organizations over which Village officials are considered to be financially accountable.

Financial accountability includes such aspects as appointment of a component unit's governing body members, budget review, approval of property tax levies, outstanding debt secured by the full faith credit of the Village or its revenue stream, and responsibility for funding deficits.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth by the Governmental Accounting Standards Board. Based upon the application of these criteria, the Village has no funds, agencies, boards, commissions and authorities considered potential component units.

Government-Wide and Fund Financial Statements:

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific 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 identifiable activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

NORTH BAY VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the Village considers all revenues available if they are collected within 60 days after year end. Expenditures generally are recorded when a liability is incurred as required by accrual accounting, except for debt service expenditures and compensated absences, which are recorded when payment is due.

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

The Village reports the following major governmental funds:

- General Fund – this is the Village's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.
- Capital Projects Fund – this fund accounts for the acquisition or construction of various major capital projects.
- Federal Forfeitures Fund – this fund accounts for certain expenditures of legally restricted fund received from government agencies.
- Debt Service Fund – this fund accounts for the collection and payment of debt.

The Village reports the following major proprietary fund:

- Utility Fund - used to account for the Village's water, sewer, stormwater and sanitation utility system, which is financed and operated in a manner similar to private business enterprises. The intent of the Village is that the costs (expenses including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

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 Village also has the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

NORTH BAY VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Village's water and sewer function and various other functions of the Village. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

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

Deposits and investments:

Pooled cash and cash equivalents are considered to be cash and short-term investments with original maturities of three months or less when purchased. The Village's pooled cash and cash equivalents include cash on hand, demand deposits, and investments in money market funds. The Village's investments include certificates of deposit and investments with the Local Government Surplus Funds Trust Fund administered by the State Board of Administration.

All investments of the Village are recorded at fair value. For the purpose of the statement of cash flows for the proprietary funds, cash equivalents mean short-term, highly liquid investments with an original maturity of three months or less when purchased.

Allowance for doubtful accounts:

The Village considers all amounts receivable in the governmental funds to be fully collectible; consequently, no allowance for doubtful accounts was estimated. An allowance of \$ 15,000 was deemed necessary for the proprietary funds. This amount is primarily past due customer accounts and related penalties due as of September 30, 2013.

Interfund transactions:

As the Village does not have any lending/borrowing arrangements between funds, all outstanding balances between funds are reported as "due to/from other funds". All amounts receivable from or payable to other funds are to be settled with expendable, available financial resources. Transactions which are recurring annual transfers between two or more funds are recorded as transfers in and out. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

NORTH BAY VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted assets:

Certain resources set aside for the repayment of certain debt are classified as restricted assets on the statements of net assets or the balance sheet because their use is limited by applicable loan covenants. Additionally, some monies received are restricted for specific uses and the Village reports amounts paid by customers for water and sewer deposits as restricted assets.

Capital assets:

Capital assets, which include land, buildings and improvements, improvements other than buildings, machinery and equipment, vehicles, and infrastructure assets (e.g., sidewalks and other similar items grouped within buildings and improvements and improvements other than buildings), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$ 750 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the Village chose not to include such items until after the implementation of GASB 34 in fiscal year 2004. As the government constructs or acquires additional capital assets each period, including infrastructure assets after 2004, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the government values these capital assets at the estimated fair value of the item at the date of its donation.

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

Improvements other than building	30-40 years
Buildings	10-30 years
Vehicles	5 years
Machinery and equipment	3-5 years
Equipment and vehicles	3-5 years

Compensated absences:

Village employees are granted vacation, sick and compensatory leave in varying amounts based on length of service. Upon separation in good standing, employees receive full reimbursement for accumulated vacation and compensatory hours, as well as reimbursement for sick hours if the required length of service is met. All vacation pay is accrued when incurred in the government-wide and proprietary funds and reported as a liability. The current portion of this obligation is estimated based on historical trends. Compensated absences that are expected to be liquidated with expendable available financial resources are reported as expenditures and a fund liability of the applicable governmental fund.

NORTH BAY VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 governmental activities, business-type activities, or propriety fund type statement of net assets. Bond discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond discounts. Bond issuance costs, if any, are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Payments of principal and interest are reported as debt service expenditures.

Net Position/fund balance:

In the government-wide financial statements, equity is classified as net position and is displayed in three components:

- a. Net investment in capital assets - consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets.
- b. Restricted net position - consists of net positions with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - all other net positions that do not meet the definition of "restricted" or "net investment in capital assets."

Fund balance:

The Village follows GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* which requires that governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Village is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent.

The classifications used in the governmental fund financial statements are as follows:

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

NORTH BAY VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Village Commission. These amounts cannot be used for any other purpose unless the Commission removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

Assigned: This classification includes amounts that are constrained by the Village's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Commission or through the Commission delegating this responsibility to Village management. In addition, amounts deemed by the Village ordinances as minimum fund balance requirements are included in this category. Section 35.22 of the Village Code of Ordinances requires an operating reserve of 20%. This amount has been classified as assigned operating reserves in the accompanying financial statements.

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

During the year one of the Village's funds disclosed a deficit fund balance. The Children Services Fund had a deficit fund balance of \$ 8,282 which is to be covered by the General fund and absorbed through transfers in order to cure this reported deficit.

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the 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 expenses during the reporting period. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, actual results may ultimately differ from those estimates.

Date of management review:

Subsequent events were evaluated by management through March 31, 2014, which is the date the financial statements were available to be issued.

NORTH BAY VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 2 – PROPERTY TAXES

Under Florida Law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the State regulating tax assessments are also designed to assure a consistent property valuation method statewide. State statutes permit municipalities to levy property taxes at a rate of up to 10.0 mills. The tax rate to finance general governmental services for the fiscal year ended September 30, 2013 was \$ 6.5145 per \$ 1,000 of assessed taxable property value. The rate of \$ 6.5145 is allocated to the general fund and debt service fund, with the general fund receiving \$ 5.4740, the debt service fund \$ 1.0405.

The tax levy of the Village is established by the Village 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 various special taxing districts. All property is reassessed according to its fair market value as of January 1 each year, at which time taxes become an enforceable lien on property. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the roll meets all of the appropriate requirements of State statutes. State of Florida Amendment #10 to the Florida Constitution known as "Save our Homes" limits assessment increases on homestead property to the lesser of 3% or the Consumer Price Index.

All real and tangible personal property taxes are due and payable on November 1 each year or as soon as practicable thereafter as the assessment roll is certified by the County Property Appraiser. Miami-Dade County mails to each property owner on the assessment roll a notice of the taxes due and Miami-Dade County also collects the taxes for the Village. Taxes may be paid upon receipt of such notice from Miami-Dade County, with discounts at the rate of four percent (4%) if paid in the month of November, three percent (3%) if paid in the month of December, two percent (2%) if paid in the month of January and one percent (1%) if paid in the month of February. Taxes paid during the month of March are without discount, and all unpaid taxes on real and tangible personal property become delinquent and liens are placed on April 1 of the year following the year in which taxes were assessed. Procedures for the collection of delinquent taxes by Miami-Dade County are provided for in the laws of Florida. State law provides for enforcement of collection of personal property taxes by seizure of the property, by the sale of the property, or by the sale of interest bearing tax certificates to satisfy unpaid property taxes. The procedures result in the collection of essentially all taxes prior to July 31 of the year following the year of assessment.

