

# The Town of Bay Harbor Islands, Florida



**For the Year Ending September 30, 2016**

**TOWN OF BAY HARBOR ISLANDS, FLORIDA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

**Prepared by the Finance Department**

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

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# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

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## INTRODUCTORY SECTION

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Town Council

Jordan W. Leonard  
Mayor

Stephanie Bruder  
Vice Mayor

Joshua D. Fuller  
Council Member

Kelly Reid  
Council Member

Isaac Salver  
Council Member

Elizabeth Tricoche  
Council Member

Robert Yaffe  
Council Member

Town Officials

Ronald J. Wasson  
Town Manager

Marlene M. Siegel  
Town Clerk

Craig B. Sherman  
Town Attorney

March 31, 2017

To the Honorable Mayor Jordan W. Leonard, members of the Town Council, and citizens of the Town of Bay Harbor Islands:

State law requires that all general purpose local governments publish within nine months of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States (GAAP) and audited in accordance with generally accepted auditing standards and government auditing standards by licensed certified public accountants. In addition, Section 31 of the Town Charter requires that qualified public accountants shall make an independent audit of accounts for submission to the Town Council. In fulfillment of these requirements, the Town's Comprehensive Annual Financial Report for the fiscal year ended September 30, 2016 is presented for your consideration and review.

Responsibility for the accuracy and fairness of the presentation, including all disclosures, rests with the Town. We believe the information as presented is accurate in all material respects, that it is presented in a manner designed to fairly set forth the financial position and results of operations of the Town, and that all disclosures necessary to enable the reader to gain general understanding of the Town's financial activity have been included. To provide a reasonable basis for making these representations, management of the Town has established a comprehensive internal control framework that is designed both to protect the Town's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town of Bay Harbor Islands' financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

Marcum LLP, a licensed certified public accounting firm, has audited the Town's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Bay Harbor Islands for the fiscal year ended September 30, 2016, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon their audit, that there was a reasonable basis for rendering unmodified opinions that the Town's financial statements for the fiscal year ended September 30, 2016 are fairly presented in accordance with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

Management's Discussion and Analysis (MD&A) is a narrative introduction, overview, and analysis provided by management accompanying the basic financial statements. This letter of transmittal is complementary to the MD&A and should be read in conjunction with it. The Town of Bay Harbor Islands' MD&A can be found immediately following the report of the independent auditors.

### **Profile of the Government**

The Town of Bay Harbor Islands has 5,921 residents according to the latest available estimate from the U.S. Census Bureau. Located in northeastern Miami-Dade County, it is comprised of two islands in the Intracoastal Waterway. The Broad Causeway provides access from the Town to the mainland and to the beaches of the barrier island. The Town has a very low crime rate and enjoys moderate subtropical temperatures and weather.

The Town was incorporated in 1947 and operates under a council-manager form of government. The seven-member Town Council establishes policy, enacts legislation, and adopts budgets. The Town provides a full range of services: public safety (police, building and zoning), transportation and the construction and maintenance of roads, infrastructure, and recreation facilities, operation and maintenance of a causeway, water and sewer utilities, sanitation (refuse collection), operation and maintenance of parking facilities, and general government and administrative services. Fire protection, education, and welfare services are provided by units of other local governments whose activities are not included in the accompanying financial statements.

The annual budget serves as the foundation for the Town's financial planning and control. The Town Manager presents a proposed budget to the Town Council, after having reviewed and revised budget requests from all departments. The Council holds two public hearings to receive public comment prior to adopting the final budget and tax millage. The budget must be adopted prior to September 30<sup>th</sup>. The department is the legal level of budgetary control. The Town Council must approve all supplemental appropriations and any transfers of appropriations between departments. Budget-to-actual comparisons are provided for the General Fund in the Required Supplementary Information section following the notes to the financial statements.

## **Information Relevant to an Assessment of Financial Condition**

The information presented in the financial statements is best understood when it is considered from the broader perspective of the specific environment within which the Town of Bay Harbor Islands operates.

The Town has a convenient location within easy driving distance of the cities of Miami, Miami Beach, and Fort Lauderdale, with all their commercial and employment opportunities and cultural, recreational and other amenities. The Miami and Fort Lauderdale airports, Port Everglades, and the Port of Miami are all easily accessible.

Based on 2015 estimates from the U.S. Census Bureau, the median age for Town residents is 41.6, and median household income is \$59,444. There are 3,183 housing units in the Town.

Property values have increased for five years in a row following three consecutive years of decline, and total taxable value has almost regained its 2007 high. Redevelopment of older properties is continuing to give a more modern look to the Town and to strengthen the tax base. Continuing improvement in property values and in the economy is expected to have a positive impact on the Town's ability to generate revenues.

## **Long-term Financial Planning**

Redevelopment of commercial and residential properties continues to enhance the Town's tax base, and several significant multi-family projects should be added to the Town's tax rolls for upcoming fiscal years. Sales of transferable development rights needed for development of larger multi-family projects have continued but since those receipts are from the sales of limited assets they are not budgeted nor used to support ongoing operations.

The comprehensive rehabilitation of the causeway corridor and bridges is substantially complete. The conversion to open road tolling (from manned toll booths) has been very successful. Toll revenues have increased substantially since project completion.

## **Major Initiatives**

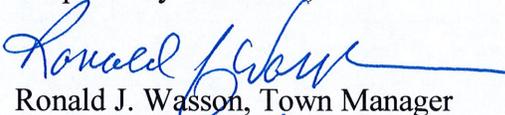
The Town's Community Center has been completed and opened. It houses the Town's extensive recreation programming as well as a branch Miami-Dade County library

## **Awards and Acknowledgements**

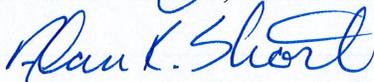
The Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town for its comprehensive annual financial report for the fiscal year ended September 30, 2015. This was the twentieth consecutive year the Town received the award. In order to earn the award, the Town published an easily readable and efficiently organized report that conformed to program standards, generally accepted accounting principles, and applicable legal requirements. The Certificate of Achievement is the highest form of recognition for excellence in financial reporting by state and local governments and is valid for a period of one year only. We believe the current report continues to meet the standards of the Certificate of Achievement program and we are submitting it for review by the GFOA.

As always, we would like to thank the Mayor and members of the Town Council for their support and endorsement of sound accounting, financial management, and financial reporting practices and to express our appreciation to our independent certified public accountants, Marcum LLP, for their cooperation, assistance, and professionalism. We would also like to express our appreciation to everyone on the Finance Department team for their dedication and hard work.

Respectfully submitted,



Ronald J. Wasson, Town Manager



Alan K. Short, CGFO, Finance Director

**TOWN OF BAY HARBOR ISLANDS, FLORIDA**

TOWN OFFICIALS

AS OF SEPTEMBER 30, 2016

COUNCIL-MANAGER FORM OF GOVERNMENT

**TOWN COUNCIL**

Jordan W. Leonard, Mayor

Stephanie Bruder, Vice Mayor

Joshua D. Fuller

Kelly Reid

Isaac Salver

Elizabeth Tricoche

Robert H. Yaffe

**TOWN MANAGER**

Ronald J. Wasson

**TOWN CLERK**

Marlene M. Siegel

**TOWN ATTORNEY**

Sherman & Sherman, PA

Craig B. Sherman, Esquire

**TOWN FINANCE DIRECTOR**

Alan K. Short, CGFO

**INDEPENDENT AUDITORS**

Marcum LLP



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Town of Bay Harbors Islands  
Florida**

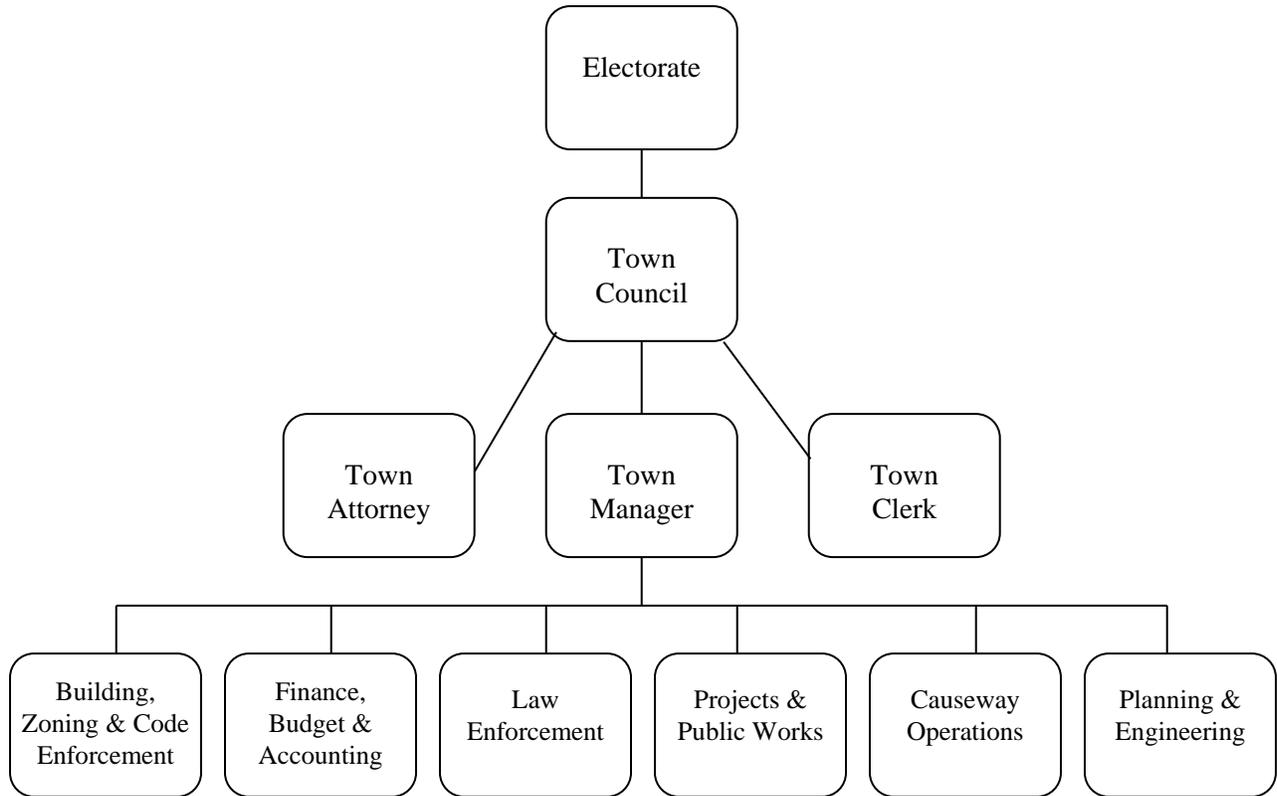
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2015**

Executive Director/CEO

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## ORGANIZATIONAL CHART



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## FINANCIAL SECTION

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## INDEPENDENT AUDITORS' REPORT

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**INDEPENDENT AUDITORS' REPORT**

Honorable Mayor, Town Council and Town Manager  
**Town of Bay Harbor Islands, 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 the Town of Bay Harbor Islands, Florida, (the Town), as of and for the fiscal year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Town'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.

***Auditors' 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 auditors' 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 Town'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 Town'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 Town, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 15, the budgetary comparison schedule on pages 62 and 63, and the required supplementary information for the pensions and OPEB on pages 64 to 66, 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 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 Town's basic financial statements. The schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by Chapter 10.550, Rules of the Auditor General. The introductory section and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of state financial assistance is the responsibility of management and was derived from and relates 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 schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2017 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

*Marcum LLP*

Miami, FL  
March 31, 2017

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MANAGEMENT DISCUSSION AND ANALYSIS  
MD&A

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Bay Harbor Islands, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2016. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages i - iv of this report.

### Financial Highlights

- The assets of the Town of Bay Harbor Islands exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$54,089,502 (net position). Of this amount, \$15,446,693 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$4,896,185.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$8,282,924, an increase of \$78,504 in comparison with the prior year. Approximately 98%, or \$8,089,298, is available in the Town's general fund for spending at the government's discretion (unassigned fund balance). The \$160,689 assigned fund balance of the general capital projects fund is intended to provide resources for planned infrastructure capital projects and is not available for general discretionary spending.
- The Town's total debt decreased by \$1,413,851 (5.8%) during the current fiscal year due to a combination of scheduled repayment of existing debt and the refunding of the Revenue Bonds, Series 2003B.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Bay Harbor Islands' basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

### Government-wide Financial Statements

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

The *statement of net position* presents information on all the Town's assets, liabilities, and deferred inflows/outflows of resources, with the difference 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 Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town'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 some items that will result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Town of Bay Harbor Islands that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety (law enforcement, building inspections and code enforcement), transportation (street maintenance and bus service), support for the local library, and parks and recreation. The business-type activities of the Town include operation of a causeway and toll facility, as well as sewer, water, parking, solid waste disposal, and stormwater management systems.

The government-wide financial statements can be found on pages 16-17 of this report.

### **Fund Financial Statements**

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town'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 the comparison between *governmental funds* and *governmental activities*.

The Town of Bay Harbor Islands maintains two governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital projects fund (both major funds).

The Town of Bay Harbor Islands adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget (page 62).

The governmental fund financial statements can be found on pages 18-19 of this report.

**Proprietary Funds.** The Town of Bay Harbor Islands maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its causeway and toll facility, as well as its sewer, water, parking, solid waste, and stormwater management operations.

The proprietary fund financial statements can be found on pages 21-24 of this report.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Pension Trust Fund is the Town's only fiduciary fund.

The basic fiduciary fund financial statements can be found on pages 25-26 of this report.

### **Notes to Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-61 of this report.

### **Other Information**

In addition to the basic financial statements and the accompanying notes, this report also presents certain *required supplementary information* including the budgetary comparison for the general fund, information concerning the Town's contributions to provide pension benefits to its employees, and the funding status of the pension and OPEB plans.

Required supplementary information can be found on pages 62-66 of this report.

## Government-wide Financial Analysis

### Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Bay Harbor Islands, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$54,089,502 at the close of the most recent fiscal year.

#### Town of Bay Harbor Islands' Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2014</u>	<u>2016</u>	<u>2014</u>	<u>2016</u>	<u>2014</u>
Current and other assets	\$ 9,226,512	\$ 8,730,603	\$ 9,357,800	\$ 16,102,780	\$ 18,584,312	\$ 24,833,383
Capital assets	<u>22,494,586</u>	<u>20,500,259</u>	<u>40,902,116</u>	<u>32,412,366</u>	<u>63,396,702</u>	<u>52,912,625</u>
Total assets	<u>31,721,098</u>	<u>29,230,862</u>	<u>50,259,916</u>	<u>48,515,146</u>	<u>81,981,014</u>	<u>77,746,008</u>
Long-term liabilities	8,312,007	7,859,593	16,336,955	17,254,154	24,648,962	25,113,747
Other liabilities	<u>971,602</u>	<u>606,728</u>	<u>3,033,747</u>	<u>2,863,100</u>	<u>4,005,349</u>	<u>3,469,828</u>
Total liabilities	<u>9,283,609</u>	<u>8,466,321</u>	<u>19,370,702</u>	<u>20,117,254</u>	<u>28,654,311</u>	<u>28,583,575</u>
Total deferred inflows	<u>136,171</u>	<u>233,478</u>	<u>330,395</u>	<u>410,261</u>	<u>466,566</u>	<u>643,739</u>
Net position:						
Net investment in capital assets	15,024,912	12,948,529	23,524,318	17,833,029	38,549,230	30,781,558
Restricted	7,487	7,486	86,092	83,142	93,579	90,628
Unrestricted	<u>8,184,142</u>	<u>8,080,656</u>	<u>7,262,551</u>	<u>10,240,475</u>	<u>15,446,693</u>	<u>18,321,131</u>
Total net position	<u>\$ 23,216,541</u>	<u>\$ 21,036,671</u>	<u>\$ 30,872,961</u>	<u>\$ 28,156,646</u>	<u>\$ 54,089,502</u>	<u>\$ 49,193,317</u>

71% of the Town's reported net position is composed of its investment in capital assets (e.g. land, building, and equipment) less any related debt and any deferred inflows/outflows used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Only 0.2% of the Town's net position is subject to external restrictions on use.

29% of the Town's net position (\$15,446,693) may be used to meet the Town's ongoing obligations to citizens and creditors.

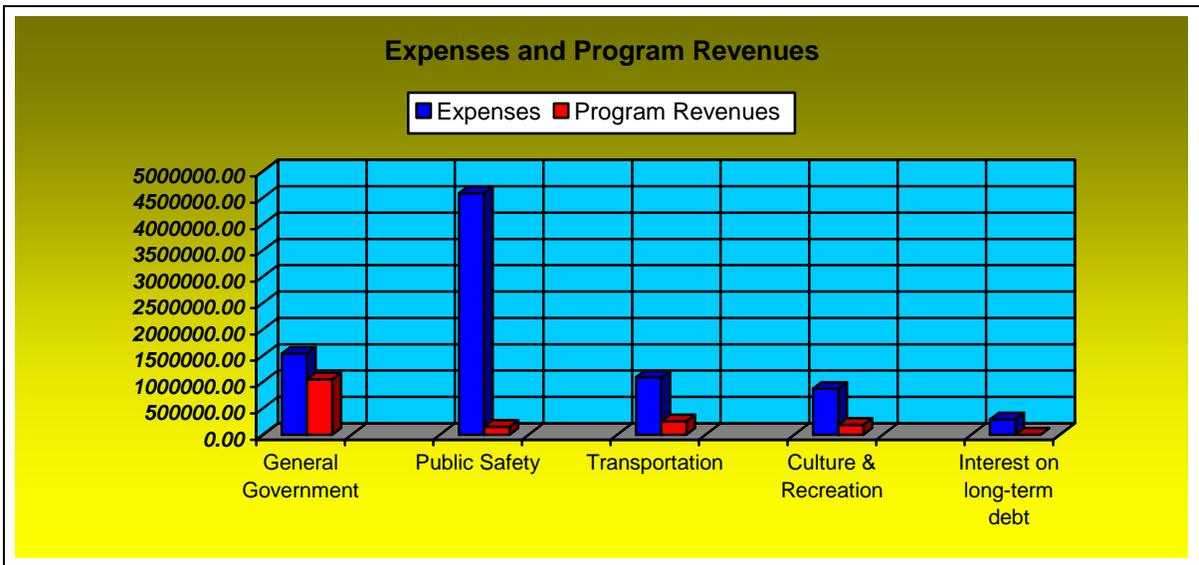
At the end of the current fiscal year, the Town of Bay Harbor Islands is able to report positive balances in all reported categories of net position, for the Town as a whole, as well as for its separate governmental and business-type activities.

## Summary of Changes in Net Position

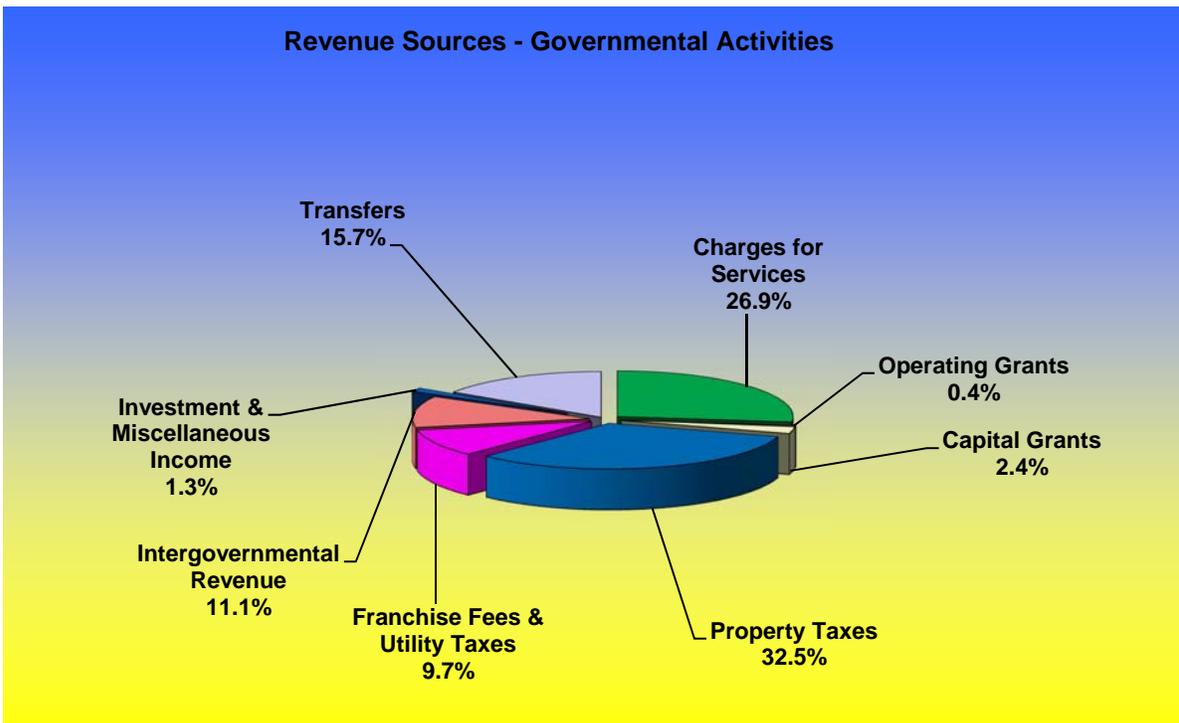
	Governmental Activities		Business-type Activities		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,353,562	\$ 1,490,659	\$ 11,094,517	\$ 10,498,629	\$ 12,448,079	\$ 11,989,288
Operating grants and contributions	41,440	45,552	-	-	41,440	45,552
Capital grants and contributions	254,549	258,583	514,988	485,012	769,537	743,595
General revenues:						
Property taxes	3,429,753	3,332,606	-	-	3,429,753	3,332,606
Franchise fees & utility taxes	1,027,722	1,065,275	-	-	1,027,722	1,065,275
Asset sales (development rights)	1,484,250	2,186,000	-	-	1,484,250	2,186,000
Intergovernmental revenue	1,175,138	670,021	-	-	1,175,138	670,021
Investment earnings	68,011	39,064	94,084	45,508	162,095	84,572
Miscellaneous	74,354	50,830	355,331	254,094	429,685	304,924
Total revenues	<u>8,908,779</u>	<u>9,138,590</u>	<u>12,058,920</u>	<u>11,283,243</u>	<u>20,967,699</u>	<u>20,421,833</u>
Expenses:						
General government	1,538,406	1,333,314	-	-	1,538,406	1,333,314
Public safety	4,586,153	4,285,979	-	-	4,586,153	4,285,979
Transportation	1,092,928	1,058,239	-	-	1,092,928	1,058,239
Culture and recreation	874,555	620,285	-	-	874,555	620,285
Interest on long-term debt	291,717	248,602	-	-	291,717	248,602
Causeway	-	-	3,721,788	3,423,522	3,721,788	3,423,522
Sewer	-	-	1,440,701	1,251,842	1,440,701	1,251,842
Water	-	-	914,630	1,062,721	914,630	1,062,721
Parking	-	-	610,508	554,897	610,508	554,897
Solid Waste	-	-	763,258	764,182	763,258	764,182
Stormwater	-	-	236,869	153,990	236,869	153,990
Total expenses	<u>8,383,759</u>	<u>7,546,419</u>	<u>7,687,754</u>	<u>7,211,154</u>	<u>16,071,513</u>	<u>14,757,573</u>
Increase in net assets						
before transfers	525,020	1,592,171	4,371,166	4,072,089	4,896,186	5,664,260
Transfers	1,654,850	1,692,655	(1,654,850)	(1,692,655)	-	-
Change in net position	2,179,870	3,284,826	2,716,316	2,379,434	4,896,186	5,664,260
Net position, beginning, previously reported	21,036,671	18,077,065	28,156,646	25,966,123	49,193,317	44,043,188
Prior period adjustment	-	(325,220)	-	(188,911)	-	(514,131)
Net position, beginning	<u>21,036,671</u>	<u>17,751,845</u>	<u>28,156,646</u>	<u>25,777,212</u>	<u>49,193,317</u>	<u>43,529,057</u>
Net position, ending	<u>\$ 23,216,541</u>	<u>\$ 21,036,671</u>	<u>\$ 30,872,962</u>	<u>\$ 28,156,646</u>	<u>\$ 54,089,503</u>	<u>\$ 49,193,317</u>

### Governmental Activities

The Town's governmental activities net position increased by \$2,179,870 (10.4%), to \$23,216,541 at the end of the year. The revenue decrease was the net effect of reduced sales of transferable development rights included in charges for services combined with increased intergovernmental grant receipts. Expanded recreation program activity and hiring to fill law enforcement and code enforcement positions that were vacant much of the prior year explain the increased expenses.



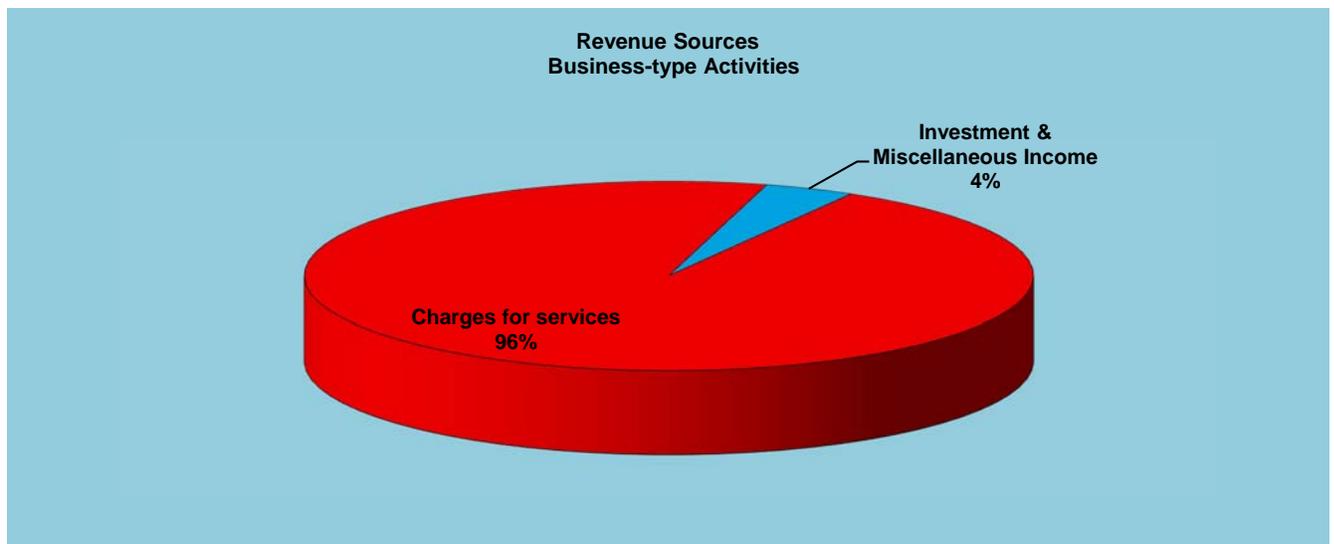
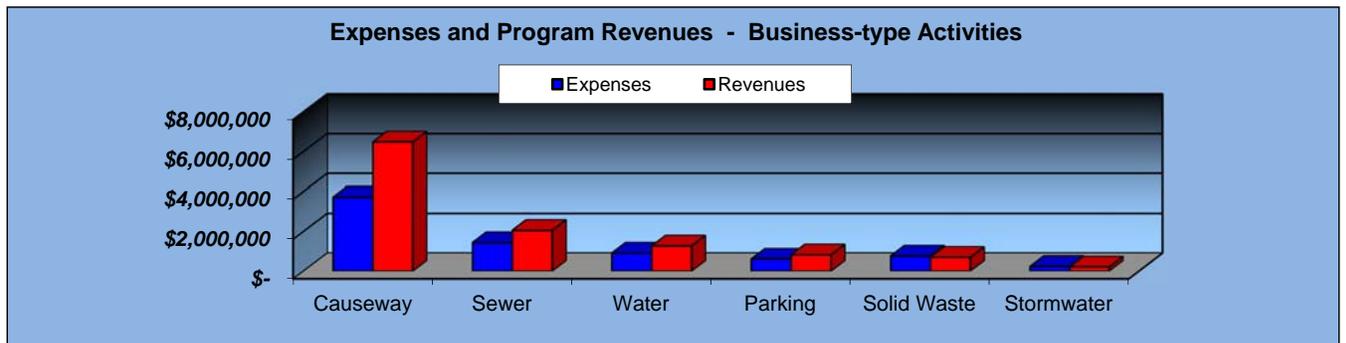
- Program revenues, comprised of charges for services, operating grants and contributions, and capital grants and contributions, were 29.7% of total governmental activities revenues (including transfers). Property taxes, 32.5% of total revenues for governmental activities, are non-program specific and are used to fund all activities not covered by program revenues.



## Business-type Activities

Business-type activities increased the Town of Bay Harbor Islands' net position by \$2,716,316. The causeway, sewer, water, and parking funds generated substantial operating income. The solid waste fund continued to operate at a loss due to increased disposal costs despite customer charges raised by 3%. Increased costs for street sweeping and outfall maintenance resulted in an operating loss for the stormwater fund. Net transfers from the Town's business-type activities to its governmental activities decreased by about 2.2% to \$1,654,850, including planned transfers to fund debt service on debt related to the community enhancements project.

- Causeway Fund revenues increased due to reduction of construction related traffic congestion. Expenses went up due to payment of a large insurance settlement.
- Sewer Fund rates were increased; water rates were unchanged. Redevelopment of older multifamily housing has resulted in temporary reduction of water consumption while properties are vacant during construction. Increased sewage disposal rates and costs for a necessary capacity/flows engineering report increased sewer fund expenses.
- Total Parking Fund revenues increased due to higher usage and unchanged rental income from rented space in the parking structure (included in operating revenue last year).
- Solid waste revenues and expenses were little changed. Stormwater Fund costs increased due to additional maintenance and repair of outfalls.



## Financial Analysis of the Government's Funds

As noted earlier, the Town of Bay Harbor Islands uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### Governmental Funds

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

As of the end of the current fiscal year, the Town of Bay Harbor Islands' governmental funds reported combined ending fund balances of \$8,282,924, an increase of \$78,504 in comparison with the prior year. Slightly decreased revenues were the net result of higher grant receipts and lower sales of transferable development rights. Total transfers from the Town's proprietary funds decreased by 2.2% to \$1.65 million. General fund expenses increased, with the bulk of the increase due to increased expenditures for recreation programming, and capital outlays associated with construction of the new community center. Of total fund balance, 97.7%, or \$8,089,298, is general fund *unassigned fund balance*, which is available for spending at the Town's discretion. The remainder of fund balance is either *non-spendable* to indicate that it is not available for new spending because it is associated with inventories or prepaid items (\$25,450), *restricted* for specific uses by law or agreement (\$7,487), or is *assigned* such as the fund balance of the capital projects fund intended to fund capital projects (\$160,689).

#### *General Fund*

The general fund is the main operating fund of the Town of Bay Harbor Islands. At the end of the current fiscal year, unassigned fund balance of the general fund was \$8,089,298 while total fund balance was \$8,122,235. 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. Unassigned fund balance represents 77.9% of total general fund expenditures, while total fund balance represents 78.2%.

Fund balance of the Town of Bay Harbor Islands' general fund increased by \$272,392 during the current fiscal year. Property taxes and grant receipts increased; sales of transferable development rights decreased. Increased expenditures were mostly attributable to construction outlays for the new community center and continued expansion of recreation programming.

The amount of General Fund revenues by type, their percent of the total and the amount of change compared to last fiscal year are shown in the following schedule:

	2016	Percent	2015	Percent	Increase	Percent
	<u>Amount</u>	<u>of Total</u>	<u>Amount</u>	<u>of Total</u>	<u>(Decrease)</u>	<u>of Increase</u>
					<u>from 2015</u>	<u>(Decrease)</u>
Revenues:						
Property taxes	\$ 3,429,753	38.5%	\$ 3,332,606	36.5%	\$ 97,147	2.9%
Utility taxes	455,606	5.1%	452,355	5.0%	3,251	0.7%
Communications						
services taxes	221,442	2.5%	249,333	2.7%	(27,891)	-11.2%
Franchise fees	350,674	3.9%	363,587	4.0%	(12,913)	-3.6%
Licenses and permits	1,051,339	11.8%	1,180,257	12.9%	(128,918)	-10.9%
Intergovernmental	971,127	10.9%	970,463	10.6%	664	0.1%
Transfer development fees	1,484,250	16.7%	2,186,000	23.9%	(701,750)	-32.1%
Charges for services	191,929	2.2%	188,524	2.1%	3,405	1.8%
Fines and forfeitures	109,149	1.2%	119,988	1.3%	(10,839)	-9.0%
Investment earnings	68,011	0.8%	39,064	0.4%	28,947	74.1%
Grants	500,000	5.6%	3,693	0.0%	496,307	13439.1%
Miscellaneous	74,354	0.8%	50,830	0.6%	23,524	46.3%
Total revenues	\$ 8,907,634	100.0%	\$ 9,136,700	100.0%	\$ (229,066)	-2.5%

- Communications services taxes have been declining for several years statewide.
- Licenses and permits declined due to slowing construction and remodeling activity.
- Transfer development fees represent a sale of limited assets rather than a permanent income stream.
- Grants increased due to a grant for construction of the community center.

Expenditures in the General Fund are shown in the following schedule:

	2016	Percent	2015	Percent	Increase	Percent
	<u>Amount</u>	<u>of Total</u>	<u>Amount</u>	<u>of Total</u>	<u>(Decrease)</u>	<u>of Increase</u>
					<u>from 2015</u>	<u>(Decrease)</u>
Expenditures						
General government	\$ 1,387,401	13.3%	\$ 1,146,798	14.2%	\$ 240,603	21.0%
Public safety	4,441,408	42.7%	4,401,701	54.6%	39,707	0.9%
Transportation	722,403	7.0%	707,624	8.8%	14,779	2.1%
Culture and recreation	746,306	7.2%	520,597	6.5%	225,709	43.4%
Capital outlay	2,453,906	23.6%	743,909	9.2%	1,709,997	229.9%
Debt service	639,248	6.2%	541,611	6.7%	97,637	18.0%
Total expenditures	\$ 10,390,672	100.0%	\$ 8,062,240	100.0%	\$ 2,328,432	28.9%

Cost increases due to contractual and budgeted salary increases and capital spending for the new community center along with increased costs for expanded recreation programming account for increased General Fund expenditures.

### *Capital Projects Fund*

- Fund balance in the capital projects fund decreased by \$193,888 due to expenditures to complete the community infrastructure rehabilitation and enhancement project with lighting and utility pole enhancements for the Town's East Island.

### **Proprietary Funds**

Statements for the Town's proprietary funds provide the same type of information found in the business-type activities sections of the government-wide financial statements but in more detail. As noted above in the discussion of business-type activities, all of the Town's major enterprise funds except the solid waste fund generated income before transfers. Increased costs for solid waste disposal with no corresponding increase in user charges resulted in the operating loss.

For the proprietary funds as a whole, net position increased by \$2,716,316.

### **General Fund Budgetary Highlights**

During the past year, the budget was modified several times, increasing the total budget amount by \$2,667,110. The major elements of this increase are as follows:

- \$120,600 for unforeseen repairs to the Town Hall air conditioning system.
- \$73,200 for new vehicles and equipment pursuant to the collective bargaining agreement with the police bargaining unit.
- \$56,945 for the license plate reader system.
- \$2,169,208 for the construction of the new community center.

For total revenues, there was a favorable budget variance of \$2,572,721, due to unbudgeted sales of transferable development rights owned by the Town, unbudgeted grant receipts, and greater than anticipated fees for building permits.

Total expenditures were \$415,274 less than budgeted due to unspent appropriations for capital improvements and equipment related to the community center and the police department.

## Capital Assets and Debt Administration

### Capital Assets

The Town of Bay Harbor Islands' investment in capital assets for its governmental and business-type activities as of September 30, 2016, amounts to \$63,396,701 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, causeway, toll collection, water, and sewer systems, as well as construction in progress. Capital assets do not include governmental infrastructure assets prior to 2004, as GASB 34 did not require Phase III governments to report infrastructure retroactively. The Town's investment in capital assets for the current fiscal year increased by \$10,484,076.

Additions to capital assets for governmental activities before depreciation and net of transfers from construction in progress were \$2,643,918, while disposals amounted to \$28,550, for net additions of \$2,615,368.

Business-type activities' capital asset additions before depreciation and net of transfers from construction in progress totaled \$9,859,906, while disposals amounted to \$113,952, for net additions of \$9,745,954.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Capital assets:						
Land	\$ 3,806,254	\$ 3,806,254	\$ 671,273	\$ 671,273	\$ 4,477,527	\$ 4,477,527
Construction in progress	2,339,079	379,995	16,174,027	7,076,823	18,513,106	7,456,818
Buildings	355,260	410,916	-	-	355,260	410,916
Improvements other than buildings	15,689,732	15,600,768	8,867,592	9,327,808	24,557,324	24,928,576
Furniture, fixtures and equipment	304,261	302,326	543,819	400,451	848,080	702,777
Causeway system	-	-	-	-	-	-
Toll collection system	-	-	1,548,740	1,742,332	1,548,740	1,742,332
Sewer system	-	-	3,199,710	3,042,392	3,199,710	3,042,392
Water system	-	-	1,169,986	1,221,493	1,169,986	1,221,493
Parking garage	-	-	8,726,968	8,929,794	8,726,968	8,929,794
Total	<u>\$ 22,494,586</u>	<u>\$ 20,500,259</u>	<u>\$ 40,902,115</u>	<u>\$ 32,412,366</u>	<u>\$ 63,396,701</u>	<u>\$ 52,912,625</u>

Additional information on the Town's capital assets can be found in note 7 on pages 46-47 of this report.

## Long-Term Debt

At the end of the current fiscal year, the Town of Bay Harbor Islands had long-term debt outstanding of \$23,151,704.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenue Bonds, Series 2003B	\$ -	\$ 3,201,730	-	\$ -	\$ -	\$ 3,201,730
Refunding Note, Series 2012	4,055,000	4,350,000	\$ -	-	4,055,000	\$ 4,350,000
Revenue Bonds, Series 2016	3,218,081				3,218,081	
Causeway Promissory Note, 2012	-	-	11,476,000	12,286,000	11,476,000	12,286,000
Parking Refunding Note, 2012	-	-	4,056,000	4,318,000	4,056,000	4,318,000
State Revolving Loan	-	-	346,623	409,825	346,623	409,825
Total	<u>\$ 7,273,081</u>	<u>\$ 7,551,730</u>	<u>\$ 15,878,623</u>	<u>\$ 17,013,825</u>	<u>\$ 23,151,704</u>	<u>\$ 24,565,555</u>

The Town of Bay Harbor Islands' total debt decreased \$1,546,932 as a result of scheduled repayments and refunding activity. Additional information on the Town's long-term debt can be found in note 8 on pages 47-51 of this report.

## Economic Factors and Next Year's Budgets and Rates

The following are major considerations included in the preparation of the Town of Bay Harbor Islands' budget for the 2017 fiscal year.

- The Town's millage was reduced from 4.55 to 4.4. Since taxable values increased, a modest increase in tax revenues is anticipated.
- Water rates were held constant and it is expected wholesale water rates paid by the Town will remain flat throughout the year.
- Sewage rates were increased in anticipation of higher wholesale sewage rates being charged to the Town.
- Solid waste rates were raised for the second consecutive year after having been held constant since 2000. Rates were raised 3% in the second of three planned annual increases in the aggregate amount of 10%.