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits:

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

NORTH BAY VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 3 – DEPOSITS AND INVESTMENTS (continued)

Restricted cash:

Restricted cash consists of \$ 356,064 of customer deposits held in the Utility Fund. These funds are owed back to customers when the discontinue service. Additionally, \$ 130,664 is required to be held in a depository account in accordance with the Village’s State Revolving Fund loans (Note 7).

Investments:

As required by Florida Statutes, the Village has adopted an investment policy designating the investments which are allowable of its cash management activities. The authorized investments include US bonds and obligations, fully insured or collateralized certificates of deposit, Securities and Exchange Commission ("SEC") registered money market funds, bankers acceptances, reverse repurchase agreements, local government investment pools and certain mutual funds registered with the SEC and the Local Government Surplus Funds Trust Fund (administered by the State of Florida Board of Administration). The investments follow the investment rules defined in Florida Statutes Chapter 215. The investment policy defined in the statutes attempts to promote, through state assistance, the maximization of net interest earnings on invested surplus funds of local units of governments while limiting the risk to which the funds are exposed.

The Village is authorized to invest in obligations of the United States Treasury, its agencies, instrumentalities and the Local Government Surplus Funds Trust Fund administered by the State Board of Administration. The investments follow the investment rules defined in Florida Statutes Chapter 215. The investment policy defined in the statutes attempts to promote, through state assistance, the maximization of net investment earnings on invested surplus funds of local units of governments while limiting the risk to which the funds are exposed.

The Village invests surplus funds in an external investment pool, the Local Government Surplus Funds Trust Fund (the “State Pool”). The State Pool is administered by the Florida State Board of Administration (“SBA”), who provides regulatory oversight. The SBA previously reported that the State Pool was exposed to potential risks due to indirect exposure in the subprime mortgage financial market. Consequently, the SBA placed some restrictions on how participants could access portions of their surplus funds and ultimately restructured the State Pool into two separate pools (“Florida PRIME” and “Fund B”).

The Florida PRIME has adopted operating procedures consistent with the requirement for a 2a7-like fund. The Village's investment in the Florida PRIME is reported at amortized cost. The fair value of the position in the pool is equal to the value of the pool shares.

The Fund B is reported at fair value, determined by the fair value per share of the pool's underlying portfolio.

As of September 30, 2013, the Village had the following investments:

	Fair Value	Investment Maturities (in years)
Florida Prime	\$ 49,249	Less than 1
Fund B	10,598	6-10
	\$ 59,847	

NORTH BAY VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 3 – DEPOSITS AND INVESTMENTS (continued)

Interest rate risk:

The Village has an investment policy of structuring the investment portfolio so that the securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and investing operating funds primarily in short-term securities, money market mutual funds, or similar investment pools. The weighted average maturity of the securities held in Florida Prime is 44 days. The weighted average life of the securities held by Fund B is 4.04 years. However, because Fund B consists of restructured or defaulted securities, there is considerable uncertainty regarding the weighted average life.

Credit risk:

The Village’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.

NOTE 4 – RECEIVABLES AND PAYABLES

As of September 30, 2013, receivables for the Village’s individual major funds and nonmajor fund, including applicable allowances for uncollectible accounts, are as follows:

	General Fund	Capital Projects Fund	Non-major Special Revenue Funds	Enterprise Funds	Total
Customers billed	\$ 137,242	\$ -	\$ -	\$ 426,096	\$ 563,338
Intergovernmental	191,572	122,375	75,248	-	389,195
Miscellaneous	5,000	-	-	-	5,000
	<u>\$ 333,814</u>	<u>\$ 122,375</u>	<u>\$ 75,248</u>	<u>\$ 426,096</u>	<u>\$ 957,533</u>

As of September 30, 2013 accounts payable for the Village’s individual major and non-major funds are as follows:

	General Fund	Capital Projects Fund	Federal Forfeiture Fund	Non-major Special Revenue Funds	Enterprise Funds	Total
Vendors	\$ 307,001	\$ -	\$ 5,228	\$ 5,130	\$ 327,704	\$ 645,063
Contractors	-	271,518	-	-	144,050	415,568
	<u>\$ 307,001</u>	<u>\$ 271,518</u>	<u>\$ 5,228</u>	<u>\$ 5,130</u>	<u>\$ 471,754</u>	<u>\$ 1,060,631</u>

NORTH BAY VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 5,138,008	\$ -	\$ -	\$ 5,138,008
Construction in progress	-	65,398	-	65,398
Total capital assets, not being depreciated	5,138,008	65,398	-	5,203,406
Capital assets, being depreciated:				
Buildings and improvements	4,266,093	563,368	-	4,829,461
Vehicles	1,269,838	-	-	1,269,838
Machinery and equipment	1,736,130	53,193	-	1,789,323
Total capital assets, being depreciated	7,272,061	616,561	-	7,888,622
Less accumulated depreciation for:				
Buildings and improvements	855,195	254,732	-	1,109,927
Vehicles	801,840	125,487	-	927,327
Machinery and equipment	1,539,120	56,040	-	1,595,160
Total accumulated depreciation	3,196,155	436,259	-	3,632,414
Total capital assets, being depreciated, net	4,075,906	180,302	-	4,256,208
Governmental activities capital assets, net	\$ 9,213,914	\$ 245,700	\$ -	\$ 9,459,614
Business-Type Activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 67,220	\$ -	\$ 67,220	\$ -
Capital assets, being depreciated:				
Improvements other than equipment	13,689,460	327,217	-	14,016,677
Equipment and vehicles	1,231,622	-	-	1,231,622
Total capital assets being depreciated	14,921,082	327,217	-	15,248,299
Less accumulated depreciation for:				
Improvements other than equipment	3,812,999	399,097	-	4,212,096
Equipment and vehicles	1,226,202	8,232	-	1,234,434
Total accumulated depreciation	5,039,201	407,329	-	5,446,530
Total capital assets, being depreciated, net	9,881,881	(80,112)	-	9,801,769
Business-type activities capital assets, net	\$ 9,949,101	\$ (80,112)	\$ 67,220	\$ 9,801,769

NORTH BAY VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 5 – CAPITAL ASSETS (continued)

Depreciation expense for the fiscal year ended September 30, 2013 was charged to functions/programs as follows:

Governmental Activities:	
General government	\$ 196,317
Public safety	130,878
Public works	47,988
Parks and recreation	39,263
Building, planning and zoning	<u>21,813</u>
Total depreciation expense - governmental activities	<u>\$ 436,259</u>
 Business-Type Activities:	
Water and sewer systems	\$ 357,785
Stormwater Utility	<u>49,544</u>
Total depreciation expense - business-type activities	<u>\$ 407,329</u>