## Requests for Information

This financial report is designed to provide a general overview of the Town of Bay Harbor Islands' finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Town of Bay Harbor Islands, 9665 Bay Harbor Terrace, Bay Harbor Islands, Florida 33154.

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## BASIC FINANCIAL STATEMENTS

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# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## STATEMENT OF NET POSITION

SEPTEMBER 30, 2016

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Cash	\$ 4,672,149	\$ 4,835,524	\$ 9,507,673
Investments	2,904,136	3,386,145	6,290,281
Receivables, net	218,268	835,107	1,053,375
Internal balances	594,560	(594,560)	--
Due from other governments	689,662	233,486	923,148
Inventory	15,846	42,750	58,596
Prepaid items	9,604	147,107	156,711
Restricted assets:			
Cash and cash equivalents	122,287	386,149	508,436
Loan reserves	--	86,092	86,092
Capital assets not being depreciated	6,145,333	16,845,300	22,990,633
Capital assets being depreciated, net	16,349,253	24,056,815	40,406,068
Total assets	31,721,098	50,259,915	81,981,013
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Pension	915,223	314,143	1,229,366
<b><u>LIABILITIES</u></b>			
Accounts payable and accrued liabilities	810,309	2,118,548	2,928,857
Due to other governments	--	257,050	257,050
Unearned revenue	40,493	272,000	312,493
Customer deposits	120,800	386,149	506,949
Noncurrent liabilities:			
Due within one year	330,499	80,787	411,286
Due in more than one year	7,207,570	15,954,095	23,161,665
Net pension liability	708,028	242,983	951,011
Net OPEB obligation	65,910	59,090	125,000
Total liabilities	9,283,609	19,370,702	28,654,311
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Parking trust receipts	--	309,528	309,528
Deferred charges on bond refunding	75,360	--	75,360
Pension	60,811	20,867	81,678
Total deferred inflows of resources	136,171	330,395	466,566
<b><u>NET POSITION</u></b>			
Net investment in capital assets	14,949,552	23,524,318	38,473,870
Restricted for:			
Law enforcement	7,487	--	7,487
Loan reserve	--	86,092	86,092
Unrestricted	8,259,502	7,262,551	15,522,053
Total net position	\$ 23,216,541	\$ 30,872,961	\$ 54,089,502

See notes to basic financial statements.

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Governmental activities:							
General government	\$ 1,538,406	\$ 2,535,629	\$ --	\$ --	\$ 997,223	\$ --	\$ 997,223
Public safety	4,586,153	112,103	41,440	--	(4,432,610)	--	(4,432,610)
Transportation	1,092,928	1,145	--	254,549	(837,234)	--	(837,234)
Culture and recreation	874,555	188,935	--	--	(685,620)	--	(685,620)
Interest and other fiscal charges	291,717	--	--	--	(291,717)	--	(291,717)
Total governmental activities	<u>8,383,759</u>	<u>2,837,812</u>	<u>41,440</u>	<u>254,549</u>	<u>(5,249,958)</u>	<u>--</u>	<u>(5,249,958)</u>
Business-type activities:							
Causeway	3,721,789	6,343,875	--	514,988	--	3,137,074	3,137,074
Sewer	1,440,701	2,013,613	--	--	--	572,912	572,912
Water	914,630	1,154,818	--	--	--	240,188	240,188
Parking	610,508	673,472	--	--	--	62,964	62,964
Solid waste	763,258	698,570	--	--	--	(64,688)	(64,688)
Stormwater	236,869	210,169	--	--	--	(26,700)	(26,700)
Total business-type activities	<u>7,687,755</u>	<u>11,094,517</u>	<u>--</u>	<u>514,988</u>	<u>--</u>	<u>3,921,750</u>	<u>3,921,750</u>
Total	<u>\$ 16,071,514</u>	<u>\$ 13,932,329</u>	<u>\$ 41,440</u>	<u>\$ 769,537</u>	<u>(5,249,958)</u>	<u>3,921,750</u>	<u>(1,328,208)</u>
General revenues:							
Property taxes					3,429,753	--	3,429,753
Franchise fees based on gross receipts					350,674	--	350,674
Utility taxes					455,606	--	455,606
Communications services tax					221,442	--	221,442
Unrestricted intergovernmental revenue					1,175,138	--	1,175,138
Unrestricted investment earnings					68,011	94,084	162,095
Miscellaneous					74,354	355,331	429,685
Transfers					1,654,850	(1,654,850)	--
Total general revenues and transfers					<u>7,429,828</u>	<u>(1,205,435)</u>	<u>6,224,393</u>
Change in net position					<u>2,179,870</u>	<u>2,716,315</u>	<u>4,896,185</u>
Net position, beginning					<u>21,036,671</u>	<u>28,156,646</u>	<u>49,193,317</u>
Net position, ending					<u>\$ 23,216,541</u>	<u>\$ 30,872,961</u>	<u>\$ 54,089,502</u>

See notes to basic financial statements.

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## BALANCE SHEET GOVERNMENTAL FUNDS

SEPTEMBER 30, 2016

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash	\$ 4,647,190	\$ 24,959	\$ 4,672,149
Investments	2,904,136	--	2,904,136
Receivables, net	203,545	--	203,545
Interest receivable	14,723	--	14,723
Due from other funds	647,284	163,272	810,556
Due from other governments	689,662	--	689,662
Inventory	15,846	--	15,846
Prepaid items	9,604	--	9,604
Restricted cash and cash equivalents	<u>122,287</u>	<u>--</u>	<u>122,287</u>
Total assets	<u>\$ 9,254,277</u>	<u>\$ 188,231</u>	<u>\$ 9,442,508</u>
<u>LIABILITIES</u>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 782,295	\$ --	\$ 782,295
Due to other funds	188,454	27,542	215,996
Unearned revenues	40,493	--	40,493
Customer deposits	<u>120,800</u>	<u>--</u>	<u>120,800</u>
Total liabilities	<u>1,132,042</u>	<u>27,542</u>	<u>1,159,584</u>
<u>FUND BALANCES</u>			
Non-spendable:			
Inventory	15,846	--	15,846
Prepaid items	9,604	--	9,604
Restricted:			
Law enforcement	7,487	--	7,487
Assigned:			
Capital projects fund	--	160,689	160,689
Unassigned	<u>8,089,298</u>	<u>--</u>	<u>8,089,298</u>
Total fund balances	<u>8,122,235</u>	<u>160,689</u>	<u>8,282,924</u>
Total liabilities and fund balances	<u>\$ 9,254,277</u>	<u>\$ 188,231</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	22,494,586
Deferred outflows and inflows of resources related to pensions are recorded in the statement of net position	854,412
Deferred inflows of resources related to deferred charges due to refunding of revenue bonds	(75,360)
Accrued interest related to long-term debt is recorded in the statement of net position	(28,014)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(8,312,007)</u>
Net position of governmental activities	<u>\$ 23,216,541</u>

See notes to basic financial statements.

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Property taxes	\$ 3,429,753	\$ --	\$ 3,429,753
Utility taxes	455,606	--	455,606
Communications services tax	221,442	--	221,442
Franchise fees	350,674	--	350,674
Licenses and permits	1,051,339	--	1,051,339
Intergovernmental	971,127	--	971,127
Transfer development right fees	1,484,250	--	1,484,250
Charges for services	191,929	--	191,929
Fines and forfeitures	109,149	--	109,149
Investment earnings	68,011	--	68,011
Grants	500,000	--	500,000
Miscellaneous	<u>74,354</u>	<u>--</u>	<u>74,354</u>
Total revenues	<u>8,907,634</u>	<u>--</u>	<u>8,907,634</u>
<b>Expenditures:</b>			
<b>Current:</b>			
General government	1,387,402	--	1,387,402
Public safety	4,441,408	--	4,441,408
Transportation	722,403	--	722,403
Culture and recreation	750,181	--	750,181
Capital outlay	2,450,030	193,888	2,643,918
<b>Debt service:</b>			
Principal payments	295,000	--	295,000
Interest and fiscal charges	240,582	--	240,582
Debt service issuance costs	<u>103,666</u>	<u>--</u>	<u>103,666</u>
Total expenditures	<u>10,390,672</u>	<u>193,888</u>	<u>10,584,560</u>
Deficiency of revenues over expenditures	<u>(1,483,038)</u>	<u>(193,888)</u>	<u>(1,676,926)</u>
<b>Other financing sources (uses) :</b>			
Refunding debt	3,085,000	--	3,085,000
Refunding debt - premium	133,081	--	133,081
Payment to refunded bond escrow agent	(3,118,646)	--	(3,118,646)
Sale of capital assets	1,145	--	1,145
Transfers in	<u>1,654,850</u>	<u>--</u>	<u>1,654,850</u>
Total other financing sources	<u>1,755,430</u>	<u>--</u>	<u>1,755,430</u>
Net change in fund balances	272,392	(193,888)	78,504
Fund balances, beginning	<u>7,849,843</u>	<u>354,577</u>	<u>8,204,420</u>
Fund balances, ending	<u>\$ 8,122,235</u>	<u>\$ 160,689</u>	<u>\$ 8,282,924</u>

See notes to basic financial statements.

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

Amounts reported for governmental activities in the statement of activities  
(Page 17) are different because:

Net change in fund balances - total governmental funds (Page 19)	\$	78,504
--	----	--------

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

The details of the difference are as follows:

Capital outlay	\$2,643,918	
Depreciation expense	<u>(649,591)</u>	1,994,327

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

The details of the difference are as follows:

2003B Bonds principal payment	295,000	
Refunding debt issued	(3,085,000)	
Refunding debt - premium	(133,081)	
Payment of debt to escrow agent	3,118,646	
Issuance premium amortization	<u>7,724</u>	203,289

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

The details of the difference are as follows:

Accrued interest payable	52,531	
Compensated absences payable	(39,970)	
Net pension liability and related deferred outflows and inflows of resources	(99,173)	
Net OPEB obligation	<u>(9,638)</u>	<u>(96,250)</u>

Change in net position of governmental activities (Page 17)	\$	<u>2,179,870</u>
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See notes to basic financial statements.

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## STATEMENT OF NET POSITION PROPRIETARY FUNDS SEPTEMBER 30, 2016

	<u>Business-type Activities - Enterprise Funds</u>						
<u>ASSETS</u>	<u>Causeway</u>	<u>Sewer</u>	<u>Water</u>	<u>Parking</u>	<u>Solid Waste</u>	<u>Stormwater (a Nonmajor Fund)</u>	<u>Totals</u>
<b>Current assets:</b>							
Cash	\$ 616,609	\$ 1,458,249	\$ 1,348,446	\$ 548,551	\$ 863,669	\$ --	\$ 4,835,524
Investments	1,636,389	--	1,749,756	--	--	--	3,386,145
Receivables, net	--	--	508,430	269,591	--	--	778,021
Interest receivable	8,437	--	8,712	39,937	--	--	57,086
Due from other funds	300,728	--	548,701	113,998	661	1,300,181	2,264,269
Due from other governments	233,486	--	--	--	--	--	233,486
Inventory	--	--	42,750	--	--	--	42,750
Prepaid items	147,107	--	--	--	--	--	147,107
<b>Restricted assets:</b>							
Cash and cash equivalents	10,642	177,804	141,536	--	56,167	--	386,149
Loan reserves	--	86,092	--	--	--	--	86,092
Total current assets	<u>2,953,398</u>	<u>1,722,145</u>	<u>4,348,331</u>	<u>972,077</u>	<u>920,497</u>	<u>1,300,181</u>	<u>12,216,629</u>
<b>Noncurrent assets:</b>							
Capital assets not being depreciated	16,174,027	--	--	671,273	--	--	16,845,300
Capital assets being depreciated, net	10,250,721	3,245,778	1,491,113	8,811,741	--	257,462	24,056,815
Total noncurrent assets	<u>26,424,748</u>	<u>3,245,778</u>	<u>1,491,113</u>	<u>9,483,014</u>	<u>--</u>	<u>257,462</u>	<u>40,902,115</u>
Total assets	<u>29,378,146</u>	<u>4,967,923</u>	<u>5,839,444</u>	<u>10,455,091</u>	<u>920,497</u>	<u>1,557,643</u>	<u>53,118,744</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Pension	<u>183,922</u>	<u>48,164</u>	<u>46,616</u>	<u>26,809</u>	<u>--</u>	<u>8,632</u>	<u>314,143</u>
<b>LIABILITIES</b>							
<b>Current liabilities:</b>							
Accounts payable and accrued liabilities	1,804,207	154,486	69,597	15,930	63,555	10,773	2,118,548
Due to other funds	21,376	216,989	1,515,948	111,027	436,778	556,711	2,858,829
Due to other governments	--	--	257,050	--	--	--	257,050
Unearned revenue	272,000	--	--	--	--	--	272,000
Customer deposits (payable from restricted assets)	10,642	177,804	141,536	--	56,167	--	386,149
Current portion of notes payable	--	65,160	--	--	--	--	65,160
Current portion of compensated absences	10,384	1,978	1,859	1,196	--	210	15,627
Total current liabilities	<u>2,118,609</u>	<u>616,417</u>	<u>1,985,990</u>	<u>128,153</u>	<u>556,500</u>	<u>567,694</u>	<u>5,973,363</u>
<b>Noncurrent liabilities:</b>							
Notes payable	11,476,000	281,463	--	4,056,000	--	--	15,813,463
Net OPEB obligation	43,703	5,748	6,384	2,790	--	465	59,090
Compensated absences	93,457	17,799	16,727	10,762	--	1,887	140,632
Net pension liability	142,272	37,279	36,043	20,732	--	6,657	242,983
Total noncurrent liabilities	<u>11,755,432</u>	<u>342,289</u>	<u>59,154</u>	<u>4,090,284</u>	<u>--</u>	<u>9,009</u>	<u>16,256,168</u>
Total liabilities	<u>13,874,041</u>	<u>958,706</u>	<u>2,045,144</u>	<u>4,218,437</u>	<u>556,500</u>	<u>576,703</u>	<u>22,229,531</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Parking trust receipts	--	--	--	309,528	--	--	309,528
Pensions	12,219	3,201	3,095	1,781	--	571	20,867
Total deferred inflows of resources	<u>12,219</u>	<u>3,201</u>	<u>3,095</u>	<u>311,309</u>	<u>--</u>	<u>571</u>	<u>330,395</u>
<b>NET POSITION</b>							
Net investment in capital assets	13,477,772	2,882,293	1,486,113	5,427,014	--	251,126	23,524,318
Restricted for loan reserve	--	86,092	--	--	--	--	86,092
Unrestricted	2,198,036	1,085,795	2,351,708	525,140	363,997	737,875	7,262,551
Total net position	<u>\$ 15,675,808</u>	<u>\$ 4,054,180</u>	<u>\$ 3,837,821</u>	<u>\$ 5,952,154</u>	<u>\$ 363,997</u>	<u>\$ 989,001</u>	<u>\$ 30,872,961</u>

See notes to basic financial statements.

**TOWN OF BAY HARBOR ISLANDS, FLORIDA**

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	<u>Business-type Activities - Enterprise Funds</u>						<u>Totals</u>
	<u>Causeway</u>	<u>Sewer</u>	<u>Water</u>	<u>Parking</u>	<u>Solid Waste</u>	<u>Stormwater (a Nonmajor Fund)</u>	
Operating revenues:							
Charges for services	\$ 6,343,175	\$ 2,013,613	\$ 1,154,818	673,472	\$ 698,570	197,569	\$ 11,081,217
Miscellaneous revenue	<u>697</u>	<u>45,125</u>	<u>73,664</u>	<u>557</u>	<u>216</u>	<u>--</u>	<u>120,259</u>
Total operating revenues	<u>6,343,872</u>	<u>2,058,738</u>	<u>1,228,482</u>	<u>674,029</u>	<u>698,786</u>	<u>197,569</u>	<u>11,201,476</u>
Operating expenses:							
Operation and maintenance	2,509,514	1,270,576	827,068	308,847	763,258	222,085	5,901,348
Depreciation expense	<u>901,439</u>	<u>158,412</u>	<u>87,562</u>	<u>207,960</u>	<u>--</u>	<u>14,784</u>	<u>1,370,157</u>
Total operating expenses	<u>3,410,953</u>	<u>1,428,988</u>	<u>914,630</u>	<u>516,807</u>	<u>763,258</u>	<u>236,869</u>	<u>7,271,505</u>
Operating income (loss)	<u>2,932,919</u>	<u>629,750</u>	<u>313,852</u>	<u>157,222</u>	<u>(64,472)</u>	<u>(39,300)</u>	<u>3,929,971</u>
Nonoperating revenues (expenses):							
Investment income	52,912	--	41,172	--	--	--	94,084
Rental income	87,331	--	--	147,741	--	--	235,072
Gain on disposal of capital assets	700	--	--	--	--	12,600	13,300
Interest expense and other debt costs	<u>(310,836)</u>	<u>(11,713)</u>	<u>--</u>	<u>(93,701)</u>	<u>--</u>	<u>--</u>	<u>(416,250)</u>
Total nonoperating revenues (expenses)	<u>(169,893)</u>	<u>(11,713)</u>	<u>41,172</u>	<u>54,040</u>	<u>--</u>	<u>12,600</u>	<u>(73,794)</u>
Income (loss) before contributions and transfers	2,763,026	618,037	355,024	211,262	(64,472)	(26,700)	3,856,177
Capital contributions	514,988	--	--	--	--	--	514,988
Transfers	<u>(1,065,000)</u>	<u>(412,850)</u>	<u>(177,000)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(1,654,850)</u>
Change in net position	2,213,014	205,187	178,024	211,262	(64,472)	(26,700)	2,716,315
Net position, beginning	<u>13,462,794</u>	<u>3,848,993</u>	<u>3,659,797</u>	<u>5,740,892</u>	<u>428,469</u>	<u>1,015,701</u>	<u>28,156,646</u>
Net position, ending	<u>\$ 15,675,808</u>	<u>\$ 4,054,180</u>	<u>\$ 3,837,821</u>	<u>\$ 5,952,154</u>	<u>\$ 363,997</u>	<u>\$ 989,001</u>	<u>\$ 30,872,961</u>

See notes to basic financial statements.

**TOWN OF BAY HARBOR ISLANDS, FLORIDA**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	<u>Business-type Activities - Enterprise Funds</u>						<u>Totals</u>
	<u>Causeway</u>	<u>Sewer</u>	<u>Water</u>	<u>Parking</u>	<u>Solid Waste</u>	<u>Stormwater (a Nonmajor Fund)</u>	
Cash flows from operating activities:							
Cash received from customers	\$ 6,948,986	\$ 2,032,338	\$ 1,121,477	\$ 613,666	\$ 700,255	\$ 212,644	\$ 11,629,366
Cash received from other operations	697	45,125	73,664	557	216	--	120,259
Cash payments to employees for services	(1,335,822)	(273,689)	(325,840)	(177,609)	--	(46,060)	(2,159,020)
Cash payments to suppliers for goods and services	(1,797,950)	(890,290)	(586,554)	(121,320)	(702,460)	(179,184)	(4,277,758)
Net cash provided (used) by operating activities	<u>3,815,911</u>	<u>913,484</u>	<u>282,747</u>	<u>315,294</u>	<u>(1,989)</u>	<u>(12,600)</u>	<u>5,312,847</u>
Cash flows from noncapital financing activities:							
Transfers out	(1,065,000)	(412,850)	(177,000)	--	--	--	(1,654,850)
Net cash used by noncapital financing activities	<u>(1,065,000)</u>	<u>(412,850)</u>	<u>(177,000)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(1,654,850)</u>
Cash flows from capital and related financing activities:							
Proceeds from capital grants	852,366	--	--	--	--	--	852,366
Proceeds from sale of capital assets	700	--	--	--	--	12,600	13,300
Acquisition of capital assets	(8,577,385)	(333,797)	--	(76,527)	--	--	(8,987,709)
Principal paid on capital debt	(810,000)	(63,202)	--	(262,000)	--	--	(1,135,202)
Interest paid on capital debt	(310,836)	(12,118)	--	(93,701)	--	--	(416,655)
Net cash used by capital and related financing activities	<u>(8,845,155)</u>	<u>(409,117)</u>	<u>--</u>	<u>(424,525)</u>	<u>--</u>	<u>12,600</u>	<u>(9,666,197)</u>
Cash flows from investing activities:							
Sales and maturities of investments	648,271	--	678,782	--	--	--	1,327,053
Purchases of investments	(681,017)	--	(721,092)	--	--	--	(1,402,109)
Rental income received	87,331	--	--	147,741	--	--	235,072
Investment earnings received	41,539	--	29,358	--	--	--	70,897
Net cash provided (used) by investing activities	<u>96,124</u>	<u>--</u>	<u>(12,952)</u>	<u>147,741</u>	<u>--</u>	<u>--</u>	<u>230,913</u>
Net increase (decrease) in cash	(5,998,120)	91,517	92,795	38,510	(1,989)	--	(5,777,287)
Cash, beginning (including restricted assets)	<u>6,625,371</u>	<u>1,630,628</u>	<u>1,397,187</u>	<u>510,041</u>	<u>921,825</u>	<u>--</u>	<u>11,085,052</u>
Cash, ending (including restricted assets)	<u>\$ 627,251</u>	<u>\$ 1,722,145</u>	<u>\$ 1,489,982</u>	<u>\$ 548,551</u>	<u>\$ 919,836</u>	<u>\$ --</u>	<u>\$ 5,307,765</u>

(Continued)

**TOWN OF BAY HARBOR ISLANDS, FLORIDA**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 (Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	<u>Business-type Activities - Enterprise Funds</u>						<u>Totals</u>
	<u>Causeway</u>	<u>Sewer</u>	<u>Water</u>	<u>Parking</u>	<u>Solid Waste</u>	<u>Stormwater (a Nonmajor Fund)</u>	
Reconciliation of cash to the statement of net position:							
Cash	\$ 616,609	\$ 1,458,249	\$ 1,348,446	\$ 548,551	\$ 863,669	\$ --	\$ 4,835,524
Restricted cash	10,642	263,896	141,536	--	56,167	--	472,241
	<u>\$ 627,251</u>	<u>\$ 1,722,145</u>	<u>\$ 1,489,982</u>	<u>\$ 548,551</u>	<u>\$ 919,836</u>	<u>\$ --</u>	<u>\$ 5,307,765</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	\$ 2,932,919	\$ 629,750	\$ 313,852	\$ 157,222	\$ (64,472)	\$ (39,300)	\$ 3,929,971
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation	901,439	158,412	87,562	207,960	--	14,784	1,370,157
Changes in assets, liabilities and deferred inflows:							
(Increase) decrease in:							
Receivables	--	--	103,996	16,947	--	--	120,943
Interest receivable	--	--	--	5,752	--	--	5,752
Due from other funds	299,883	15,936	(145,115)	(59,806)	(211)	15,075	125,762
Due from other governments	243,435	--	--	--	--	--	243,435
Inventory	--	--	(5,855)	--	--	--	(5,855)
Prepaid items	13,338	--	--	4,570	--	--	17,908
Deferred outflows - pension	(64,529)	(28,573)	(28,295)	(18,822)	--	(4,909)	(145,128)
Increase (decrease) in:							
Accounts payable and accrued liabilities	(670,861)	(765)	(71,779)	3,716	544	(37,853)	(776,998)
Due to other governments	--	--	898	--	--	--	898
Due to other funds	21,376	106,393	(9,625)	--	60,254	34,512	212,910
Customer deposits	3	2,789	7,778	--	1,896	--	12,466
Parking trust receipts	--	--	--	(22,699)	--	--	(22,699)
Net pension liability	135,996	36,251	35,079	20,314	--	6,462	234,102
Net OPEB obligation	2,256	632	884	530	--	60	4,362
Compensated absences	(18,915)	(1,508)	(1,255)	1,505	--	(289)	(20,462)
Deferred inflows - pension	(42,919)	(5,833)	(5,378)	(1,895)	--	(1,142)	(57,167)
Unearned revenues	62,490	--	--	--	--	--	62,490
Total adjustments	<u>882,992</u>	<u>283,734</u>	<u>(31,105)</u>	<u>158,072</u>	<u>62,483</u>	<u>26,700</u>	<u>1,382,876</u>
Net cash provided (used) by operating activities	<u>\$ 3,815,911</u>	<u>\$ 913,484</u>	<u>\$ 282,747</u>	<u>\$ 315,294</u>	<u>\$ (1,989)</u>	<u>\$ (12,600)</u>	<u>\$ 5,312,847</u>
Noncash investing and financing activities:							
Increase in fair value of investments	\$ 10,963	\$ --	\$ 12,175	\$ --	\$ --	\$ --	\$ 23,138

See notes to basic financial statements.

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## STATEMENT OF FIDUCIARY NET POSITION PENSION TRUST FUND

SEPTEMBER 30, 2016

### ASSETS

Cash	\$ 254,449
Investments:	
Money market funds	501,903
U.S. Government and agencies bonds and notes	4,725,605
Corporate bonds	1,612,619
Common stock and equity funds	1,666,511
Commingled collective trusts	7,227,868
Real estate	<u>1,020,484</u>
Total investments	<u>16,754,990</u>
Receivables:	
Due from broker	15,117
Due from participant	95,585
Accrued interest and dividends	<u>19,063</u>
Total receivables	<u>129,765</u>
Prepaid expenses	<u>5,020</u>
Total assets	17,144,224

### LIABILITIES

Accounts payable	15,088
Due to broker	<u>15,067</u>
	<u>30,155</u>

### NET POSITION

Net position restricted for pension benefits	<u>\$ 17,114,069</u>
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See notes to basic financial statements.

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

### ADDITIONS

#### Contributions:

Town (including State)	\$ 572,023
Employees	<u>700,737</u>
Total contributions	<u>1,272,760</u>

#### Investment income:

Net appreciation in fair value of investments	1,319,837
Interest	193,911
Dividends	<u>47,697</u>
	1,561,445
Less investment expense	<u>(55,372)</u>
Net investment income	<u>1,506,073</u>
Total additions	<u>2,778,833</u>

### DEDUCTIONS

Benefits paid and refunds	1,064,535
Administrative expenses	<u>37,339</u>
Total deductions	<u>1,101,874</u>

Net increase in net position 1,676,959

Net position restricted for pension benefits, beginning 15,437,110

Net position restricted for pension benefits, ending \$ 17,114,069

See notes to basic financial statements.

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## NOTES TO BASIC FINANCIAL STATEMENTS

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# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town is a municipal corporation which was incorporated in 1947 and adopted its first charter June 15, 1953, under the provisions of the Laws of Florida Acts of 1953, Chapter 2889. The Town operates under a "Council-Manager" form of government with the Town's Mayor serving as the head of the Town government and the Town's Manager serving as the chief administrative official.

The Town provides the following services: public safety (police) building and zoning, transportation and maintenance of roads and streets, recreation facilities, operation and maintenance of a causeway, water and sewer utilities, physical environment (refuse collection), parking facilities, and general government and administrative services. Fire protection, education, and welfare services are provided by units of other local governments whose activities are not included in the accompanying financial statements.

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

#### A. Financial Reporting Entity

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

#### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements.

*Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### B. Government-wide and Fund Financial Statements (Continued)

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

Separate financial statements are provided for governmental funds, 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. The Town reports only one nonmajor proprietary fund (the Stormwater Fund).

#### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Property taxes, franchise fees and other 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. Revenues for expenditure driven grants are recognized when the qualifying expenditures are incurred. All other revenue items are considered to be measurable and available only when cash is received by the Town.

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

(Continued)

The Town reports the following major governmental funds:

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

The *Capital Projects Fund* accounts for the acquisition or construction of various major capital projects.

The Town reports the following major proprietary funds:

The *Causeway Fund* accounts for the collection of tolls and the operation and maintenance of the causeway, including the bascule bridge over the Intercoastal Waterway and the entire traffic corridor.

The *Sewer Fund* accounts for the provision of sewer services to Town residents and businesses.

The *Water Fund* accounts for the distribution of water to Town residents and businesses.

The *Parking Fund* accounts for the collection of parking fees and the operation and maintenance of lots and meters.

The *Solid Waste Fund* accounts for the provision of solid waste disposal services to Town residents and businesses.

The Town also reports the following nonmajor proprietary fund:

The *Stormwater Fund* accounts for the provision of a stormwater management system.

Additionally, the Town reports the following fund type:

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

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

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

(Continued)

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

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

#### Implementation of Governmental Accounting Standards Board Statements

The Town implemented the following GASB Statements during the fiscal year ended September 30, 2016:

##### GASB Statement No. 72, *Fair Value Measurement and Application*

This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

##### GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*

This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standards of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### D. Assets, Liabilities, and Net Position or Equity

##### 1. Deposits and Investments

The Town's cash includes cash on hand, time and demand deposits. Investments of the Town are carried at fair value. For more details regarding the methods used to measure fair value of investments, refer to the fair value hierarchy in Note 3.

Investments of the Town are governed by the provisions of Florida Statutes Section 218.415. Investments in the Town's retirement plan are governed by the Plan's investment policy and Florida Statutes Section 112.661.

##### 2. Receivables and Payables

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

##### 3. Capital Assets

Capital assets, which include property, plant and equipment, infrastructure assets (e.g., utility plant, roads, bridges, sidewalks, and similar items), and intangible assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The Town has not retroactively reported infrastructure assets acquired prior to the implementation of GASB Statement No. 34. The Town did not retroactively record their intangible assets with the implementation of GASB Statement No. 51, with the exception of computer software which was capitalized when purchased. The Town's capitalization threshold for intangible assets is \$25,000.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed.

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### D. Assets, Liabilities, and Net Position or Equity (Continued)

##### 3. Capital Assets (Continued)

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

<u>Assets</u>	<u>Years</u>
Buildings	25-50
Improvements other than buildings	5-10
Furniture, fixtures and equipment	5
Utility system	10-50

##### 4. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Upon separation from service, employees are paid the value of their accumulated vacation, plus one half the value of unused sick leave up to 45 days. All vacation and sick leave pay are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. Compensated absences of governmental funds are typically liquidated from the general fund.

##### 5. Long-Term Obligations

In the government-wide financial statements, and the proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond issue costs are expensed as incurred. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line amortization method. The results of using this method do not differ significantly from the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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 another financing source. Premiums received on debt issuances are reported as another financing source while discounts on debt issuances are reported as another financing use. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### D. Assets, Liabilities, and Net Position or Equity (Continued)

##### 6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports within its government-wide statement of net position as deferred outflows amounts contributed during fiscal year 2016 into the Town of Bay Harbor Islands Employees' Retirement System. The net pension liabilities associated with the Plan were measured as of September 30, 2015. The amounts paid during fiscal year 2016 to the Plan will be reflected within the Town's pension expense and related liability when the net pension liability is measured for the next fiscal year.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two items that qualify for reporting in this category. The proprietary funds statement of net position includes deferred Parking Trust receipts. These amounts are deferred and recognized as an inflow of resources in the period that they are earned.

Also, within the government-wide statement of net position, the Town reports as deferred inflows or outflows, amounts representing the net difference between or differences between expected and actual results, changes in assumptions and projected and actual earnings of its pension plan. Differences between projected and actual earnings will be amortized over a five year closed period beginning in the year in which the difference occurred and are presented as a net deferred inflow or outflow at the measurement date. All other amounts are presented as either a deferred inflow or outflow established at their respective measurement date when the difference occurred and is amortized over the remaining service lives of employees.

##### 7. Fund Equity

The Town reports the following classifications:

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

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

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### D. Assets, Liabilities, and Net Position or Equity (Continued)

##### 7. Fund Equity (Continued)

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

*Assigned fund balance.* Assigned fund balances are amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. Intent is established by the Town Manager to which the Town Council has delegated the authority to assign, modify or rescind amounts to be used for specific purposes. This balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as nonspendable, restricted, or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose as assigned by management. Specific amounts that are not restricted or committed in a special revenue or capital projects fund are assigned for the purposes in accordance with the nature of their fund type. Assignment within the General Fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the Town itself.

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

##### 8. Net Position

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

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

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### D. Assets, Liabilities, and Net Position or Equity (Continued)

##### 9. Flow Assumptions

###### *Net Position Flow Assumption*

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

###### *Fund Balance Flow Assumption*

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

##### 10. 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. Estimates also affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

### NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of the \$8,312,007 difference are as follows:

Bonds payable	\$ 7,140,000
Issuance premium	133,081
Compensated absences	264,988
Net pension liability	708,028
Net OPEB obligation	65,910
	<u>\$ 8,312,007</u>

### NOTE 3. DEPOSITS AND INVESTMENTS

#### *Deposits*

In addition to insurance provided by the Federal Depository Insurance Corporation, all deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Deposits include cash on hand. 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. Accordingly, all amounts reported as deposits are insured or collateralized.

#### *Investments*

The Town's investment policy follows the requirements of Florida Statutes Chapter 218.415, and attempts to promote, in order of priority, safety of principal, adequate liquidity, and maximization of total return. The Town's investment policy authorizes investments in obligations of the U.S. Treasury, U.S. Government Agency securities, including FNMA, FHLMC, and GNMA, and securities guaranteed by these Agency issues, certificates of deposit, savings certificates, time deposits, banker's acceptances, repurchase agreements of domestic commercial banks and savings and loan associations fully collateralized with U.S. Government or Agency securities, commercial paper rated A1/P1 or the equivalent by a major rating service, money market funds exclusively comprised of the above securities, the State of

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

### NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

#### *Investments* (Continued)

Florida Local Government Surplus Funds Trust Fund, the FMIvT, and corporate bonds rated A or better. 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 Town maintains a separate investment policy for its pension plan.

For the Town's pension plan (the Plan), a Master Custodian Agreement is maintained whereby the investment securities are held in the Plan's name by a financial institution acting as the Plan's agent except for its shares in several pooled domestic equity index funds.

#### *Fair Value Hierarchy*

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Town and the Town's pension plan categorizes their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 - Investments' fair values based on prices quoted in active markets for identical assets.

Level 2 - Investments' fair values based on observable inputs for the assets either directly or indirectly, other than those considered Level 1 inputs, which may include quoted prices for identical assets in markets that are not considered to be active, and quoted prices of similar assets in active or inactive markets.

Level 3 - Investments' fair values based upon unobservable inputs.

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

### NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

#### *Investments – Town*

The Town’s investment policy limits the maturity of fixed-income holdings to ten years. As of September 30, 2016, the Town had the following investments and its corresponding maturities in its portfolio:

<u>Investments</u>	Investment Maturities (In Years)				
	Fair <u>Value</u>	<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	Greater than <u>10</u>
U.S. agency securities	\$ 81,802	\$ --	\$ 81,802	\$ --	\$ --
U.S. Treasury Notes	2,902,547	696,406	1,488,806	717,336	--
Local Government Bonds	254,552	--	170,732	83,820	--
Corporate bonds	<u>3,051,380</u>	<u>60,814</u>	<u>2,029,645</u>	<u>880,268</u>	<u>80,653</u>
	<u>\$ 6,290,281</u>	<u>\$ 757,220</u>	<u>\$ 3,770,984</u>	<u>\$ 1,681,424</u>	<u>\$ 80,653</u>

#### **Interest Rate Risk**

Interest rate risk refers to the portfolio's exposure to fair value losses arising from increasing interest rates. The Town’s investment policy limits investment maturities to ten years in order to control its exposure to market value losses arising from increasing interest rates.

#### **Credit Risk**

State law and the Town’s investment policy limits investments in bonds, U.S. treasuries and agency obligations, or other evidences of indebtedness to the top ratings issued by nationally recognized statistical rating organizations of the United States. The Town's corporate bonds and agency bonds were all rated "A" or better under Standard & Poor’s ratings and "A" or better under Moody's ratings.

#### **Concentration of Credit Risk**

The Town’s investment policy does not stipulate any limit on the percentage that can be invested in any one issuing company. As of September 30, 2016, the value of each position held in the Town’s portfolio comprised less than 5% of the Town’s investment assets.

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

### NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

#### *Investments – Town* (Continued)

##### **Fair Value Hierarchy**

The Town has the following recurring fair value measurements as of September 30, 2016:

- U.S. Treasury securities of \$2,902,547 are valued using quoted market prices (Level 1 inputs).
- U.S. Government Agency securities, Corporate Bonds and Local Government Bonds of \$3,387,734 are valued using a matrix pricing model (evaluated bid price) (Level 2 inputs).

#### *Investments – Pension Plan*

The Plan's investment practices are governed by the Florida Statutes and the Plan's adopted investment policy. Florida Statutes and Plan policy authorize the Board of Trustees to invest in domestic stocks, domestic bonds, international stock and tactical assets allocation equities. In addition to complying with Plan policy, the Plan applies the "Prudent Man Rule" when executing investment strategies. Investments are made with judgment and care, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income derived.

To diversify plan assets so as to minimize the risk associated with dependence on the success on one enterprise, the Board of Trustees has decided to employ a multi-manager team approach to investing plan assets. Asset managers are employed to utilize individual expertise within their assigned area of responsibility. Each manager is governed by individual investment guidelines. The Plan's investment consultant oversees the investment managers and the entire portfolio.

The Plan's asset management structure established by the policy is as follows:

Type	Available Range %	Target
Domestic equity	30%-50%	40%
Domestic bonds (fixed income)	25%-60%	35%
International equity	0%-20%	10%
Real estate	0%-15.5%	10%
Emerging markets (international equity)	0%-7.5%	5%

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

### NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

#### *Investments – Pension Plan* (Continued)

As of September 30, 2016, the Plan had the following debt securities and its corresponding maturities in its portfolio:

<u>Investments</u>	Investment Maturities (In Years)				
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Over 10</u>
U.S. Treasury Notes	\$ 1,516,654	\$ --	\$ --	\$ --	\$ 1,516,654
U.S. agency securities	3,208,951	635,863	1,356,299	646,867	569,922
Corporate bonds	<u>1,612,619</u>	<u>155,174</u>	<u>759,060</u>	<u>698,385</u>	<u>--</u>
	<u>\$ 6,338,224</u>	<u>\$ 791,037</u>	<u>\$ 2,115,359</u>	<u>\$ 1,345,252</u>	<u>\$ 2,086,576</u>

#### **Rate of Return**

For the fiscal year ended September 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 10.07%. The money-weighted rate of return expresses investment performance, net of investment manager and consultant expenses adjusted for the changing amounts actually invested. Inputs to the internal rate of return calculation are determined on a monthly basis.

#### **Interest Rate Risk**

Interest rate risk refers to the portfolio's exposure to fair value losses arising from increasing interest rates. The Plan does not have a formal investment policy that limits investment maturities as a means of managing its exposure to market value losses arising from increasing interest rates.

#### **Credit Risk**

State law and the Plan's investment policy limits investments in bonds, stocks, or other evidences of indebtedness to the top ratings issued by nationally recognized statistical rating organizations of the United States. The Plan's investment policy limits fixed income investments to a rating no lower than Baa/BBB or equivalent.

The Plan's corporate bonds and agency bonds were all rated "A" or better under Standard & Poor's ratings and at least "A" under Moody's ratings.

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

### NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

#### *Investments – Pension Plan* (Continued)

##### **Concentration of Credit Risk**

The Plan's investment policy prohibits fixed income concentrations greater than 5% in any one issuer with the exception of U.S. government or agency issues. As of September 30, 2016, the value of each position held in the Plan's portfolio comprised less than 5% of Plan net position.

##### **Fair Value Hierarchy**

The following is a description of the fair value techniques for the Town's pension plan investments. Level 1 and 2 prices are obtained from various pricing sources by the Plan's custodian bank:

The Plan also holds money market funds, which are reported at amortized cost.

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. This includes U.S. Treasury securities, common stock, foreign stock, American depository receipts (ADR), and exchange traded funds (ETF).

Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using pricing inputs that reflect the assumptions market participants would use to price an asset or liability and are developed based on market data obtained from sources independent of the reporting entity. This includes U.S. Government obligations, corporate bonds, and pooled index funds (commingled collective trusts).

The Plan has investments in a core real estate fund which holds a variety of investment vehicles that do not have readily available market quotations. These investments are measured at net asset value based on their proportionate share of the value of the investments as determined by the fund managers and are valued according to methodologies which include pricing models, discounted cash flow models and similar techniques.

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

### NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

#### *Investments – Pension Plan* (Continued)

#### **Fair Value Hierarchy** (Continued)

The following is a summary of the fair value hierarchy of the fair value of investments as of September 30, 2016:

	Fair Value Measurements Using		
	<u>9/30/2016</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
<b>Investments by fair value level</b>			
Debt securities			
U.S. Treasury securities	\$ 1,516,654	\$ 1,516,654	\$ --
U.S. Government obligations and corporate bonds	4,821,570	--	4,821,570
Total debt securities	6,338,224	1,516,654	4,821,570
Equity securities			
Common stock, ADR's, and ETF's	1,666,511	1,666,511	--
Commingled collective trusts	7,227,868	--	7,227,868
Total equity securities	8,894,379	1,666,511	7,227,868
Total investments by fair value	15,232,603	\$ 3,183,165	\$ 12,049,438
<b>Investments measured at net asset value (NAV)*</b>			
Core real estate fund	1,020,484		
Total investments measured at NAV	1,020,484		
Money market funds (exempt)	501,903		
Total investments	\$ 16,754,990		

\* As required by GAAP, certain investments that are measured at net asset value have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the total investment line item in the Statement of Fiduciary Net Position

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

### NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

#### *Investments – Pension Plan* (Continued)

##### **Fair Value Hierarchy** (Continued)

The following table summarizes investments for which fair value is measured using the net asset value per share practical expedient, including their related unfunded commitments and redemption restrictions.

<b>Investments Measured at NAV</b>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if Currently Eligible)</u>	<u>Redemption Notice Period</u>
Core Real Estate Fund <sup>(1)</sup>	<u>\$ 1,020,484</u>	\$ --	Quarterly	N/A

(1) Core real estate fund. This fund is an open-end core real estate fund with a diversified portfolio of income producing institutional properties throughout the U.S. This investment is valued at NAV and is redeemable on a quarterly basis.

##### **Risks and Uncertainties**

The Town and the Plan invest in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements. The Town and the Plan, through its investment advisor, monitors the investments and the risks associated therewith on a regular basis which the Town and the Plan believes minimizes these risks.

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

### NOTE 4. RECEIVABLES

Receivables as of September 30, 2016 for the Town's individual major funds and fiduciary funds including the allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Causeway</u>	<u>Water</u>	<u>Parking</u>	<u>Pension Trust Fund</u>	<u>Total</u>
Customers billed	\$ --	\$ --	\$ 731,835	\$ --	\$ --	\$ 731,835
Property taxes	45,711	--	--	--	--	45,711
Franchise fees	67,086	--	--	--	--	67,086
Utility taxes	46,532	--	--	--	--	46,532
Rental income	7,229	--	--	--	--	7,229
Interest	14,723	8,437	8,712	39,937	19,063	90,872
Parking trust receipts	--	--	--	269,591	--	269,591
Due from broker	--	--	--	--	15,117	15,117
Due from participant	--	--	--	--	95,585	95,585
Other	<u>36,987</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>36,987</u>
Gross receivables	218,268	8,437	740,547	309,528	129,765	1,406,545
Less allowance for uncollectibles	<u>--</u>	<u>--</u>	<u>(223,405)</u>	<u>--</u>	<u>--</u>	<u>(223,405)</u>
Net total receivables	<u>\$ 218,268</u>	<u>\$ 8,437</u>	<u>\$ 517,142</u>	<u>\$ 309,528</u>	<u>\$ 129,765</u>	<u>\$ 1,183,140</u>

### NOTE 5. PROPERTY TAXES

Property values are assessed on a county-wide basis by the Miami-Dade County Property Appraiser as of January 1, the lien date, of each year and are due the following November 1. Taxable value of property within the Town is certified by the Property Appraiser and the Town levies a tax millage rate upon the taxable value, which will provide revenue required for the fiscal year beginning October 1.

Property taxes levied each November 1, by the Town and all other taxing authorities within the County, are centrally billed and collected by Miami-Dade County, with remittances to the Town of their proportionate share of collected taxes. Taxes for the fiscal year beginning October 1 are billed in the month of November, subject to a 1% per month discount for the period November through February, and are due no later than March 31. On April 1, unpaid amounts become delinquent with interest and penalties added thereafter. Beginning June 1, tax certificates representing delinquent taxes with interest and penalties are sold by Miami-Dade County, with remittance to the Town for its share of those receipts. At September 30, 2016, there were no material delinquent taxes.

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

### NOTE 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of September 30, 2016 is as follows:

#### *Due from/to Other Funds*

Receivable Fund	Payable Fund								Total
	General	Capital Projects	Causeway	Sewer	Water	Parking	Solid Waste	Nonmajor Business- type	
General	\$ --	\$ --	\$ 21,376	\$ 36,442	\$ 32,755	\$ --	\$ --	\$ 556,711	\$ 647,284
Capital Projects	74,280	--	--	88,992	--	--	--	--	163,272
Causeway	--	--	--	4,331	185,370	111,027	--	--	300,728
Water	--	27,542	--	84,381	--	--	436,778	--	548,701
Parking	113,998	--	--	--	--	--	--	--	113,998
Solid waste	176	--	--	485	--	--	--	--	661
Nonmajor:		--							
Stormwater	--	--	--	2,358	1,297,823	--	--	--	1,300,181
	<u>\$ 188,454</u>	<u>\$ 27,542</u>	<u>\$ 21,376</u>	<u>\$ 216,989</u>	<u>\$ 1,515,948</u>	<u>\$ 111,027</u>	<u>\$ 436,778</u>	<u>\$ 556,711</u>	<u>\$ 3,074,825</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

#### *Interfund Transfers*

	<u>Transfers In</u> <u>General</u> <u>Fund</u>
Transfers out:	
Causeway Fund	\$ 1,065,000
Sewer Fund	412,850
Water Fund	<u>177,000</u>
	<u>\$ 1,654,850</u>

Transfers are used to move Causeway Fund revenues to the General Fund to pay for expenses related to police officers providing security for the causeway. Other transfers are used to fund debt service.

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

### NOTE 7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 3,806,254	\$ --	\$ --	\$ 3,806,254
Construction in progress	<u>379,995</u>	<u>2,341,575</u>	<u>(382,491)</u>	<u>2,339,079</u>
Total capital assets, not being depreciated	<u>4,186,249</u>	<u>2,341,575</u>	<u>(382,491)</u>	<u>6,145,333</u>
Capital assets, being depreciated:				
Buildings	2,035,616	8,241	--	2,043,857
Improvements other than buildings	19,916,300	586,134	--	20,502,434
Furniture, fixtures and equipment	<u>1,833,832</u>	<u>90,459</u>	<u>(28,550)</u>	<u>1,895,741</u>
Total capital assets, being depreciated	<u>23,785,748</u>	<u>684,834</u>	<u>(28,550)</u>	<u>24,442,032</u>
Less accumulated depreciation for:				
Buildings	(1,624,700)	(63,897)	--	(1,688,597)
Improvements other than buildings	(4,315,532)	(497,170)	--	(4,812,702)
Furniture, fixtures and equipment	<u>(1,531,506)</u>	<u>(88,524)</u>	<u>28,550</u>	<u>(1,591,480)</u>
Total accumulated depreciation	<u>(7,471,738)</u>	<u>(649,591)</u>	<u>28,550</u>	<u>(8,092,779)</u>
Total capital assets, being depreciated, net	<u>16,314,010</u>	<u>35,243</u>	<u>--</u>	<u>16,349,253</u>
Governmental activities capital assets, net	<u>\$ 20,500,259</u>	<u>\$ 2,376,818</u>	<u>\$ (382,491)</u>	<u>\$ 22,494,586</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 671,273	\$ --	\$ --	\$ 671,273
Construction in progress	<u>7,076,823</u>	<u>9,315,981</u>	<u>(218,777)</u>	<u>16,174,027</u>
Total capital assets, not being depreciated	<u>7,748,096</u>	<u>9,315,981</u>	<u>(218,777)</u>	<u>16,845,300</u>
Capital assets, being depreciated:				
Causeway system	2,549,328	--	--	2,549,328
Toll collection system	1,935,924	--	--	1,935,924
Sewer system	5,361,494	292,323	--	5,653,817
Water system	2,547,365	--	--	2,547,365
Parking garage	10,141,279	--	--	10,141,279
Improvements other than buildings	17,905,796	239,299	--	18,145,095
Equipment	<u>1,296,005</u>	<u>231,080</u>	<u>(113,952)</u>	<u>1,413,133</u>
Total capital assets, being depreciated	<u>41,737,191</u>	<u>762,702</u>	<u>(113,952)</u>	<u>42,385,941</u>
Less accumulated depreciation for:				
Causeway system	(2,549,328)	--	--	(2,549,328)
Toll collection system	(193,592)	(193,592)	--	(387,184)
Sewer system	(2,319,102)	(135,005)	--	(2,454,107)
Water system	(1,325,872)	(51,507)	--	(1,377,379)
Parking garage	(1,211,485)	(202,826)	--	(1,414,311)
Improvements other than buildings	(8,577,988)	(699,515)	--	(9,277,503)
Equipment	<u>(895,554)</u>	<u>(87,712)</u>	<u>113,952</u>	<u>(869,314)</u>
Total accumulated depreciation	<u>(17,072,921)</u>	<u>(1,370,157)</u>	<u>113,952</u>	<u>(18,329,126)</u>
Total capital assets, being depreciated, net	<u>24,664,270</u>	<u>(607,455)</u>	<u>--</u>	<u>24,056,815</u>
Business-type activities capital assets, net	<u>\$ 32,412,366</u>	<u>\$ 8,708,526</u>	<u>\$ (218,777)</u>	<u>\$ 40,902,115</u>

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

### NOTE 7. CAPITAL ASSETS (Continued)

Depreciation expense was charged as functions/programs as follows:

Governmental activities:	
General government	\$ 94,946
Public safety	64,415
Transportation	365,601
Culture and recreation	124,629
Total depreciation expense - governmental activities	<u>\$ 649,591</u>
Business-type activities:	
Causeway	\$ 901,439
Sewer	158,412
Water	87,562
Parking	207,960
Stormwater	14,784
Total depreciation expense - business-type activities	<u>\$ 1,370,157</u>

### NOTE 8. LONG-TERM DEBT

The following is a summary of changes in long-term liabilities of the Town for governmental activities for the fiscal year ended September 30, 2016:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Bonds payable:					
Revenue bonds, Series 2003B	\$ 3,055,000	\$ --	\$ (3,055,000)	\$ --	\$ --
Refunding Note, Series 2012	4,350,000	--	(295,000)	4,055,000	304,000
Revenue bonds, Series 2016	--	3,085,000	--	3,085,000	--
Add deferred amounts:					
Issuance premium	<u>146,730</u>	<u>133,081</u>	<u>(146,730)</u>	<u>133,081</u>	<u>--</u>
Total bonds payable	7,551,730	3,218,081	(3,496,730)	7,273,081	304,000
Compensated absences	225,018	259,101	(219,131)	264,988	26,499
Net pension liability	26,573	1,386,318	(704,863)	708,028	--
Net OPEB obligation	<u>56,272</u>	<u>15,194</u>	<u>(5,556)</u>	<u>65,910</u>	<u>--</u>
Governmental activities					
Long-term liabilities	<u>\$ 7,859,593</u>	<u>\$ 4,878,694</u>	<u>\$ (4,426,280)</u>	<u>\$ 8,312,007</u>	<u>\$ 330,499</u>

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

### NOTE 8. LONG-TERM DEBT (Continued)

All long-term obligations of governmental activities are generally liquidated through the General Fund.

#### *Revenue Bonds – Series 2003B*

On December 17, 2003, the Town issued \$9,360,000 of bonds to finance various capital expenditures that comprise a portion of a program of community enhancements to include roads, drainage, lighting, landscaping and improvements to the Town's business district and causeway corridor. The bonds are collateralized by a pledge of the Town's half-cent sales tax, franchise fees, and utility taxes. On December 3, 2012, the Town advance refunded \$4,445,000 of the bonds with proceeds of the Promissory Refunding Note, Series 2012 (Sales Tax), as described below. On September 29, 2016, the Town advance refunded the balance of the Series 2003B bonds, in the amount of \$3,055,000, with the proceeds of the Refunding and Improvement Revenue Bonds, Series 2016, as described below. At September 30, 2016, the amount held by the escrow agent for the advance refunded debt was \$3,118,646.

#### *Refunding and Improvement Revenue Bonds – Series 2016*

On September 29, 2016 the Town issued bonds in the amount of \$3,085,000 to advance refund the Series 2003B bonds. The bonds, including the payment of interest are secured by a pledge by the Town to budget and appropriate an amount from non-ad valorem revenues. The total principal and interest remaining on the bonds is \$4,746,690. The economic gain related to this refunding on a present value basis, totals \$541,434 and a cash flow savings of \$621,668. The interest rates range from 2% to 5% and the final maturity is October 1, 2034.

Debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2017	\$ --	\$ 55,965	\$ 55,965
2018	5,000	110,650	115,650
2019	5,000	110,525	115,525
2020	10,000	110,250	120,250
2021	10,000	109,900	119,900
2022-2026	50,000	545,088	595,088
2027-2031	950,000	493,988	1,443,988
2032-2035	<u>2,055,000</u>	<u>125,325</u>	<u>2,180,325</u>
	<u>\$ 3,085,000</u>	<u>\$ 1,661,690</u>	<u>\$ 4,746,690</u>

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

### NOTE 8. LONG-TERM DEBT (Continued)

#### *Refunding Note – Series 2012*

On December 3, 2012, the Town borrowed \$4,709,000 [Promissory Refunding Note, Series 2012 (Sales Tax)] from a financial institution and used the proceeds to refund a portion (\$4,445,000) of its Revenue Bonds, Series 2003B. There was no deferred amount on refunding. The note, including the payment of interest is secured by a pledge of the Town’s half-cent sales tax, franchise fees, and utility taxes. The total principal and interest remaining on the note is \$4,583,634. For the current year, pledged revenues were \$1,247,249 and debt service on the note was \$382,832. The note bears interest at 2.09%, with annual principal payments and semi-annual interest payments due through December 1, 2027.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2017	\$ 304,000	81,573	\$ 385,573
2018	307,000	75,188	382,188
2019	314,000	68,698	382,698
2020	321,000	62,063	383,063
2021	328,000	55,281	383,281
2022-2026	1,734,000	170,147	1,904,147
2027-2028	<u>747,000</u>	<u>15,685</u>	<u>762,685</u>
	<u>\$ 4,055,000</u>	<u>\$ 528,634</u>	<u>\$ 4,583,634</u>

The following is a summary of changes in long-term liabilities of the Town for business-type activities for the fiscal year ended September 30, 2016:

	<u>Beginning</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u>	<u>Due Within</u>
	<u>Balance</u>			<u>Balance</u>	<u>One Year</u>
<b>Business-type Activities</b>					
Notes and loan payable:					
Broad Causeway Promissory Note,					
Series 2012	\$ 12,286,000	\$ --	\$ (810,000)	\$ 11,476,000	\$ --
State Revolving Fund Loan	409,825	--	(63,202)	346,623	65,160
Parking Refunding Note,					
Series 2012	<u>4,318,000</u>	<u>--</u>	<u>(262,000)</u>	<u>4,056,000</u>	<u>--</u>
Total notes and loan payable	17,013,825	--	(1,135,202)	15,878,623	65,160
Compensated absences	176,721	152,787	(173,249)	156,259	15,627
Net pension liability	8,881	475,759	(241,657)	242,983	--
Net OPEB obligation	<u>54,728</u>	<u>12,243</u>	<u>(7,881)</u>	<u>59,090</u>	<u>--</u>
Business-type activities					
long-term liabilities	<u>\$ 17,254,155</u>	<u>\$ 640,789</u>	<u>\$ (1,557,989)</u>	<u>\$ 16,336,955</u>	<u>\$ 80,787</u>

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

### NOTE 8. LONG-TERM DEBT (Continued)

#### *Broad Causeway Promissory Note, Series 2012*

On November 14, 2012, the Town issued the Broad Causeway Promissory Note, Series 2012 in the amount of \$14,642,000 in order to secure funding for a comprehensive rehabilitation of the causeway corridor and bridges to be completed over the next several years, and in order to refund the prior Broad Causeway Revenue Notes Series 2003A and 2003B.

The note, including the payment of interest is secured by the gross revenues from the operation of the Causeway and a pledge by the Town to budget and appropriate an amount from non-ad valorem revenues if needed. The total principal and interest remaining on the note is \$13,449,476. For the current year, pledged revenues were \$6,484,815 and debt service on the note was \$1,120,836. The note bears interest at 2.53%, with annual principal payments and semi-annual interest payments due through December 1, 2028.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2017	\$ --	\$ 145,171	\$ 145,171
2018	831,000	279,831	1,110,831
2019	851,000	258,553	1,109,553
2020	873,000	236,745	1,109,745
2021	895,000	214,380	1,109,380
2022-2026	4,827,000	716,053	5,543,053
2027-2029	3,199,000	122,743	3,321,743
	<u>\$ 11,476,000</u>	<u>\$ 1,973,476</u>	<u>\$ 13,449,476</u>

#### *State Revolving Fund Loan*

In April 1998, the Town entered into a revolving loan agreement with the State of Florida Department of Environmental Protection. Through September 30, 2016, the Town has borrowed \$1,121,814 under the agreement to finance the planning and design of a sewer rehabilitation and replacement project. Debt service payments pursuant to the agreement are collateralized by net revenues of the sewer system. The total principal and interest remaining on the note is \$376,600. For the current year, pledged revenues were \$788,162 and debt service on the note was \$75,320. The combined interest and grant allocation rate (interest) ranges from 3.07% to 3.08%, depending upon the date the funds were approved. Principal and interest payments of \$37,660 are due semi-annually for a period of 20 years. The semi-annual payment is calculated based upon the full amount of principal approved, which is \$1,155,900. Utilization of any additional revolving loan funding beyond the presently approved amount will be at the then current interest and grant allocation rate as determined by the Department of Environmental Protection.

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

**NOTE 8. LONG-TERM DEBT (Continued)**

*State Revolving Fund Loan (Continued)*

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2017	\$ 65,160	10,160	\$ 75,320
2018	67,179	8,141	75,320
2019	69,260	6,060	75,320
2020	71,406	3,914	75,320
2021	<u>73,618</u>	<u>1,702</u>	<u>75,320</u>
	<u>\$346,623</u>	<u>\$29,977</u>	<u>\$376,600</u>

*Parking Promissory Refunding Note, Series 2012*

On November 14, 2012, the Town issued the Parking Promissory Refunding Note, Series 2012 in the amount of \$4,923,000 in order to refinance the Series 2008 note. The note, including the payment of interest is secured by a pledge by the Town to budget and appropriate an amount from non-ad valorem revenues if needed. The total principal and interest remaining on the note is \$4,930,287. The note bears interest at 2.17%, with annual principal payments and semi-annual interest payments due through December 1, 2027.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2017	\$ --	\$ 44,008	\$ 352,858
2018	270,000	85,086	355,086
2019	278,000	79,140	357,140
2020	351,000	72,315	423,315
2021	357,000	64,633	421,633
2022-2026	1,944,000	201,571	2,145,571
2027-2028	<u>856,000</u>	<u>18,684</u>	<u>874,684</u>
	<u>\$4,056,000</u>	<u>\$565,437</u>	<u>\$4,930,287</u>

**NOTE 9. COMMITMENTS AND CONTINGENCIES**

*Litigation*

At times during the year, the Town was involved in lawsuits or other legal matters incidental to its operations, the outcome of which, in the opinion of management and legal counsel, would not have a material adverse effect on the financial condition of the Town.