NOTE 6 – INTERFUND BALANCES AND TRANSFERS

These balances result from the time lag between the dates (1) Inter-fund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments are actually made between funds. Due from and to other funds at September 30, 2013 are summarized as follows:

	Due From			Total
	Federal Forfeiture Fund	Non major Governmental Funds	Enterprise Funds	
Due To:				
General Fund	\$ -	\$ 40,795	\$ -	\$ 40,795
Capital Projects Fund	-	192,394	-	192,394
Nonmajor Governmental Funds	19,038	-	-	19,038
Enterprise Fund	<u>-</u>	<u>-</u>	<u>145,838</u>	<u>145,838</u>
Total	<u>\$ 19,038</u>	<u>\$ 233,189</u>	<u>\$ 145,838</u>	<u>\$ 398,065</u>

NORTH BAY VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 6 – INTERFUND BALANCES AND TRANSFERS (continued)

Inter-fund transfers for the year ended September 30, 2013 are summarized as follows:

	Interfund Balances	
	Transfers In	Transfers Out
Transfer In:		
General Fund	\$ -	\$ 75,186
Capital Projects Fund	269,825	-
Nonmajor Governmental Fund	75,186	269,825
	\$ 345,011	\$ 345,011

NOTE 7 – LONG-TERM DEBT

The following is a summary of changes in debt for the year ended September 30, 2013:

	October 1, 2012	Additions	Payments	September 30, 2013	Due Within One Year
Governmental Activities:					
General obligation note, Series 2010	\$ 2,057,143	\$ -	\$ 102,857	\$ 1,954,286	\$ 102,857
General obligation refunding note, Series 2010	5,875,000	-	285,000	5,590,000	290,000
Compensated absences	1,435,290	743,566	774,075	1,404,781	234,130
OPEB obligation	34,000	34,000	-	68,000	-
Total governmental activities debt	\$ 9,401,433	\$ 777,566	\$ 1,161,932	\$ 9,017,067	\$ 626,987
Business-Type Activities:					
Revolving state loans	\$ 1,687,531	\$ -	\$ 201,860	\$ 1,485,671	\$ 195,740
Compensated absences	157,470	37,137	46,739	147,868	24,645
Total business-type activities debt	\$ 1,845,001	\$ 37,137	\$ 248,599	\$ 1,633,539	\$ 220,385

Governmental activities:

In fiscal year ended September 30, 2011, the Village refinanced a \$ 6,250,000 General Obligation Note with the proceeds of a \$ 6,325,000 General Obligation Refunding Note. The proceeds were used to legally defease the original note and to pay costs of the refinancing. Commencing on December 1, 2010, interest of 3.51% is payable semiannually on December 1 and June 1 through the maturity date of June 1, 2028. Principal shall be payable on an annual basis commencing June 1, 2011. The outstanding principal as of September 30, 2013 is \$ 5,590,000.

NORTH BAY VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 7 – LONG-TERM DEBT (continued)

In fiscal year ended September 30, 2010, the Village borrowed \$ 2,160,000 relating to a General Obligation Note, Series 2010 for purpose of financing all or a part of the costs of (i) the creation and improvement of parks and recreational opportunities, (ii) the construction of a Public Safety and Village Hall complex, (iii) landscaping and aesthetic improvements to the John F. Kennedy Causeway, and (iv) related capital costs. The note is secured by the proceeds of ad valorem taxes levied on all taxable property in the Village. Commencing December 1, 2011, interest of 3.80% is payable semi-annually and principal is payable annually of \$ 102,857 on December 1 of each year through the maturity date of December 31, 2031. The outstanding principal as of September 30, 2013 is \$ 1,954,286.

Business-type activities – revolving state loans:

The Village has five separate state revolving loan agreements with the Department of Environmental Protection. The loans provided for funding for various sewer improvement projects on a cost reimbursement basis. Pursuant to the terms of the individual agreements, the Village began making semi-annual principal and interest payments on the loans one year subsequent to the completion of the projects. The Village is required to pledge revenues equal to 1.15 times the sums of the semi-annual payments due in any fiscal year, and must maintain an amount equal to or greater than five-sixths of the semi-annual payment in a depository account. At September 30, 2013, the Village was in compliance with these covenants. The significant terms of the loans are as follows:

<p>Revolving state loan of \$ 282,370 dated March 17, 1995; interest rate of 3.79%. As an amendment to the original loan, in June 1997 the Village was awarded an additional \$ 1,597,000 at an interest rate of 2.7%. The Village makes semi-annual principal and interest payments of \$ 33,797 on March 15 and September 15. The loan matures on September 15, 2018 and is collateralized by water and sewer revenues.</p>	<p>\$ 313,017</p>
<p>Revolving state loan of \$ 755,000 dated July 17, 1996; interest rate of 2.9%. The Village makes semi-annual principal and interest payments of \$ 23,507 on March 15 and September 15. The loan matures on September 15, 2016 and is collateralized by water and sewer revenues.</p>	<p>133,948</p>
<p>Revolving state loan of \$ 380,000 dated September 30, 1993; interest rate of 2.7%. As an amendment to the original loan, in October 1994 the Village was awarded an additional \$ 188,000 at an interest rate of 3.24%. The Village makes semi-annual principal and interest payments of \$ 18,211 on January 1 and July 1. The loan matures on July 1, 2014 and is collateralized by water and sewer revenues.</p>	<p>35,649</p>
<p>Revolving state loan of \$ 1,079,032 dated December 24, 2009; interest rate of 1.9%. The amounts of the semiannual payments for each loan will be calculated based on the actual amount of the principal drawn under the agreement, as well as associated capitalized interest and loan service fees. Payments will be due semiannually November 15 and May 15 at a present amount of \$ 32,929 with any final amounts to be determined when project is complete.</p>	<p>992,367</p>

NORTH BAY VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 7 – LONG-TERM DEBT (continued)

Revolving state loan of \$ 352,416 dated July 1, 2011; interest rate of 2.18%. The amounts of the semiannual payments for each loan will be calculated based on the actual amount of the principal drawn under the agreements, as well as associated capitalized interest and loan service fees. Payments will be due semiannually February 15 and August 15 at a present amount of \$ 11,136 with any final amounts to be determined when project is complete. Be determined when project is complete.