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

### NOTE 9. COMMITMENTS AND CONTINGENCIES (Continued)

#### *Risk Management*

The Town is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, workers compensation, and natural disasters for which the Town carries commercial insurance. There was no reduction in insurance coverage from coverages in the prior year and there were no settlements that exceeded insurance coverage for each of the past three years.

### NOTE 10. DEFINED BENEFIT PENSION PLAN

#### *Plan Description*

The Town has a single-employer defined benefit pension plan covering all full time general employees and police officers with one year of service. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The Plan's fiduciary net position has been determined on the same basis that is used by the Plan. This report may be obtained by contacting the Town's Finance Director or visiting the Town's website.

The Town of Bay Harbor Islands Employees' Retirement System was established by the Town's Ordinance 226 effective January 12, 1970. The Plan is considered part of the Town's financial reporting entity and is included in the Town's financial statements as a pension trust fund. All full-time general employees and police officers with one year of service are eligible. The latest actuarial valuation is as of October 1, 2015 (beginning year of valuation date). Benefit and contribution provisions are established by Chapter 16 of the Town Code and may be amended only by the Board of Trustees, subject to approval of the Town Council. Administrative costs of the Plan are funded through investment earnings.

The Plan is administered by a Board of Trustees comprised of:

- The Town Manager (a permanent member of the Board by Ordinance)
- Two members of the Town Council elected by the Town Council
- A police officer elected by his fellow officers
- A general employee elected by his fellow general employees

Membership in the Plan as of October 1, 2015, was as follows:

Inactive plan members and beneficiaries currently receiving benefits	36
Inactive plan members entitled but not yet receiving benefits	9
Active plan members	<u>58</u>
Total members	<u>103</u>

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

### NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

#### *Plan Description* (Continued)

General employees become fully vested after 5 years of credited service. Police officers become partially vested (50%) after 5 years of credited service, increasing 10% annually, with full vesting after 10 years.

#### *Pension Benefits*

Normal retirement is as follows:

- General employees who retire at the earlier of age 52 with twenty years of credited service, age 55 with ten years of credited service or at age 65 regardless of time of service.
- Police officers who retire at the earlier of age 50 with twenty years of credited service, age 55 with ten years of credited service or at age 65 regardless of time of service.

Under special circumstances, the Plan also provides for delayed retirement benefits and disability retirement benefits. A member may elect to receive a lump sum at retirement for an amount which is the actuarial equivalent of the benefits otherwise payable under the Plan. Effective October 1, 2015, general employees may elect to receive a partial lump sum equal to any portion of the actuarial equivalent lump sum value of the employee's accrued benefit, with the remaining value, if any, to be paid in the form of a straight-line annuity or in any of the other optional retirement benefit annuity forms.

Normal retirement benefits for general employees are based on 1.25% of average final compensation. For police, the multiplier is 1.75% for service before October 1, 2005, 3% after that date and before October 1, 2006, and 3.25% thereafter. For general employees and for police service before October 1, 2005, the multiplier may increase depending upon the members' contribution rate.

Effective October 1, 2014, for police officers who were employed and accruing credited service on October 1, 2014, the normal retirement benefit rate increased from 3.25% to 3.50% for years of service on or after October 1, 2014.

Effective October 1, 2015, for general employees who were employed and accruing credited service on October 1, 2015, the normal retirement benefit rate increased from 1.25% to 1.50% for all credited service earned from October 1, 2010 to September 30, 2016, and to 1.75% for all credit service earned on or after October 1, 2016.

A terminating member with less than five years creditable service shall receive his/her contribution plus accrued interest accumulated since initial employment.

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

### NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

#### *Pension Benefits* (Continued)

Effective October 1, 2015, a police officer may purchase credited service for military service or for service as a police officer for a different employer occurring prior to the member's first or initial employment with the Town, as long as the member is not entitled to receive a benefit for such other prior service as a police officer. The maximum number of years of credited service that may be purchased for prior military and prior police service combined is four years.

#### *Contributions and Funding Policy*

General employees are required to contribute 2% of their compensation, and may elect to make additional voluntary contributions up to 10%. Effective October 1, 2006, the mandatory contribution for police is 8% and no additional voluntary contributions are permitted. Employer contributions for fiscal year ended September 30, 2016 were 20.08% of covered payroll. The contribution requirements of the Town for the fiscal year ended September 30, 2016 were determined by the October 1, 2014 actuarial valuation. Pursuant to Chapter 185 of the Florida Statutes, a premium tax on certain property and casualty insurance contracts, written on Town of Bay Harbor Islands properties, is collected by the state and is remitted to the Town. The State of Florida also distributes money to local governments meeting certain eligibility requirements which is intended to purchase supplemental pension benefits for police officers.

In fiscal year 2016, \$41,440 was received by the Town from the State and recorded in the general fund as revenue and as a contribution (expenditure) to the Plan. The total amount went towards funding the actuarially determined annual required contribution for the Plan based on changes made to the use of these funds. Refer to Share Plan/Supplemental Benefits note below for more information.

In fiscal year 2016, the Town allowed the Town Manager to make a one-time irrevocable election to participate in the Town's retirement system. It was determined by the Actuary that the Town Manager was required to make a contribution of \$418,291 to the Plan to cover the entire actuarial cost of his past service credit. Of that amount \$322,706 was received and \$95,585 was outstanding as of September 30, 2016. The 401(a) plan from which the contribution was distributed was subsequently dissolved.

The Plan's funding policy provides for actuarially determined periodic employer contributions sufficient to pay the benefits provided by the Plan when they become due. The actuarial cost method used for determining the contribution requirements of the Plan is the entry age normal cost method.

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

### NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

#### *Share Plan / Supplemental Benefits*

The Town participates in the State of Florida Chapter 185 program. As a participant in the program, the Town is eligible to receive annual distributions of state premium tax collections on property and casualty insurance policies written within the Town limits. Chapter 185 levies a 0.85% tax on all casualty insurance premiums written within the Town limits. The monies received by the Town are for the purpose of providing benefits to or for the exclusive use of police officers. Effective October 1, 2015, the Town and the Dade County Police Benevolent Association have agreed to utilize the supplemental benefit assets to increase the normal retirement multiplier to 3.50% and to utilize future Chapter 185 distributions as an offset to the Town required contributions. There was no longer a balance related to these funds at September 30, 2016 due as they were transferred over for regular pension benefits.

#### *Basis of Accounting*

The financial statements of the Plan are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

#### *Method Used to Value Investments*

Investments are reported at fair value, except for the money market fund, which is reported at amortized cost. Net appreciation (depreciation) in fair value of investments includes realized and unrealized gains and losses. Realized gains and losses are determined on the basis of specific cost. Purchases and sales of securities are recorded on the trade-date basis. Interest and dividends are recorded as earned on the accrual basis. For more detail regarding the methods used to measure the fair value of investments, refer to the fair value hierarchy in Note 3.

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

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

### NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

#### *Net Pension Liability of the Town*

In accordance with Government Accounting Standards Board Statement No. 68, the net pension liability of the Town, which elected to use a measurement date of September 30, 2015, was as follows:

Total pension liability	\$ 16,164,352
Plan fiduciary net position *	<u>(15,213,341)</u>
Net pension liability	<u>\$ 951,011</u>
 Plan fiduciary net position as a percentage of the total pension liability	 94.12%

\* Excludes \$223,769 of Share Plan net position.

The above net pension liability is recorded within the government-wide statement of net position as of September 30, 2016.

#### *Changes in the Net Pension Liability*

	Increase (Decrease)		
	Total Pension	Plan Fiduciary Net	Net Pension
	Liability	Position	Liability
	(a)	(b)	(a) - (b)
Balances at September 30, 2014	<u>\$ 15,254,583</u>	<u>\$ (15,219,129)</u>	<u>\$ 35,454</u>
Changes for the year:			
Service cost	758,824	--	758,824
Expected interest growth	923,439	(895,733)	27,706
Unexpected investment income	--	1,144,589	1,144,589
Demographic experience	(100,632)	--	(100,632)
Contributions - employer	--	(674,623)	(674,623)
Contributions - employee	--	(271,897)	(271,897)
Benefit payments, including refunds of employee contributions	(671,862)	671,862	--
Administrative changes	--	31,590	31,590
Net changes	<u>909,769</u>	<u>5,788</u>	<u>915,557</u>
<b>Balances at September 30, 2015</b>	<u><u>\$ 16,164,352</u></u>	<u><u>\$ (15,213,341)</u></u>	<u><u>\$ 951,011</u></u>

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

### NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

#### *Significant Actuarial Assumptions*

The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount Rate	5.84%
Inflation	3.00%
Salary increases	4.00% per annum
Measurement Date	September 30, 2015, based on a valuation date of October 1, 2014
Ad-hoc Cost of Living Increases	None
Mortality Rates	Sex-distinct rates set forth in the RP-2000 Combined Mortality Table, with full generational projections using Scale BB.

#### *Long-Term Expected Rate of Return*

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Expected Long-Term Real Return</u>	<u>Target Allocation</u>
Large cap (domestic equity)	6.6%	25.0%
Mid cap (domestic equity)	9.5%	7.5%
Small cap (domestic equity)	8.1%	7.5%
Fixed Income	2.7%	35.0%
Foreign Equity (international equity)	3.4%	10.0%
Emerging Market (international equity)	6.5%	5.0%
Diversified assets	5.9%	10.0%

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

### NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

#### *Discount Rate*

The discount rate used to measure the total pension liability was 5.84%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### *Sensitivity of the Town's Net Pension Liability to Changes in the Discount Rate*

The following presents the net pension liability, calculated using the discount rate of 5.84%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.84%) or 1-percentage-point higher (6.84%) than the current rate:

	1% Decrease (4.84%)	Current Discount Rate (5.84%)	1% Increase (6.84%)
Net pension liability	\$ 1,243,447	\$ 951,011	\$ 683,606

#### *Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At September 30, 2016, the Town reported a net pension liability of \$951,011 (September 30, 2015, measurement date). The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2014. For the fiscal year ended September 30, 2016, the Town recognized pension expense of \$547,329. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Net unexpected investment income	\$ 682,037	\$ --
Demographic experience	--	81,678
Town contributions subsequent to the measurement date	547,329	--
<b>Total</b>	<b>\$ 1,229,366</b>	<b>\$ 81,678</b>

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

### NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

The deferred outflows of resources totaling \$547,329, resulting from Town contributions to the pension subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2017. The additional amounts reported as deferred inflows and outflows of resources related to the pension will be recognized in pension expense over the five remaining years as follows:

<u>Fiscal Year Ending September 30</u>	<u>Amount</u>
2017	\$ 132,086
2018	132,086
2019	132,086
2020	209,963
2021	<u>(5,862)</u>
<b>Total</b>	<b><u>\$ 600,359</u></b>

### NOTE 11. OTHER POST EMPLOYMENT BENEFITS

#### *Plan Description*

The Town provides an optional single employer defined-benefit post-employment healthcare plan to all regular employees of the Town who retire from active service and receive retirement benefits under the Town's pension plan. The plan allows its employees and their beneficiaries, at their own cost, to continue to obtain health, dental and other insurance benefits upon retirement. The benefits of the plan conform to Florida Statutes, which are the legal authority for the plan. The plan has no assets and does not issue a separate financial report.

#### *Funding Policy and Annual OPEB Cost*

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

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

### NOTE 11. OTHER POST EMPLOYMENT BENEFITS (Continued)

#### *Funding Policy and Annual OPEB Cost (Continued)*

The annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance with GASB Statement No. 45. The annual required contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The annual OPEB cost for the Town for the current year and the related information is as follows (all amounts rounded):

Required contribution rates:

Employer	Pay-as-you-go
Plan members	N/A
Normal cost	\$ 10,000
Interest on net OPEB obligation	4,000
Adjustment to ARC	(13,000)
Amortization	<u>22,000</u>
Annual OPEB cost	23,000
Contributions made	<u>(9,000)</u>
Increase in net OPEB obligation	14,000
Net OPEB obligation, beginning of year	<u>111,000</u>
Net OPEB obligation, end of year	<u><u>\$ 125,000</u></u>

#### *Three-Year Trend Information*

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

	Fiscal Year Ended September 30,		
	2016	2015	2014
Annual OPEB cost	\$ 23,000	\$ 21,000	\$ 22,000
Percentage of OPEB cost contributed	39%	81%	105%
Net OPEB obligation	\$ 125,000	\$ 111,000	\$ 107,000

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

### NOTE 11. OTHER POST EMPLOYMENT BENEFITS (Continued)

#### *Funded Status and Funding Progress*

The funded status of the plan as of October 1, 2015, the date of the latest actuarial valuation, was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)* (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) ÷ (b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a) ÷ c)
10/1/2015	\$ --	\$ 177,000	\$177,000	0.0%	\$3,809,000	4.6%

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

#### *Actuarial Methods and Assumptions*

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

Valuation date	October 1, 2015
Actuarial cost method	Project unit credit
Amortization method	10-year open period; level-dollar payment
Actuarial assumptions:	
Investment rate of return*	4.0% compounded annually
*Includes inflation at	2.75% per year
Healthcare cost trend rate(s):	Insurance Premiums
Select rates	8.0% for 2015/16 graded to 5.50% for 2020/21
Ultimate rate	5% per annum

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REQUIRED SUPPLEMENTARY INFORMATION  
(OTHER THAN MD&A)

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# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## BUDGETARY COMPARISON SCHEDULE GENERAL FUND

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget-Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Property taxes	\$ 3,363,190	\$ 3,363,190	\$ 3,429,753	\$ 66,563
Utility taxes	437,000	437,000	455,606	18,606
Communications services tax	271,000	271,000	221,442	(49,558)
Franchise fees	361,500	361,500	350,674	(10,826)
Licenses and permits	547,500	547,500	1,051,339	503,839
Intergovernmental	862,000	862,000	971,127	109,127
Transfer development right fees	--	--	1,484,250	1,484,250
Charges for services	257,720	257,720	191,929	(65,791)
Fines and forfeitures	114,000	114,000	109,149	(4,851)
Investment earnings	56,000	56,000	68,011	12,011
Grants	0	0	500,000	500,000
Miscellaneous	65,000	65,000	74,354	9,354
Total revenues	<u>6,334,910</u>	<u>6,334,910</u>	<u>8,907,634</u>	<u>2,572,724</u>
<b>Expenditures:</b>				
<b>General government:</b>				
Legislative	122,228	122,228	104,649	17,579
Executive	365,015	365,015	391,936	(26,921)
Clerk	219,363	219,363	186,755	32,608
Finance and administration	176,154	176,154	174,077	2,077
Information technology	164,476	164,476	148,733	15,743
Legal	118,000	118,000	194,224	(76,224)
Total general government	<u>1,165,236</u>	<u>1,165,236</u>	<u>1,200,374</u>	<u>(35,138)</u>
Public buildings	<u>209,019</u>	<u>418,269</u>	<u>335,485</u>	<u>82,784</u>
<b>Public safety:</b>				
Law enforcement	3,874,558	4,004,703	3,885,526	119,177
Protective inspections	488,727	490,539	486,820	3,719
Code enforcement	103,535	103,535	102,117	1,418
Other public safety	44,656	44,656	45,204	(548)
Total public safety	<u>4,511,476</u>	<u>4,643,433</u>	<u>4,519,667</u>	<u>123,766</u>
<b>Transportation:</b>				
Streets and parkways	679,849	679,849	629,451	50,398
Public transit	<u>95,800</u>	<u>95,800</u>	<u>92,952</u>	<u>2,848</u>
Total transportation	<u>775,649</u>	<u>775,649</u>	<u>722,403</u>	<u>53,246</u>
<b>Culture and recreation:</b>				
Public library	20,000	20,000	9,900	10,100
Parks and recreation	<u>816,433</u>	<u>3,142,336</u>	<u>2,963,595</u>	<u>178,741</u>
Total culture and recreation	<u>836,433</u>	<u>3,162,336</u>	<u>2,973,495</u>	<u>188,841</u>
<b>Debt service:</b>				
Principal, interest and fiscal charges	<u>541,583</u>	<u>541,583</u>	<u>639,248</u>	<u>(97,665)</u>
Total expenditures	<u>8,039,396</u>	<u>10,706,506</u>	<u>10,390,672</u>	<u>315,834</u>
Excess (deficiency) of revenues over expenditures	<u>(1,704,486)</u>	<u>(4,371,596)</u>	<u>(1,483,038)</u>	<u>2,888,558</u>
<b>Other financing sources (uses):</b>				
Refunding debt issued	--	--	3,085,000	3,085,000
Refunding debt-premium	--	--	133,081	133,081
Payment to refunded bond escrow agent	--	--	(3,118,646)	(3,118,646)
Appropriation of prior year fund balance	50,000	2,717,110	--	(2,717,110)
Sale of capital assets	--	--	1,145	1,145
Transfers in	<u>1,654,486</u>	<u>1,654,486</u>	<u>1,654,850</u>	<u>364</u>
Total other financing sources (uses)	<u>1,704,486</u>	<u>4,371,596</u>	<u>1,755,430</u>	<u>(2,616,166)</u>
Net change in fund balance	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 272,392</u>	<u>\$ 272,392</u>

See note to budgetary comparison schedule

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## REQUIRED SUPPLEMENTARY INFORMATION

### NOTE TO BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

#### **NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING**

An annual appropriated budget is prepared for the General Fund.

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

- (a) The Town Manager submits to the Council a proposed operating budget for the ensuing fiscal year. The operating budget includes appropriations and the means of financing them with an explanation regarding each expenditure that is not of a routine nature.
- (b) Public hearings are conducted to obtain taxpayer comments.
- (c) Prior to October 1, the budget is legally enacted through passage of an ordinance.
- (d) The Town Council, by motion, may make supplemental appropriations for the year up to the amount of revenues in excess of those estimated or from available fund balance. During fiscal year ended September 30, 2016, there were supplemental appropriations of approximately \$2,667,000.
- (e) Formal budgetary integration is employed as a management control device for the General Fund. Budget amendments were not material in relation to the original appropriation.
- (f) The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).
- (g) The Town Manager is authorized to transfer part or all of an encumbered appropriation balance within departments within a fund; however, any revisions that alter the total appropriations of any department or fund must be approved by the Town Council. Therefore, the legal level of control is at the department level.

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## REQUIRED SUPPLEMENTARY INFORMATION

### SCHEDULE OF FUNDING PROGRESS OTHER POST EMPLOYMENT BENEFITS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) ÷ (b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a) ÷ c)
October 1, 2011	--	\$173,000	\$173,000	0.0%	\$4,008,000	4.3%
October 1, 2013	--	182,000	182,000	0.0%	3,470,000	5.2%
October 1, 2015	--	177,000	177,000	0.0%	3,809,000	4.6%

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY AND RELATED RATIOS

	2016	2015	2014
<b>Total Pension Liability</b>			
Service cost	\$ 881,514	\$ 758,824	\$ 686,893
Interest	983,968	923,439	851,757
Demographic experience	(435,741)	(100,632)	--
Changes of benefit terms	998,287	--	--
Changes of assumptions	1,864,465	--	--
Benefit payments, including refunds of member contributions	(1,064,535)	(671,862)	(359,028)
<b>Net Change in Total Pension Liability</b>	3,227,958	909,769	1,179,622
<b>Total Pension Liability - Beginning</b>	16,164,352	15,254,583	14,074,961
<b>Total Pension Liability - Ending (a)</b>	\$ 19,392,310	\$ 16,164,352	\$ 15,254,583
<b>Plan Fiduciary Net Position</b>			
Contributions - employer	\$ 795,792	\$ 674,623	\$ 922,599
Contributions - employee	700,737	271,897	275,817
Net Investment income (loss)	1,506,073	(248,856)	1,185,773
Benefit payments, including refunds of member contributions	(1,064,535)	(671,862)	(384,382)
Administrative expense	(37,339)	(31,590)	(31,811)
<b>Net Change in Plan Fiduciary Net Position</b>	1,900,728	(5,788)	1,967,996
<b>Plan Fiduciary Net Position - Beginning</b>	15,213,341	15,219,129	13,251,133
<b>Plan Fiduciary Net Position - Ending (b)</b>	\$ 17,114,069	\$ 15,213,341	\$ 15,219,129
<b>Net Pension Liability - Ending (a) - (b)</b>	\$ 2,278,241	\$ 951,011	\$ 35,454
<b>Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	88.25%	94.12%	99.77%
<b>Covered Payroll</b>	\$ 3,962,146	\$ 3,822,792	\$ 3,633,983
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	57.50%	24.88%	0.98%

Note: Plan Fiduciary Net Position for 2015 and 2014 excludes \$223,769 and \$198,656, respectively, of Share Plan net position. In fiscal year 2016, Share Plan assets were transferred over to the Plan and are included in the 2016 employer contributions.

*This schedule is presented as required by accounting principles generally accepted in the United States of America, however, until a full 10-year trend is compiled, information is presented for those years available.*

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF TOWN CONTRIBUTIONS

Fiscal Year Ended September 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2016	\$ 795,792	\$ 795,792 * \$	--	\$ 3,962,146	20.08%
2015	674,623	674,623	--	3,822,792	17.65%
2014	922,599	922,599	--	3,633,983	25.39%
2013	1,145,749	1,145,749	--	3,633,983	31.53%
2012	1,108,878	1,108,878	--	4,161,089	26.65%
2011	1,148,812	1,148,812	--	4,008,381	28.66%
2010	1,039,093	1,039,093	--	4,337,725	23.95%
2009	1,012,913	1,012,913	--	3,019,480	33.55%
2008	806,700	806,700	--	2,787,281	28.94%
2007	875,363	875,363	--	2,778,255	31.51%

### Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year Ending September 30, 2016:

Valuation Date: October 1, 2014

Note: Actuarially determined contribution rates are calculated as of October 1, which is 24 months prior to the end of the fiscal year which contributions are reported.

Actuarial Cost Method	Entry-Age Normal
Amortization Method	Level Dollar
Remaining Amortization Period	10 years
Asset Valuation Method	Market Value
Inflation and Other General Increases	3.00%
Salary Increases	4.00%
Discount Rate of Return	6.00%
Retirement Age	Retirement is assumed to occur at normal retirement age.
Mortality	RP-2000 Combined Healthy Mortality Table for males and females, projected to 2007 by Scale AA.

\* Includes Share Plan contributions of \$223,769.

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# STATISTICAL SECTION

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

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Contents	Page(s)
Financial Trends	67-72
These schedules contain information to help the reader understand how the Town's financial performance and well-being have changed over time.	
Revenue Capacity	73-77
These schedules contain information to help the reader assess the Town's most significant revenue sources, the property tax and the causeway toll.	
Debt Capacity	78-81
These schedules present information to help the reader assess the affordability the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.	
Demographic and Economic Information	82
These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.	
Operating Information	83-85
These schedules contain service and infrastructural data to help the reader understand the information in the Town's financial report relates to the services and activities of the Town.	

Sources: Unless otherwise noted, information is derived from the comprehensive annual financial report for the relevant year.

Town of Bay Harbor Islands, Florida

NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS  
(Accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Governmental activities:</b>										
Net investment in capital assets	\$ 9,364,365	\$ 9,298,331	\$ 9,257,952	\$ 9,434,221	\$ 9,064,893	\$ 12,424,702	\$ 12,195,723	\$ 12,455,881	\$ 12,948,529	\$ 15,024,912
Restricted	2,057,254	2,406,945	3,139,500	3,225,411	3,191,089	653,821	543,612	511,416	7,486	7,487
Unrestricted	3,602,328	4,005,296	3,961,738	3,305,290	3,605,326	3,178,473	3,599,739	5,109,768	8,080,656	8,184,142
<b>Total governmental activities net position</b>	<b>\$ 15,023,947</b>	<b>\$ 15,710,572</b>	<b>\$ 16,359,190</b>	<b>\$ 15,964,922</b>	<b>\$ 15,861,308</b>	<b>\$ 16,256,996</b>	<b>\$ 16,339,074</b>	<b>\$ 18,077,065</b>	<b>\$ 21,036,671</b>	<b>\$ 23,216,541</b>
<b>Business-type activities:</b>										
Net investment in capital assets	\$ 11,015,959	\$ 12,900,256	\$ 17,151,887	\$ 17,659,866	\$ 17,836,883	\$ 18,112,144	\$ 18,077,105	\$ 18,598,260	\$ 17,833,029	\$ 23,524,318
Restricted	57,923	62,432	65,441	68,391	71,341	74,292	77,242	80,192	83,142	86,092
Unrestricted	8,503,860	8,117,592	5,155,875	5,590,395	5,992,431	6,887,914	7,463,786	7,287,671	10,240,475	7,262,551
<b>Total business-type activities net position</b>	<b>\$ 19,577,742</b>	<b>\$ 21,080,280</b>	<b>\$ 22,373,203</b>	<b>\$ 23,318,652</b>	<b>\$ 23,900,655</b>	<b>\$ 25,074,350</b>	<b>\$ 25,618,133</b>	<b>\$ 25,966,123</b>	<b>\$ 28,156,646</b>	<b>\$ 30,872,961</b>
<b>Primary government</b>										
Net investment in capital assets	\$ 20,380,324	\$ 22,198,587	\$ 26,409,839	\$ 27,094,087	\$ 26,901,776	\$ 30,536,846	\$ 30,272,828	\$ 31,054,141	\$ 30,781,558	\$ 38,549,230
Restricted	2,115,177	2,469,377	3,204,941	3,293,802	3,262,430	728,113	620,854	591,608	90,628	93,579
Unrestricted	12,106,188	12,122,888	9,117,613	8,895,685	9,597,757	10,066,387	11,063,525	12,397,439	18,321,131	15,446,693
<b>Total primary government net position</b>	<b>\$ 34,601,689</b>	<b>\$ 36,790,852</b>	<b>\$ 38,732,393</b>	<b>\$ 39,283,574</b>	<b>\$ 39,761,963</b>	<b>\$ 41,331,346</b>	<b>\$ 41,957,207</b>	<b>\$ 44,043,188</b>	<b>\$ 49,193,317</b>	<b>\$ 54,089,502</b>

Town of Bay Harbor Islands, Florida

CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
(Accrual Basis of Accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses:										
Governmental activities:										
General government	\$ 1,329,838	\$ 1,258,955	\$ 1,231,103	\$ 1,388,924	\$ 1,221,722	\$ 1,172,787	\$ 1,069,286	\$ 969,146	\$ 1,333,314	\$ 1,538,406
Public safety	4,063,764	4,132,307	4,278,231	4,197,284	4,261,046	4,419,612	4,741,403	4,247,292	4,285,979	4,586,153
Transportation	955,569	986,410	891,109	935,471	1,011,529	1,087,658	1,198,230	1,031,567	1,058,239	1,092,928
Culture and recreation	77,593	135,373	113,496	92,717	124,264	124,506	162,244	303,531	620,285	874,555
Interest and other fiscal charges	431,951	427,641	424,764	419,819	412,328	407,945	552,546	255,835	248,602	291,717
Total governmental activities expenses	<u>6,858,715</u>	<u>6,940,686</u>	<u>6,938,703</u>	<u>7,034,215</u>	<u>7,030,889</u>	<u>7,212,508</u>	<u>7,723,709</u>	<u>6,807,371</u>	<u>7,546,419</u>	<u>8,383,759</u>
Business-type activities:										
Causeway	3,135,780	3,339,312	3,647,587	3,787,489	4,011,938	3,878,069	4,157,983	5,041,852	3,423,522	3,721,789
Sewer	1,313,851	1,125,393	1,067,918	1,210,764	1,245,975	1,284,691	1,334,271	1,220,829	1,251,842	1,440,701
Water	822,979	848,993	938,061	1,067,501	933,301	953,007	913,966	963,031	1,062,721	914,630
Parking	146,790	231,733	183,760	576,340	679,315	642,801	817,428	578,007	554,897	610,508
Solid waste	677,231	652,640	625,189	655,092	670,688	668,603	690,765	754,366	764,182	763,258
Stormwater	156,347	92,196	112,155	114,784	113,974	94,893	120,114	118,290	153,990	236,869
Total business-type activities expenses	<u>6,252,978</u>	<u>6,290,267</u>	<u>6,574,670</u>	<u>7,411,970</u>	<u>7,655,191</u>	<u>7,522,064</u>	<u>8,034,527</u>	<u>8,676,375</u>	<u>7,211,154</u>	<u>7,687,755</u>
Total primary government expenses:	<u>13,111,693</u>	<u>13,230,953</u>	<u>13,513,373</u>	<u>14,446,185</u>	<u>14,686,080</u>	<u>14,734,572</u>	<u>15,758,236</u>	<u>15,483,746</u>	<u>14,757,573</u>	<u>16,071,514</u>
Program revenues:										
Governmental activities:										
Charges for services:										
General government	345,182	275,841	205,480	179,880	153,406	191,668	819,994	1,150,869	3,366,307	2,535,629
Public safety	196,192	187,961	203,641	162,720	144,116	148,623	188,158	119,749	123,346	112,103
Transportation	--	--	--	--	--	--	--	--	--	1,145
Culture and recreation	498	711	730	1,713	2,019	2,488	10,726	117,927	187,006	188,935
Operating grants and contributions	357,166	380,915	32,083	33,156	36,584	37,187	75,071	44,615	45,552	41,440
Capital grants and contributions	199,661	194,029	760,679	653,639	291,057	846,776	226,878	553,794	258,583	254,549
Total governmental activities program revenues	<u>1,098,699</u>	<u>1,039,457</u>	<u>1,202,613</u>	<u>1,031,108</u>	<u>627,182</u>	<u>1,226,742</u>	<u>1,320,827</u>	<u>1,986,954</u>	<u>3,980,794</u>	<u>3,133,801</u>
Business-type activities:										
Charges for services:										
Causeway	5,842,942	5,417,919	5,045,818	4,933,778	5,234,106	5,474,246	5,582,204	5,832,200	5,640,616	6,343,875
Sewer	1,275,797	1,418,561	1,527,512	1,724,939	1,747,443	2,001,681	1,934,067	1,857,548	1,981,206	2,013,613
Water	789,223	769,374	927,333	1,082,672	1,092,097	1,254,114	1,214,093	1,097,840	1,226,305	1,154,818
Parking	281,962	290,891	297,852	335,354	389,756	379,778	476,723	691,395	733,488	673,472
Solid waste	678,635	684,793	681,769	696,642	694,928	715,326	715,130	725,714	711,977	698,570
Stormwater	211,151	211,306	213,624	209,865	208,815	213,156	209,667	209,457	205,037	210,169
Capital grants and contributions	1,200,000	--	--	--	316,249	--	--	--	485,012	514,988
Total business-type activities program revenues	<u>10,279,710</u>	<u>8,792,844</u>	<u>8,693,908</u>	<u>8,983,250</u>	<u>9,683,394</u>	<u>10,038,301</u>	<u>10,131,884</u>	<u>10,414,154</u>	<u>10,983,641</u>	<u>11,609,505</u>
Total primary government program revenue:	<u>\$ 11,378,409</u>	<u>\$ 9,832,301</u>	<u>\$ 9,896,521</u>	<u>\$ 10,014,358</u>	<u>\$ 10,310,576</u>	<u>\$ 11,265,043</u>	<u>\$ 11,452,711</u>	<u>\$ 12,401,108</u>	<u>\$ 14,964,435</u>	<u>\$ 14,743,306</u>

Continued

Town of Bay Harbor Islands, Florida

CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
(Accrual Basis of Accounting)  
(continued)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net (expense) revenue:										
Governmental activities	\$ (5,760,016)	\$ (5,901,229)	\$ (5,736,090)	\$ (6,003,107)	\$ (6,403,706)	\$ (5,985,765)	\$ (6,712,882)	\$ (5,457,917)	\$ (5,751,625)	\$ (5,249,958)
Business-type activities	4,026,732	2,502,577	2,119,238	1,571,280	2,028,203	2,516,237	2,097,357	1,737,779	3,772,487	3,921,750
	<u>\$ (1,733,284)</u>	<u>\$ (3,398,652)</u>	<u>\$ (3,616,852)</u>	<u>\$ (4,431,827)</u>	<u>\$ (4,375,503)</u>	<u>\$ (3,469,528)</u>	<u>\$ (4,615,525)</u>	<u>\$ (3,720,138)</u>	<u>\$ (1,979,138)</u>	<u>\$ (1,328,208)</u>
General revenues and other changes in net position:										
Governmental activities:										
Property taxes	\$ 3,416,045	\$ 3,048,334	\$ 3,150,090	\$ 3,004,968	\$ 3,040,733	\$ 2,992,245	\$ 3,001,002	\$ 3,054,392	\$ 3,332,606	\$ 3,429,753
Franchise fees based on gross receipts	379,221	379,264	367,179	339,581	359,930	347,019	350,569	373,096	363,587	350,674
Utility taxes	344,613	359,065	351,358	387,399	390,796	399,923	422,974	461,351	452,355	455,606
Communications services tax	321,843	453,261	348,882	348,436	307,006	298,092	281,603	270,719	249,333	221,442
Unrestricted intergovernmental revenue	547,324	521,120	467,565	480,068	495,586	549,523	618,159	630,453	670,021	1,175,138
Unrestricted investment earnings	823,131	450,029	388,574	185,113	61,145	87,275	(57,892)	12,555	39,064	68,011
Miscellaneous	90,914	50,578	53,850	9,922	18,144	64,179	103,964	82,892	50,830	74,354
Transfers	1,324,113	1,326,203	1,257,210	853,352	1,626,752	1,643,197	1,764,581	1,672,950	1,692,655	1,654,850
Total governmental activities	<u>7,247,204</u>	<u>6,587,854</u>	<u>6,384,708</u>	<u>5,608,839</u>	<u>6,300,092</u>	<u>6,381,453</u>	<u>6,484,960</u>	<u>6,558,408</u>	<u>6,850,451</u>	<u>7,429,828</u>
Business-type activities:										
Unrestricted interest earnings	423,611	237,420	343,424	144,682	53,696	96,954	(67,674)	13,737	45,508	94,084
Miscellaneous	104,769	88,744	87,470	82,840	126,856	203,701	278,681	269,424	254,094	355,331
Transfers	(1,324,113)	(1,326,203)	(1,257,210)	(853,352)	(1,626,752)	(1,643,197)	(1,764,581)	(1,672,950)	(1,692,655)	(1,654,850)
Total business-type activities	<u>(795,733)</u>	<u>(1,000,039)</u>	<u>(826,316)</u>	<u>(625,830)</u>	<u>(1,446,200)</u>	<u>(1,342,542)</u>	<u>(1,553,574)</u>	<u>(1,389,789)</u>	<u>(1,393,053)</u>	<u>(1,205,435)</u>
Change in net position:										
Governmental activities	1,487,188	686,625	648,618	(394,268)	(103,614)	395,688	(227,922)	1,100,491	1,098,826	2,179,870
Business-type activities	3,230,999	1,502,538	1,292,922	945,450	582,003	1,173,695	543,783	347,990	2,379,434	2,716,315
	<u>\$ 4,718,187</u>	<u>\$ 2,189,163</u>	<u>\$ 1,941,540</u>	<u>\$ 551,182</u>	<u>\$ 478,389</u>	<u>\$ 1,569,383</u>	<u>\$ 315,861</u>	<u>\$ 1,448,481</u>	<u>\$ 3,478,260</u>	<u>\$ 4,896,185</u>

Town of Bay Harbor Islands, Florida

FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(Modified accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund:										
Reserved	\$ 252,661	\$ 270,964	\$ 261,652	\$ 273,821	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Unreserved	3,498,414	3,834,721	3,852,654	3,262,489	--	--	--	--	--	--
Non-spendable	--	--	--	--	121,095	56,482	38,630	30,104	28,493	25,450
Restricted	--	--	--	--	132,992	94,198	23,654	26	7,486	7,487
Unassigned	--	--	--	--	3,343,554	3,245,657	3,638,393	5,050,708	7,813,864	8,089,298
Total General Fund	<u>\$ 3,751,075</u>	<u>\$ 4,105,685</u>	<u>\$ 4,114,306</u>	<u>\$ 3,536,310</u>	<u>\$ 3,597,641</u>	<u>\$ 3,396,337</u>	<u>\$ 3,700,677</u>	<u>\$ 5,080,838</u>	<u>\$ 7,849,843</u>	<u>\$ 8,122,235</u>
All other governmental funds:										
Unreserved, reported in:										
Capital Projects Fund	\$ 10,312,731	\$ 10,392,904	\$ 10,175,931	\$ 7,095,695	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Assigned to:										
Capital Projects Fund	--	--	--	--	3,956,049	559,623	519,958	511,390	354,577	160,689
Total Capital Projects Fund	<u>\$ 10,312,731</u>	<u>\$ 10,392,904</u>	<u>\$ 10,175,931</u>	<u>\$ 7,095,695</u>	<u>\$ 3,956,049</u>	<u>\$ 559,623</u>	<u>\$ 519,958</u>	<u>\$ 511,390</u>	<u>\$ 354,577</u>	<u>\$ 160,689</u>

Note: Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented for the fiscal year ended September 30, 2011.