10,690
\$ 1,485,671

Combined aggregate maturities for all long-term debt for each of the next five years and to maturity are as follows:

Year Ending September 30,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 392,857	\$ 268,518	\$ 661,375	\$ 195,740	\$ 31,955	\$ 227,695
2015	402,857	254,430	657,287	153,304	27,161	180,465
2016	412,857	239,991	652,848	157,314	23,151	180,465
2017	422,857	225,202	648,059	114,067	19,384	133,451
2018	432,857	210,061	642,918	116,871	16,580	133,451
2019-2023	1,964,285	717,547	2,681,832	268,586	60,704	329,290
2024-2028	2,634,285	438,015	3,072,300	295,660	33,630	329,290
2029-2032	881,431	47,766	929,197	184,129	6,641	190,770
	<u>\$ 7,544,286</u>	<u>\$ 2,401,530</u>	<u>\$ 9,945,816</u>	<u>\$ 1,485,671</u>	<u>\$ 219,206</u>	<u>\$ 1,704,877</u>

NOTE 8 – FLORIDA RETIREMENT SYSTEM

The Village participates in the Florida Retirement System (the "System"), a multiple-employer cost sharing Public Employee Retirement System ("PERS"). The Division of Retirement, Department of Administration of the State of Florida administers the System. All rates, benefits and amendments are established by the State of Florida through its legislative body. Employees of the Village who are employed in a full-time regularly established position participate in the System.

The System has various classes of memberships. Village employees fall under "Regular Class," which consists of members of the System who do not qualify for membership in the Special Risk, Special Risk Administrative Support, Elected Officer, or Senior Management Service Classes.

Normal retirement for the Regular, Elected Officer, and Senior Management Service Class is at age 62 or at 30 years of credited service, if initially enrolled before July 1, 2011 and age 65 or 33 years of credited service if initially enrolled on or after July 1, 2011. Normal retirement for the Special Risk Class (police) is at age 55 or at 25 years of credited service if initially enrolled before July 1, 2011 and age 60 or 30 years of credited service if initially enrolled on or after July 1, 2011. Service retirement benefits are computed on the basis of age and/or years of service, average final compensation (the average of the five highest fiscal years' earnings), and service credit.

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

NORTH BAY VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 8 – FLORIDA RETIREMENT SYSTEM (continued)

Funding policy:

The Village is required by Florida statutes to contribute 5.18%, 6.30% and 14.9% of salaries through June 2013 and starting July 2013 6.95%, 18.31% and 19.06% for regular, senior management and special risk members, respectively. In addition to the employer contributions, beginning July 2011, employees are required to contribute 3% of their salary towards the System. Employees within 5 years of retirement may elect to participate in the Deferred Retirement Option Program ("DROP"). The DROP allows an employee to retire while continuing employment, for a maximum of 60 months, and defer their monthly retirement benefit to an interest-bearing account. The Village is also required to contribute 5.44% and 12.84% of salaries for periods prior to and subsequent July 1, 2013, respectively, for participants of the DROP. During 2013 the Village had no employees participating in the DROP.

The contribution requirements of covered payroll and actual contributions made for the fiscal year ending September 30, 2013 and the two preceding years were as follows:

	2013	2012	2011
Contributions requirements	\$ 425,526	358,287	\$ 528,832
Contributions made (100%)	\$ 425,526	358,287	\$ 528,832
Total covered payroll	\$ 3,379,195	3,330,360	\$ 3,198,341
Percent of contributions to total covered payroll	12.59%	10.76%	16.53%

NOTE 9 – DEFINED CONTRIBUTION PLAN

On September 15, 1998, the Village adopted Resolution No. 98-17 providing for a final and total distribution of the defined benefit retirement system assets and termination of the Plan. The Village terminated the Plan and rolled over all active employee balances into the 401(a) defined contribution plan for general employees. All except seven of the Plan's participants chose to receive lump sum distributions for their retirement benefits. The seven participants opted to continue to receive their monthly benefit payments. During 1999, the Village purchased annuity contracts from an insurance company for those participants.

The Village previously adopted a defined contribution plan in accordance with Internal Revenue Code Section 401 (a). In a prior year, the Village terminated its defined benefit plan (Note IV-J-2) and the balances for all active employees were rolled over into the defined contribution plan. The Plan provides a retirement program for all general employees. Covered employees are eligible upon employment with the Village. The 401(a) Plan provides for required employer and employee contributions of 13.5% and 5.5% of employee earnings for the Plan year, respectively.

Employer contributions vest after three years of service through year seven based on the participant's hire date. In addition, the Plan allows for loans of up to 50% of the participant's vested balance. Plan amendments must be approved by the Village Commission. The Village contributed approximately \$ 41,000 for the year ended September 30, 2013. The Plan is held in trust for the exclusive benefit of the participants and their beneficiaries. Consequently, the Village has no fiduciary responsibility; therefore, the net assets of the Plan are not included in the Village's financial statements.

NORTH BAY VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS

The Village implemented the Governmental Accounting Standards Board Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEB), for certain postemployment health care benefits provided by the Village.

Plan Description:

North Bay Village, Florida administers a single-employer defined benefit healthcare plan (the “Plan”) that provides medical and dental insurance benefits to its employees and their eligible dependents. In accordance with Section 112.0801 of the Florida Statutes, because the Village provides a medical plan to active employees of the Village and their eligible dependents, the Village is also required to provide retirees with the opportunity to participate in this Plan. The plan has no assets and does not issue a separate financial report.

Funding Policy:

The Village is funding the post-employment benefits on a pay-as-you-go basis. For the fiscal year ended September 30, 2013, the annual required contribution was \$ 42,000. The Village made an implied contribution of \$ 6,000 towards this amount. At September 30, 2013, the Village recorded a net OPEB obligation of \$ 68,000 for governmental activities, in its government-wide statement of net assets.

Annual OPEB Cost and Net OPEB Obligation:

The annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability over a period not to exceed 30 years. The following table shows the components of the Village's annual OPEB cost for the year, the amount actually contributed, and the changes in the net OPEB obligation.

Annual Required Contribution (ARC)	\$	42,000
Interest on net pension obligation		1,000
Adjustment to annual required contribution		(3,000)
Total annual OPEB cost		40,000
Employer contributions made	*	(6,000)
Interest on employer obligation		-
Increase in net OPEB obligation		34,000
Net OPEB obligation, beginning of year		34,000
Net OPEB obligation, end of year	\$	68,000

**reflects a contribution credit for the implied subsidy.*

The Village's annual OPEB cost, the percentage of annual OPEB costs contributed to the plan, and the net OPEB obligation for 2013, (the first year of implementation) was as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Annual</u> <u>OPEB</u> <u>Cost</u>	<u>Percentage</u> <u>of Annual</u> <u>OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2013	\$ 40,000	15.00%	\$ 68,000

NORTH BAY VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (continued)

Funded status and progress:

The schedule of funding progress, presented as 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 actuarial accrued liability for benefits. An analysis of funding progress (the last plan year valuation date) is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability at Entry Age (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as % of Covered Payroll
10/01/12	\$ -	\$ 261,000	\$ 261,000	0.0%	Not available	N/A

Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the October 1, 2012 actuarial valuation, the projected unit credit cost method was used. The annual required contribution (ARC) reflects a 15-year open period, level dollar payment amortization of the unfunded actuarial accrued liability (UAAL). The actuarial assumptions included a 4.0% investment rate of return, with 2.75% of this amount being attributed to inflation. The actuarial assumptions also included an annual healthcare cost trend rate of 8.00% for the 2012-2013 fiscal year, with future annual decreases to grade uniformly to 5.50% over a 5 year period, to an ultimate rate of 5.00% for the fiscal year ending September 30, 2019.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Litigation:

The Village is involved in various litigations involving certain past employees and a vendor construction contract. The Village is actively defending these matters but believes they could result in negative outcomes. To the extent that the result of these procedures are considered probable and can be reasonably estimated, the Village has recorded a contingent liability of approximately \$ 240,000.

NORTH BAY VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 11 – COMMITMENTS AND CONTINGENCIES (continued)

Risk management:

The Village is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters for which the Village carries commercial insurance. There were no significant reductions in insurance coverage from coverage in the prior year and there were no settlements that exceeded insurance coverage for each of the past three years. The Village provides employee medical benefits through commercial insurance coverage.

Grants contingency:

The Village receives grants from governmental agencies that require compliance with certain provisions stated in the grant agreements and are subject to audit by their grantor agencies. Failure to comply with the provisions or the results of any grantor audit could result in the return of funds and are subject to audit by their grantor agencies. Management of the Village deems the likelihood of this contingency remote since, in its opinion, the Village has complied in all material respects with the provisions of the grants.

Operating lease agreement:

The Village previously entered into an operating lease for the rental of an office facility for a period of five years beginning January 2011 through January 2016. During the year ended September 30, 2013, the Village terminated the lease and paid an early termination fee of \$ 50,000 as required by the lease agreement. Total lease payments in connection with this lease amounted to approximately \$ 119,200 for the year ended September 30, 2013.

During the year ended September 30, 2013, the Village entered into a two year operating lease for the rental of the Village city hall facility. This lease requires monthly payments of approximately \$ 15,800 through 2014 and \$ 16,400, through 2015. This lease contains a renewal option of a one year term at an increase of 4% over the prior year’s base rent. A second renewal option for a one year term at the then prevailing market rate is also provided by this lease agreement. Total payments in connection with this lease totaled approximately \$ 72,500 for the year ended September 30, 2013.

Future minimum lease payments for the remainder of the lease are approximately as follows:

<u>Year Ended September 30.</u>	<u>Amount</u>
2014	\$ 191,000
2015	\$ 147,500
Thereafter	NONE

NORTH BAY VILLAGE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE 12 – RESTATEMENT OF BEGINNING NET POSITION

For the year ended September 30, 2013, the Village implemented GASB No. 65, *Items Previously reported as Assets and Liabilities*. This resulted in a decrease to the beginning net position on the on the statement of revenue, expense and change in net position and on the statement of activities for approximately \$ 115,000 and \$ 2,500 for governmental and business-type activities, respectively, to remove bond issuance costs in accordance with GASB No. 65.

REQUIRED SUPPLEMENTARY INFORMATION

**NORTH BAY VILLAGE, FLORIDA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For the year ended September 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:				
Taxes:				
Property taxes, including penalties and interest	\$ 2,887,033	\$ 3,073,777	\$ 3,062,516	\$ (11,261)
Utility service taxes	<u>430,000</u>	<u>508,687</u>	<u>508,687</u>	<u>-</u>
Total taxes	<u>3,317,033</u>	<u>3,582,464</u>	<u>3,571,203</u>	<u>(11,261)</u>
Licenses and permits:				
Village occupational licenses	70,000	74,502	74,502	-
Building and other permits	<u>171,200</u>	<u>168,934</u>	<u>367,339</u>	<u>198,405</u>
Total licenses and permits	<u>241,200</u>	<u>243,436</u>	<u>441,841</u>	<u>198,405</u>
Franchise fees:				
Electric	320,000	355,304	363,253	7,949
Gas	22,000	17,157	16,034	(1,123)
United States Postal Service	18,500	11,883	11,883	-
Sanitation	<u>1,000</u>	<u>1,028</u>	<u>1,028</u>	<u>-</u>
Total franchise fees	<u>361,500</u>	<u>385,372</u>	<u>392,198</u>	<u>6,826</u>
Intergovernmental:				
Local 1/2 cent sales tax	499,993	504,473	504,473	-
Communication service tax	306,049	288,083	288,083	-
State revenue sharing	184,775	189,928	189,928	-
Alcohol beverage licenses	6,500	5,531	5,531	-
Causeway maintenance	5,300	5,300	5,294	(6)
Local option gas tax	109,955	109,955	108,427	(1,528)
Federal grants	<u>-</u>	<u>41,248</u>	<u>36,248</u>	<u>(5,000)</u>
Total intergovernmental	<u>1,112,572</u>	<u>1,144,518</u>	<u>1,137,984</u>	<u>(6,534)</u>
Charges for services:				
Record research and review	40,000	55,267	55,267	-
Passport fees	7,000	4,300	4,300	-
Advertising/bus stop	<u>2,400</u>	<u>4,584</u>	<u>4,584</u>	<u>-</u>
Total charges for services	<u>49,400</u>	<u>64,151</u>	<u>64,151</u>	<u>-</u>
Fines and forfeitures	<u>72,000</u>	<u>357,818</u>	<u>349,991</u>	<u>(7,827)</u>
Interest income	<u>10,000</u>	<u>30,551</u>	<u>30,551</u>	<u>-</u>
Other:				
Miscellaneous	64,500	176,540	172,991	(3,549)
Appropriation of fund balance	<u>417,367</u>	<u>610,115</u>	<u>-</u>	<u>(610,115)</u>
Total other	<u>481,867</u>	<u>786,655</u>	<u>172,991</u>	<u>(613,664)</u>
Total revenues	<u>5,645,572</u>	<u>6,594,965</u>	<u>6,160,910</u>	<u>(434,055)</u>

See notes to budgetary comparison schedule.

NORTH BAY VILLAGE, FLORIDA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
(continued)

For the year ended September 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES:				
General government:				
Village Commission:				
Personal services	37,287	34,963	34,963	-
Operating expenditures	<u>29,680</u>	<u>28,127</u>	<u>28,127</u>	<u>-</u>
Total Village commission	<u>66,967</u>	<u>63,090</u>	<u>63,090</u>	<u>-</u>
Village Manager:				
Personal services	252,286	236,679	236,679	-
Operating expenditures	<u>8,800</u>	<u>8,171</u>	<u>8,171</u>	<u>-</u>
Total Village manager	<u>261,086</u>	<u>244,850</u>	<u>244,850</u>	<u>-</u>
Village Clerk:				
Personal services	104,594	107,355	109,937	(2,582)
Operating expenditures	<u>44,125</u>	<u>60,822</u>	<u>60,822</u>	<u>-</u>
Total Village clerk	<u>148,719</u>	<u>168,177</u>	<u>170,759</u>	<u>(2,582)</u>
Finance:				
Personal services	128,732	122,993	122,993	-
Operating expenditures	<u>5,745</u>	<u>12,459</u>	<u>11,267</u>	<u>1,192</u>
Total finance	<u>134,477</u>	<u>135,452</u>	<u>134,260</u>	<u>1,192</u>
Village Attorney:				
Operating expenditures	<u>262,752</u>	<u>516,255</u>	<u>526,807</u>	<u>(10,552)</u>
Total Village attorney	<u>262,752</u>	<u>516,255</u>	<u>526,807</u>	<u>(10,552)</u>
Nondepartmental:				
Personal services	161,769	37,299	37,299	-
Operating expenditures	831,801	862,361	862,361	-
Capital outlay	<u>20,000</u>	<u>21,774</u>	<u>21,774</u>	<u>-</u>
Total nondepartmental	<u>1,013,570</u>	<u>921,434</u>	<u>921,434</u>	<u>-</u>
Total general government	<u>1,887,571</u>	<u>2,049,258</u>	<u>2,061,200</u>	<u>(11,942)</u>
Public safety:				
Personal services	2,933,167	3,275,258	3,277,570	(2,312)
Operating expenditures	247,200	414,485	420,785	(6,300)
Capital outlay	<u>2,000</u>	<u>38,621</u>	<u>38,621</u>	<u>-</u>
Total public safety	<u>3,182,367</u>	<u>3,728,364</u>	<u>3,736,976</u>	<u>(8,612)</u>

See notes to budgetary comparison schedule.

NORTH BAY VILLAGE, FLORIDA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 (continued)
 For the year ended September 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Public works:				
Personal services	48,838	48,838	57,656	(8,818)
Operating expenditures	<u>182,000</u>	<u>182,000</u>	<u>257,797</u>	<u>(75,797)</u>
Total public works	<u>230,838</u>	<u>230,838</u>	<u>315,453</u>	<u>(84,615)</u>
Building, planning and zoning:				
Personal services	95,457	95,457	94,184	1,273
Capital outlay	-	-	2,351	(2,351)
Operating expenditures	<u>102,000</u>	<u>102,000</u>	<u>293,297</u>	<u>(191,297)</u>
Total building, planning and zoning	<u>197,457</u>	<u>197,457</u>	<u>389,832</u>	<u>(192,375)</u>
Parks and recreation:				
Personal services	21,109	19,596	19,596	-
Operating expenditures	<u>48,500</u>	<u>205,315</u>	<u>205,315</u>	-
Total parks and recreation	<u>69,609</u>	<u>224,911</u>	<u>224,911</u>	-
Total expenditures	<u>5,567,842</u>	<u>6,430,828</u>	<u>6,728,372</u>	<u>(297,544)</u>
Excess (deficiencies) of revenues over expenditures	<u>77,730</u>	<u>164,137</u>	<u>(567,462)</u>	<u>(731,599)</u>
OTHER FINANCING USES:				
Transfers out	<u>(75,186)</u>	<u>(161,593)</u>	<u>(75,186)</u>	<u>86,407</u>
Net change in fund balance	<u>\$ 2,544</u>	<u>\$ 2,544</u>	<u>\$ (642,648)</u>	<u>\$ (645,192)</u>

See notes to budgetary comparison schedule.

NORTH BAY VILLAGE, FLORIDA
NOTES TO BUDGETARY COMPARISON SCHEDULES
September 30, 2013

NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING

The Village legally adopts annual budgets for the general fund, most of the special revenue funds, and the utility funds.

The budgets are prepared on a basis consistent with accounting principles generally accepted in the United States. At least 45 days prior to the close of the fiscal year, the Village Commission is presented with a proposed budget including proposed expenditures and the means of financing them. After Commission review and public hearings, the budget is adopted prior to October 1. Budgets are approved on a fund-by-fund basis and management may transfer amounts between line items in departments as long as the transfer does not amount to more than 5% of the total budget of each department. All other budgetary transfers must be approved by resolution of the Village Commission. Expenditures may not legally exceed appropriations at the departmental level.

Budgets are considered a management control and planning tool and as such are incorporated into the accounting system of the Village. The Village Commission, by resolution, may make supplemental appropriations for the year up to the amount of revenues in excess of those estimated. Appropriations not encumbered lapse at year-end. The Commission approved an amendment to the budget for the current fiscal year.

NOTE 2 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended September 30, 2013, general fund expenditures exceeded appropriations in the following departments (the legal level of budgetary control):

Building, planning and zoning	\$	192,375
Public Safety	\$	8,612
Public Works	\$	84,615
Village Attorney	\$	10,552
Village Clerk	\$	2,582

These unfavorable variances were caused by unbudgeted costs related to unforeseen circumstances and occurrences during the year.

NOTE 3 - BUDGET TO GAAP RECONCILIATION

There are no differences to be reconciled between the budgetary comparison schedules and the statement of revenues, expenditures, and changes in fund balances - governmental funds.

**NORTH BAY VILLAGE, FLORIDA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 OTHER POST-EMPLOYMENT BENEFITS (UNAUDITED)**

An analysis of funding progress for the Unfunded Actuarial Accrued Liability (UAAL) for the most recent actuarial valuation date available is presented as follows:

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)- Frozen Initial Liability	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	(c) Covered Payroll	UAAL as a Percentage of Covered Payroll (b-a)/(c)
10/01/12	\$ -	\$ 261,000	\$ 261,000	0.0%	Not available	N/A

COMBINING FINANCIAL STATEMENTS

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.

State Forfeiture Fund – This fund is used to account for state forfeitures restricted for law enforcement purposes.

Transportation Fund – This fund is used to account for restricted revenues and expenditures associated with a county levied surtax and designated for public transportation purposes.

Children's' Services Fund – This fund is used to account for certain grants and programs that provide for summer programs as well as other adolescent activities.

Parks Improvement Fund – This fund is used to account for restricted revenues and expenditures associated with a county levied surtax and designated for park improvement purposes

NORTH BAY VILLAGE, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2013

	Special Revenue Funds				Total
	State Forfeiture Fund	Transportation Fund	Children's Services Fund	Parks Improvement Fund	Nonmajor Governmental Funds
ASSETS:					
Pooled cash, cash equivalents and investments	\$ 54,737	\$ 460,753	\$ -	\$ 274,953	\$ 790,443
Receivables	-	38,607	36,641	-	75,248
Due from other funds	19,038	-	-	-	19,038
Total assets	\$ 73,775	\$ 499,360	\$ 36,641	\$ 274,953	\$ 884,729
 LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts payable	\$ -	\$ 3,413	\$ 1,717	\$ -	\$ 5,130
Accrued liabilities	-	245	2,411	-	2,656
Due to other funds	-	192,394	40,795	-	233,189
Total liabilities	-	196,052	44,923	-	240,975
 Fund balances:					
Restricted for:					
Transportation projects	-	303,308	-	-	303,308
Culture and recreation	-	-	-	274,953	274,953
Law enforcement	73,775	-	-	-	73,775
Unassigned (deficit)	-	-	(8,282)	-	(8,282)
Total fund balances	73,775	303,308	(8,282)	274,953	643,754
Total liabilities and fund balances	\$ 73,775	\$ 499,360	\$ 36,641	\$ 274,953	\$ 884,729

NORTH BAY VILLAGE, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2013

	Special Revenue Funds				Total Nonmajor Governmental Funds
	State Forfeiture Fund	Transportation Fund	Children's Services Fund	Parks Improvement Fund	
REVENUES:					
Taxes	\$ -	\$ 261,476	\$ -	\$ -	\$ 261,476
Fines and forfeitures	26,500	-	-	-	26,500
Intergovernmental revenue	-	-	113,481	-	113,481
Interest income	53	-	-	-	53
Miscellaneous	19,038	-	-	-	19,038
Total revenues	<u>45,591</u>	<u>261,476</u>	<u>113,481</u>	<u>-</u>	<u>420,548</u>
EXPENDITURES:					
Current:					
Public safety	997	-	-	-	997
Public works	-	78,769	-	-	78,769
Culture and recreation	-	-	129,482	-	129,482
Capital outlay	-	169,887	-	-	169,887
Total expenditures	<u>997</u>	<u>248,656</u>	<u>129,482</u>	<u>-</u>	<u>379,135</u>
Excess (deficiency) of revenues over expenditures	44,594	12,820	(16,001)	-	41,413
OTHER FINANCING SOURCES:					
Transfers in	-	55,248	19,938	-	75,186
Transfers out	-	(192,394)	-	(77,431)	(269,825)
Total other financing sources (uses)	<u>-</u>	<u>(137,146)</u>	<u>19,938</u>	<u>(77,431)</u>	<u>(194,639)</u>
Net change in fund balance	44,594	(124,326)	3,937	(77,431)	(153,226)
FUND BALANCES, (Deficit) beginning of year	<u>29,181</u>	<u>427,634</u>	<u>(12,219)</u>	<u>352,384</u>	<u>796,980</u>
FUND BALANCES (Deficit), end of year	<u>\$ 73,775</u>	<u>\$ 303,308</u>	<u>\$ (8,282)</u>	<u>\$ 274,953</u>	<u>\$ 643,754</u>

COMPLIANCE SECTION



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

Honorable Mayor, Village Commission and Village Manager
North Bay Village, Florida
North Bay Village, Florida

We have audited, in accordance with the 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 North Bay Village, Florida (the "Village"), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated March 31, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village'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 Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 questioned costs we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies. The Village's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly we do not express an opinion on it.

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 questioned costs 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 deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies.

North Bay Village, Florida

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village'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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
March 31, 2014



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor, Village Commission and Village Manager
North Bay Village, Florida
North Bay Village, Florida

Report on Compliance for Each Major Federal Program

We have audited North Bay Village, Florida's (the "Village") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Village's major federal programs for the year ended September 30, 2013. The Village's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Village's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Village's compliance.

Opinion on Each Major Federal Program

In our opinion, the Village, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

Report on Internal Control Over Compliance

Management of the Village, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Village's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Village's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control* over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control* over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
March 31, 2014



INDEPENDENT AUDITORS' REPORT TO THE VILLAGE MANAGEMENT

Honorable Mayor, Village Commission and the Village Manager
North Bay Village, Florida
North Bay Village, Florida

We have audited the basic financial statements of North Bay Village North Bay Village, Florida (the "Village"), as of and for the year ended September 30, 2013, and have issued our report thereon dated March 31, 2014.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*; and Chapter 10.550, Rules of the Florida Auditor General. We have issued our Independent Auditor's 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*, Independent Auditor's Report on Compliance for each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 31, 2014, 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 govern 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 auditor's 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 significant findings and recommendations made in the preceding annual financial audit report. The status of findings and recommendations made in the previous audit report are noted in the accompanying Schedule of Findings and Questioned Costs Part E.

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Village complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, our recommendations to improve financial management are included in the Schedule of Findings and Questioned Costs Part E.

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) control deficiencies in internal control that are not significant deficiencies. In connection with our audit, control deficiencies that are material weaknesses and significant deficiencies are included in the accompanying Schedule of Findings and Questioned Costs Part E.

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 City of North Bay Village, Florida was incorporated in 1945 as a municipality under the laws of Florida Statute 23427. In November 2012, the voters approved the removal of "City of" from the name.

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 Village did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Section 10.554 (1) (i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Village for the fiscal year ended September 30, 2013, 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, 2013. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Section 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Village's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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 require us to indicate that this letter is intended solely for the information and use of the Mayor, Village 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.

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
March 31, 2014

NORTH BAY VILLAGE, FLORIDA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Fiscal Year Ended September 30, 2013

Federal Agency, Pass-through Entity Federal Program	CFDA Number	Contract/Grant Number	Expenditures	Transfers to Subrecipients
FEDERAL AGENCY NAME:				
Direct Programs:				
Department of Justice - Equitable Sharing Program	* 16.922	---	\$ 519,423	\$ -
United States Department of the Treasury - Equitable Sharing Program	21.000	---	8,532	-
Indirect Programs:				
United States Department of the Commerce - Passed through the Florida Department of Environmental Protection: Coastal Zone Management Administration Awards	11.419	CM235	14,000	-
Coastal Zone Management Administration Awards	11.419	CM229	38,758	-
United States Department of Transportation - Passed through the Florida Department of Transportation - Highway Planning and Construction	20.205	426462-1	122,375	-
State of Florida Department of Passed through the Florida Department Law Enforcement: Edward Byrne Memorial Justice Assistance Grant -	16.738	2013-JAGD-DADE-5-D8-129	1,248	-
Passed through Miami Dade County Edward Byrne Memorial Justice Assistance Grant -	16.738	---	35,000	-
Total Expenditures of Federal Awards			\$ <u>739,336</u>	\$ <u>-</u>

* Denotes a major fund.

NORTH BAY VILLAGE, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2013

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the grant activity of the Village and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

NOTE 2 - CONTINGENCY

The grant revenue amounts received are subject to audit and adjustment. If any expenditures or expenses are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the Village. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal and state laws and regulations.

NORTH BAY VILLAGE, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2013

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses a unqualified opinion on the financial statements of North Bay Village, Florida.
2. Material weaknesses relating to the audit of the basic financial statements are reported in the Independent Auditor's 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*.
3. No instances of noncompliance material to the financial statements of North Bay Village, Florida were disclosed during the audit.
4. No material weaknesses relating to the audit of the major federal award program is reported in the Independent Auditor's Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal programs for North Bay Village, Florida expresses an unqualified opinion.
6. There are no findings relative to the major federal program for North Bay Village, Florida, reported in Part C of this schedule.
7. The programs tested as major programs are as follows:

Federal Program	Federal CFDA Number
Department of Justice Equitable Sharing Program	16.922

8. The threshold for distinguishing Type A and Type B projects was \$ 300,000 for major Federal programs.
9. North Bay Village, Florida was determined to be a low risk auditee pursuant to OMB Circular A-133.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

The status of findings and recommendations made are noted in the accompanying Schedule of Findings and Questioned Costs Part E.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL PROGRAMS

No matters to be reported.

NORTH BAY VILLAGE, FLORIDA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended September 30, 2013

D. OTHER ISSUES

1. No summary schedule of prior audit findings is required because there were no prior audit findings related to federal programs.
2. No corrective action plan is required because there were no findings required to be reported under the Federal Single Audit Act.

E. INTERNAL CONTROL COMMENTS AND RECOMMENDATIONS

	<u>STILL APPLICABLE</u>	<u>IMPLEMENTED OR NO LONGER RELEVANT</u>
2006-1 Capital asset subsidy ledger software, reconciliation and maintenance	X	
2006-3 General ledger maintenance		X
2009-1 Bank reconciliations	X	
2010-2 Implement form monthly closing procedures		X
2010-3 Document significant operational and accounting processes	X	
2010-4 Assess the accounting department staffing needs		X
2010-7 Consider implementing an enterprise risk management (ERM) program	X	
2012-1 Prior year audit journal entries not recorded		X
2012-2 Grant administration		X
2012-3 Enterprise net assets balance restoration plan be implemented.		X

NORTH BAY VILLAGE, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2013

E. INTERNAL CONTROL COMMENTS AND RECOMMENDATIONS

PRIOR YEAR INTERNAL CONTROL COMMENTS AND RECOMMENDATIONS

2006-1 Capital Assets Subsidiary Detail Ledger Software, Reconciliation and Maintenance:

The Village maintains a manually prepared schedule in Microsoft Office Excel for tracking its capital assets using a spreadsheet program. The Village should also look into a new software program designed to maintain fixed schedules to assist in this process. Benefits included in such programs include the ability to calculate gains and losses upon asset disposition, generation of reports by location for inventory observation and automatic calculation of depreciation expense depending on preprogrammed generally accepted methods of depreciation (double declining balance, straight line, etc.) The existing subsidiary ledger maintained on the spreadsheet requires constant maintenance and formula manipulation which lends itself to the possibility of errors being made, miscalculations along with additional time and effort to maintain.

We also noted that the fixed asset schedule was not timely updated during the year and needed to be adjusted in order to correspond to the Village's books and supporting records including the inventory that had been during the year. We recommend that the Village maintain its subsidiary ledger of capital asset detail on a periodic basis including reconciling to the inventory observation completed in order to properly track, record and maintain custody of fixed assets.

Management's Response/Status:

The Village has signed a contract with a national software firm for a new fully functional accounting software system. This will include General ledger, budget, cashing, building permit, code enforcement, utility billing as well as fixed assets. The first phase of the software implementation has been started will be operational around May 2014.

PRIOR YEAR INTERNAL CONTROL COMMENTS AND RECOMMENDATIONS (continued)

2009-1 Bank Reconciliations (Material Weakness):

During our audit, we noted that reconciliations of the Village's operating cash accounts had been performed but not reconciled to the general ledger for a significant portion of the fiscal year. We recommend that the Village, along with other closing procedures (2010-2), reconcile its cash accounts within two weeks of the end of a monthly period. In addition to the preparation of bank reconciliations by a designated individual, there should be another individual charged with the review and approval of the reconciliation once it is prepared to verify the reconciliation process is complete.

Management's Response/Status:

This recommendation has been implemented to the extent possible with the accounting system design and current software. The new accounting software being implemented this year will make the reconciliation of the automated monthly accounting tasks. This function will be completed within 15 days after the end of each month.

NORTH BAY VILLAGE, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2013

E. INTERNAL CONTROL COMMENTS AND RECOMMENDATIONS (continued)

PRIOR YEAR INTERNAL CONTROL COMMENTS AND RECOMMENDATIONS (continued)

2010-03 Document Significant Operational and Accounting Processes:

We recommend that the Village institute a program to methodically identify and document its significant operational and accounting processes. Processes include activities and procedures involved in repeatable operational or accounting transactions or events, such as hiring new employees, paying invoices, processing payroll, taking physical inventory of Fixed Assets, preparing and approving journal entries, etc.

Accounting processes, in particular, are procedures to initiate, authorize, record, process, and report transactions and involve activities such as the following:

1. Capturing, sorting, and merging data,
2. Making calculations,
3. Updating transactions and master files,
4. Generating transactions,
5. Summarizing and displaying or reporting data,
6. Correcting and reprocessing previously rejected transactions, and
7. Correcting erroneous transactions through adjusting journal entries.

Documenting a process involves identifying and gaining an understanding of the events or transactions that trigger performance of the process, the automated or manual procedures used in performing the process, the person or position responsible for performing the procedures, the source documents used or generated, the procedures for approval and review and correction of any errors detected, and the financial or operational entries or reports summarizing the result of the process. Procedures that may be used to gain an understanding of the workflow or flow of transactions include inquiry of Village personnel; observation of them performing their duties; inspection of documents, forms, and records used in or produced in the process; tracing transactions through the system; and performing a walk-through of the procedures performed in the process. It may include policy manuals, process models, flowcharts, job descriptions, documents, and forms, and can be in paper form, electronic files, or other media.

Management's Response/Status:

The new software system that is being implemented this year will bring new procedures for handling transactions and entries. We have developed the general outline of the procedures but we will wait for the exact procedures that the software requires. The finance department has added one new staff position this year and this will allow us to implement these recommendations.

NORTH BAY VILLAGE, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2013

E. INTERNAL CONTROL COMMENTS AND RECOMMENDATIONS (continued)

PRIOR YEAR INTERNAL CONTROL COMMENTS AND RECOMMENDATIONS (continued)

2010-07 Consider Implementing an Enterprise Risk Management (ERM) Program:

Today more than ever, a Village will face risks from both expected and unexpected channels. To weather the current financial crisis, the Village has to be more proactive than ever when identifying, assessing, prioritizing, and managing those risks. (i.e. Liquidity Problems, Security Risks, Credit Risks, Fraud Risks, Compliance Risks, and Strategic Risks). Enterprise risk management (ERM) is an efficient and functional approach to managing these risks. Using ERM, the Village can align their tolerance for risk with its current strategy by identifying events that could have an adverse effect on the Village's operations and related results, and developing an action plan to deal with those events. ERM can help the Village:

1. Achieve organizational goals by identifying strategic risk opportunities.
2. Enable the Village Manager and those charged with governance to make the best decisions by providing them with the latest risk information.
3. Align risk identification and risk management with annual performance goals.
4. Encourage employees to communicate any risks and challenges that they might be facing.

To design and implement an effective ERM within the Village, we recommend that they do the following:

1. Define the Village's risk tolerance clearly and communicate it throughout the different Departments.
2. Formally document the risk management structure.
3. Clearly define the roles and responsibilities of individuals involved in the process.
4. Use technology as much as possible when creating reports and monitoring tools.

Management's Response/Status:

The Deputy village Manager and the finance director met with the representatives from Florida Municipal Insurance Trust (FMIT) which is the agency that the village purchases all liability insurances thorough. They have implemented this in other Florida municipalities and will be available to assist North Bay Village. This will be one of our goals to work on during fiscal year 2014.