Town of Bay Harbor Islands, Florida

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (Modified accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues:</b>										
Taxes	\$ 4,082,501	\$ 3,753,545	\$ 3,916,659	\$ 3,757,681	\$ 3,755,413	\$ 3,697,292	\$ 3,705,579	\$ 3,786,462	\$ 4,034,294	\$ 4,106,801
Franchise fees	379,221	379,264	367,179	339,581	359,930	347,019	350,569	373,096	363,587	350,674
Licenses and permits	344,317	274,351	204,190	179,860	153,386	191,628	509,964	826,335	1,180,257	1,051,339
Intergovernmental	779,574	747,738	676,760	689,430	716,848	804,970	876,689	913,702	970,463	971,127
Transfer development right fees	--	--	--	--	--	--	310,000	637,500	2,186,000	1,484,250
Charges for services	2,986	8,484	4,905	2,422	2,783	2,893	11,435	119,252	188,524	191,929
Fines and forfeitures	194,570	181,678	200,756	162,031	143,529	148,308	187,480	118,454	119,988	109,149
Investment earnings	823,131	450,029	388,574	185,113	61,145	87,275	(57,892)	12,555	39,064	68,011
Grants	324,576	348,326	583,567	477,433	106,221	628,358	43,418	2,163	3,693	500,000
Miscellaneous	90,915	50,578	53,850	9,922	18,144	64,179	103,964	82,891	50,830	74,354
Total revenues	<u>7,021,791</u>	<u>6,193,993</u>	<u>6,396,440</u>	<u>5,803,473</u>	<u>5,317,399</u>	<u>5,971,922</u>	<u>6,041,206</u>	<u>6,872,410</u>	<u>9,136,700</u>	<u>8,907,634</u>
<b>Expenditures:</b>										
General government	1,298,557	1,103,603	1,136,123	1,095,584	1,074,286	1,021,155	1,059,846	992,855	1,146,798	1,387,402
Public safety	3,967,712	4,033,961	4,178,157	4,108,595	4,196,518	4,373,684	4,718,586	4,219,057	4,401,701	4,441,408
Transportation	858,482	890,112	795,044	826,078	817,526	891,186	847,193	677,439	707,624	722,403
Culture and recreation	60,679	101,482	79,245	45,010	56,122	51,440	88,961	229,475	520,597	750,181
Capital outlay	4,400,441	347,305	1,062,140	3,633,259	3,272,090	4,265,481	288,069	516,991	743,909	2,450,030
Debt service:										
Principal payments	175,000	180,000	185,000	185,000	190,000	200,000	205,000	278,000	291,000	295,000
Interest and debt costs	434,295	428,950	426,293	421,531	415,924	409,903	379,135	259,950	250,611	344,248
Total expenditures	<u>11,195,166</u>	<u>7,085,413</u>	<u>7,862,002</u>	<u>10,315,057</u>	<u>10,022,466</u>	<u>11,212,849</u>	<u>7,586,790</u>	<u>7,173,767</u>	<u>8,062,240</u>	<u>10,390,672</u>
Excess of revenues over (under) expenditures	<u>(4,173,375)</u>	<u>(891,420)</u>	<u>(1,465,562)</u>	<u>(4,511,584)</u>	<u>(4,705,067)</u>	<u>(5,240,927)</u>	<u>(1,545,584)</u>	<u>(301,357)</u>	<u>1,074,460</u>	<u>(1,483,038)</u>
<b>Other financing sources (uses):</b>										
Transfers in	1,324,113	1,326,203	1,257,210	1,453,352	1,626,752	1,643,197	1,764,581	1,672,950	1,692,655	1,654,850
Sale of capital assets	--	--	--	--	--	--	--	--	1,890	1,145
Bonds and notes issued	--	--	--	--	--	--	4,709,000	--	--	3,218,081
Payment to bond escrow agent	--	--	--	--	--	--	(4,663,322)	--	--	(3,118,646)
Total other financing sources	<u>1,324,113</u>	<u>1,326,203</u>	<u>1,257,210</u>	<u>1,453,352</u>	<u>1,626,752</u>	<u>1,643,197</u>	<u>1,810,259</u>	<u>1,672,950</u>	<u>1,694,545</u>	<u>1,755,430</u>
Net change in fund balances	<u>\$ (2,849,262)</u>	<u>\$ 434,783</u>	<u>\$ (208,352)</u>	<u>\$ (3,058,232)</u>	<u>\$ (3,078,315)</u>	<u>\$ (3,597,730)</u>	<u>\$ 264,675</u>	<u>\$ 1,371,593</u>	<u>\$ 2,769,005</u>	<u>\$ 272,392</u>
Debt service as a percentage of noncapital expenditures	9.0%	9.0%	9.0%	9.0%	9.0%	8.8%	8.0%	8.1%	7.4%	8.1%

Town of Bay Harbor Islands, Florida

PROGRAM REVENUES BY FUNCTION/PROGRAM  
 LAST TEN FISCAL YEARS  
 (Accrual Basis of Accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:										
General government	\$ 370,108	\$ 288,556	\$ 205,480	\$ 179,880	\$ 153,406	\$ 220,026	\$ 513,145	\$ 826,365	\$ 1,180,307	\$ 2,535,629
Public safety	236,432	220,550	235,724	372,082	368,757	404,229	486,956	405,162	168,898	153,543
Transportation	199,661	194,029	760,679	77,433	--	600,000	--	--	258,583	255,694
Culture and recreation	292,498	336,322	730	401,713	105,019	2,488	10,726	117,927	185,116	188,935
Total governmental activities	<u>1,098,699</u>	<u>1,039,457</u>	<u>1,202,613</u>	<u>1,031,108</u>	<u>627,182</u>	<u>1,226,743</u>	<u>1,010,827</u>	<u>1,349,454</u>	<u>1,792,904</u>	<u>3,133,801</u>
Business-type activities:										
Causeway	7,042,942	5,417,919	5,045,818	4,933,778	5,350,355	5,474,246	5,582,204	5,832,200	6,124,053	6,858,863
Sewer	1,275,797	1,418,561	1,527,512	1,724,939	1,747,443	2,001,681	1,934,067	1,857,548	1,981,206	2,013,613
Water	789,223	769,374	927,333	1,082,672	1,292,097	1,254,114	1,214,093	1,097,840	1,226,305	1,154,818
Parking	281,962	290,891	297,853	335,354	389,756	379,778	476,723	691,395	586,972	673,472
Solid waste	678,635	684,793	681,769	696,642	694,928	715,326	715,130	725,714	711,977	698,570
Stormwater	211,151	211,306	213,624	209,865	208,815	213,156	209,667	209,457	205,037	210,169
Total business-type activities	<u>10,279,710</u>	<u>8,792,844</u>	<u>8,693,909</u>	<u>8,983,250</u>	<u>9,683,394</u>	<u>10,038,301</u>	<u>10,131,884</u>	<u>10,414,154</u>	<u>10,835,550</u>	<u>11,609,505</u>
Total primary government	<u>\$ 11,378,409</u>	<u>\$ 9,832,301</u>	<u>\$ 9,896,522</u>	<u>\$ 10,014,358</u>	<u>\$ 10,310,576</u>	<u>\$ 11,265,044</u>	<u>\$ 11,142,711</u>	<u>\$ 11,763,608</u>	<u>\$ 12,628,454</u>	<u>\$ 14,743,306</u>

## Town of Bay Harbor Islands, Florida

### ASSESSED VALUE OF TAXABLE PROPERTY LAST TEN FISCAL YEARS

Year*	Real Property	Personal Property	Exemptions		Net Taxable Value	Direct Millage	Total Direct & Overlapping Millage
			Real	Personal			
2007	\$ 1,070,971,539	\$ 13,992,732	\$ 339,303,966	\$ 318,441	\$ 745,341,864	4.7500	22.5638
2008	1,231,775,774	13,752,659	404,261,939	192,952	841,073,542	3.6565	19.7986
2009	1,235,947,508	14,727,388	387,574,044	2,811,084	860,289,768	3.9750	20.2017
2010	1,037,375,579	15,588,658	286,640,237	2,524,662	763,799,338	4.4120	20.9155
2011	786,125,345	15,066,967	193,998,319	2,548,463	604,645,530	5.2971	23.1724
2012	774,573,967	15,719,441	195,261,493	2,212,422	592,819,493	5.2971	21.8256
2013	749,459,838	15,472,810	182,892,469	2,174,864	579,865,315	5.2971	21.7097
2014	845,128,356	15,304,530	255,862,099	2,407,807	602,162,980	5.2971	21.7097
2015	1,063,287,591	15,600,448	377,286,535	2,674,099	698,927,405	4.9000	21.3417
2016	1,210,203,009	14,982,614	444,372,802	2,746,997	778,065,824	4.5500	20.5953

\*Year refers to the fiscal year which is funded by taxes levied upon the listed assessments. Each fiscal year's tax roll is as of January 1 of the previous year.

SOURCE: Miami-Dade County Property Appraiser's Office

## Town of Bay Harbor Islands, Florida

### Property Tax Rates (per \$1,000) Direct and Overlapping Governments Last Ten Fiscal Years

Year*	Direct Rate	Overlapping Rates					Total
	Bay Harbor Islands Operating	Miami- Dade County	Miami- Dade County Schools	County Districts**	<u>State Special Districts</u>		
					Florida Inland Navigation	South Florida Water Management	
2007	4.7500	5.9000	8.1050	3.0733	0.0385	0.6970	22.5638
2008	3.6565	4.8646	7.9480	2.6710	0.0345	0.6240	19.7986
2009	3.9750	5.1229	7.7970	2.6483	0.0345	0.6240	20.2017
2010	4.4120	5.1229	7.9950	2.7271	0.0345	0.6240	20.9155
2011	5.2971	5.8725	8.2490	3.0953	0.0345	0.6240	23.1724
2012	5.2971	5.0900	8.0050	2.9627	0.0345	0.4363	21.8256
2013	5.2971	4.9885	7.9980	2.9627	0.0345	0.4289	21.7097
2014	5.2500	5.1255	7.9770	2.9623	0.0345	0.4110	21.7603
2015	4.9000	5.1169	7.9740	2.9321	0.0345	0.3842	21.3417
2016	4.5500	5.1169	7.6120	2.9293	0.0320	0.3551	20.5953

SOURCE: Miami-Dade County Property Appraiser's Office

\*Year refers to the fiscal year which is funded by taxes levied upon properties as assessed effective January 1 of the previous year.

\*\* This represents Fire and Rescue and the Children's Trust.

## Town of Bay Harbor Islands, Florida

### PRINCIPAL PROPERTY TAXPAYERS REAL ESTATE AD VALOREM TAXES CURRENT AND NINE YEARS AGO

**Year: 2016**

<u>Parcel Owner</u>	<u>Taxable Valuation</u>	<u>Percentage of Total Taxable Valuation*</u>
1170 LLC	\$ 6,105,000	0.80%
Marie Lerner	5,478,649	0.72%
Sawmill LLC	5,353,609	0.70%
Matthew and Natalia Storm	5,313,544	0.69%
Betty Leider Trust	5,209,803	0.68%
PMP Family LLC	4,840,673	0.63%
Jose Cojab	4,647,170	0.61%
Spencer Merinoff	4,287,151	0.56%
Robert and Carole Saland	4,005,209	0.52%
1108 Concourse LC	3,983,107	0.52%
	<u>\$ 49,223,915</u>	<u>6.43%</u>

\*Based on Appraisers 2015 Municipal Tax Roll

**Year: 2007**

<u>Parcel Owner</u>	<u>Taxable Valuation</u>	<u>Percentage of Total Taxable Valuation**</u>
Mark and Janice Revitz	\$ 5,257,825	0.71%
Baytown Corporation	4,707,490	0.63%
Ocean Cadillac Inc.	4,547,596	0.61%
Kingsley Arms Apartments Inc.	4,415,625	0.59%
The Palms of Bay Harbor LLC	4,355,765	0.58%
Vendome Advisors Corporation	4,194,985	0.56%
Island Club Towers LLC	4,039,063	0.54%
Jean C. Pelletier	3,825,767	0.51%
Hernan DeCarli	3,818,907	0.51%
1108 Concourse LLC	3,816,021	0.51%
	<u>\$ 42,979,044</u>	<u>5.75%</u>

\*\*Based on January 1, 2006 Appraiser's certification of taxable value.

SOURCE: Miami-Dade County Property Appraiser's Office

## Town of Bay Harbor Islands, Florida

### Property Tax Levies and Collections Last Ten Fiscal Years

Fiscal Year Ended September 30,	Taxes Levied	Collected within the Fiscal Year of the Levy		Collections of Previous Years' Levies	Total Collections
		Amount	Percentage of Levy		
2007	\$ 3,723,914	\$ 3,250,427	87.3%	\$ 165,618	\$ 3,416,045
2008	3,220,214	2,831,311	87.9%	217,023	3,048,334
2009	3,413,429	3,074,594	90.1%	75,496	3,150,090
2010	3,365,035	2,895,470	86.0%	109,498	3,004,968
2011	3,213,462	2,835,472	88.2%	205,261	3,040,733
2012	3,056,957	2,886,789	94.4%	105,456	2,992,245
2013	3,071,604	2,805,412	91.3%	195,590	3,001,002
2014	3,161,356	2,954,498	93.5%	99,894	3,054,392
2015	3,424,744	3,122,365	91.2%	210,241	3,332,606
2016	3,540,199	3,356,009	94.8%	73,744	3,429,753

Source: Miami-Dade County Property Appraiser's Office, except for Taxes Levied from Town Finance Department.

Town of Bay Harbor Islands, Florida

CAUSEWAY TOLL REVENUE  
LAST TEN FISCAL YEARS

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total traffic	<u>6,686,886</u>	<u>6,221,429</u>	<u>5,950,509</u>	<u>5,853,952</u>	<u>6,204,622</u>	<u>6,484,193</u>	<u>6,611,424</u>	<u>6,729,408</u>	<u>7,488,382</u>	<u>7,917,781</u>
Toll revenues:										
Cash tolls	\$ 4,574,780	\$ 4,118,577	\$ 3,752,773	\$ 3,661,057	\$ 3,849,802	\$ 4,087,159	\$ 4,110,787	\$ 4,400,704	\$ 5,146,478	\$ 5,947,747
Commuter/annual pass	<u>1,227,816</u>	<u>1,299,342</u>	<u>1,293,045</u>	<u>1,272,721</u>	<u>1,384,304</u>	<u>1,387,087</u>	<u>1,471,417</u>	<u>1,431,496</u>	<u>492,563</u>	<u>395,428</u>
Total toll revenue	<u>\$ 5,802,596</u>	<u>\$ 5,417,919</u>	<u>\$ 5,045,818</u>	<u>\$ 4,933,778</u>	<u>\$ 5,234,106</u>	<u>\$ 5,474,246</u>	<u>\$ 5,582,204</u>	<u>\$ 5,832,200</u>	<u>\$ 5,639,041</u>	<u>\$ 6,343,175</u>
Average yield per vehicle	\$ 0.868	\$ 0.871	\$ 0.848	\$ 0.843	\$ 0.844	\$ 0.844	\$ 0.844	\$ 0.867	\$ 0.753	\$ 0.801
Toll rates:										
Cash toll (Class 1)	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Annual pass	\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00

## Town of Bay Harbor Islands, Florida

### RATIOS OF OUTSTANDING DEBT BY TYPE LAST TEN FISCAL YEARS

Fiscal Year	Business-Type Activities			Governmental Activities			Total Primary Government	Percentage of Actual Property Value (1)	Per Capita (2)
	Promissory Notes	State Revolving Loan	Capital Lease	Revenue Bonds Series 2003B	Refunding Note Series 2012	Revenue Bonds Series 2016			
2007	\$ 2,772,723	\$ 851,655	\$ 134,590	\$ 8,855,000	--	--	\$ 12,613,968	1.69%	\$ 2,422
2008	7,353,591	802,141	--	8,675,000	--	--	16,830,732	2.00%	3,232
2009	6,974,460	751,093	--	8,490,000	--	--	16,215,553	1.88%	3,158
2010	6,605,329	698,464	--	8,305,000	--	--	15,608,793	2.04%	3,064
2011	6,181,197	644,204	--	8,115,000	--	--	14,940,401	2.47%	2,655
2012	5,747,065	588,263	--	7,915,000	--	--	14,250,328	2.40%	2,473
2013	18,593,000	530,589	--	3,265,000	\$ 4,709,000	--	27,097,589	4.67%	4,655
2014	17,643,000	471,128	--	3,055,000	4,641,000	--	25,810,128	4.29%	4,409
2015	16,604,000	409,825	--	3,055,000	4,350,000	--	24,418,825	3.49%	4,065
2016	15,532,000	346,623	--	--	4,055,000	\$ 3,085,000	23,018,623	2.96%	3,814

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

(1) See the Schedule of Assessed Value of Taxable Property for the property value data.

(2) See the Schedule of Demographic and Economic Statistics. Data on personal income for the Town distinct from larger statistical units is not available so a meaningful comparison of total debt to personal income cannot be computed.

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
SEPTEMBER 30, 2016

Jurisdiction	Debt Outstanding	Estimated Percentage Applicable to Town of Bay Harbor Islands (1)	Estimated Share of Direct & Overlapping Debt
Direct:			
Bay Harbor Islands	\$ 7,279,008	100.00%	\$ 7,279,008
Overlapping:			
Miami-Dade Board of County Commissioners (2)	1,528,306,000	0.22%	3,415,609
Miami-Dade County School Board (3)	496,274,000	0.22%	1,109,122
Total overlapping	<u>2,024,580,000</u>		<u>4,524,730</u>
Total direct and overlapping	<u>\$ 2,031,859,008</u>		<u>\$ 11,803,738</u>

Notes:

(1) The percentage of overlapping debt payable is estimated by dividing the Town's population of 6,036 by the County's population of 2,700,794 obtained from Miami-Dade County, Florida Finance Department.

(2) Source: Miami-Dade County, Florida, Finance Department.

(3) Information obtained from Miami-Dade County School Board CAFR for fiscal year ended June 30, 2016.

Town of Bay Harbor Islands, Florida

LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Assessed values (1):										
Taxable value of real property	\$ 731,667,573	\$ 827,513,835	\$ 848,373,464	\$ 750,735,342	\$ 592,127,026	\$ 579,312,474	\$ 566,567,369	\$ 589,266,257	\$ 686,001,056	\$ 765,830,207
Add: Exempt real property	339,303,966	404,261,939	387,574,044	286,640,237	193,998,319	195,261,493	182,892,469	255,862,099	377,286,535	444,372,802
Total assessed value of real property	<u>\$ 1,070,971,539</u>	<u>\$ 1,231,775,774</u>	<u>\$ 1,235,947,508</u>	<u>\$ 1,037,375,579</u>	<u>\$ 786,125,345</u>	<u>\$ 774,573,967</u>	<u>\$ 749,459,838</u>	<u>\$ 845,128,356</u>	<u>\$ 1,063,287,591</u>	<u>\$ 1,210,203,009</u>
Legal debt margin:										
Debt limitation (25% of assessed real property)	\$ 267,742,885	\$ 307,943,944	\$ 308,986,877	\$ 259,343,895	\$ 196,531,336	\$ 193,643,492	\$ 187,364,960	\$ 211,282,089	\$ 265,821,898	\$ 302,550,752
Total bonded debt	<u>8,855,000</u>	<u>8,675,000</u>	<u>8,490,000</u>	<u>8,305,000</u>	<u>8,115,000</u>	<u>7,915,000</u>	<u>7,974,000</u>	<u>7,696,000</u>	<u>7,551,730</u>	<u>7,279,008</u>
Legal debt margin	<u>\$ 258,887,885</u>	<u>\$ 299,268,944</u>	<u>\$ 300,496,877</u>	<u>\$ 251,038,895</u>	<u>\$ 188,416,336</u>	<u>\$ 185,728,492</u>	<u>\$ 179,390,960</u>	<u>\$ 203,586,089</u>	<u>\$ 258,270,168</u>	<u>\$ 295,271,744</u>
Total net debt applicable to the limit as a percentage of debt limit	3.31%	2.82%	2.75%	3.20%	4.13%	4.09%	4.26%	3.64%	2.84%	2.41%

Note: The Town may incur bonded debt up to 25% of the assessed valuation of real estate within its boundaries per section 45 of the Town Charter.

(1) See the Schedule of Assessed Value of Taxable Property for the property value data.

# Town of Bay Harbor Islands, Florida

## PLEDGED-REVENUE COVERAGE LAST TEN FISCAL YEARS

Broad Causeway Revenue Bonds and Notes					
Fiscal Year	Gross Revenues	Operating Expenses	Net Available Revenue	Debt Service Amount	Coverage
2007	\$ 6,020,754	\$ 2,458,490	\$ 3,562,264	\$ 430,795	8.27
2008	5,551,909	2,569,856	2,982,053	430,795	6.92
2009	5,249,367	2,630,811	2,618,556	430,795	6.08
2010	5,076,927	2,764,852	2,312,075	430,795	5.37
2011	5,337,434	3,033,597	2,303,837	430,795	5.35
2012	5,595,731	3,019,397	2,576,334	430,795	5.98
2013	5,625,617	2,909,660	2,715,957	1,125,563	2.41
2014	5,941,008	3,885,577	2,055,431	1,121,329	1.83
2015	5,757,614	2,159,010	3,598,604	1,120,823	3.21
2016	6,484,815	2,509,514	3,975,302	1,120,836	3.55

Sewer Fund State Revolving Loan					
Fiscal Year	Gross Revenues	Operating Expenses	Net Available Revenue	Debt Service Amount	Coverage
2007	\$ 1,359,036	\$ 1,176,777	\$ 182,259	\$ 75,320	2.42
2008	1,455,384	988,822	466,562	75,320	6.19
2009	1,528,157	932,829	595,328	75,320	7.90
2010	1,725,139	1,065,022	660,117	75,320	8.76
2011	1,747,443	1,103,346	644,097	75,320	8.55
2012	2,001,681	1,144,369	857,312	75,320	11.38
2013	1,972,067	1,179,264	792,803	75,320	10.53
2014	1,943,998	1,071,444	872,554	75,320	11.58
2015	2,051,031	1,096,990	954,041	75,320	12.67
2016	2,058,738	1,270,576	788,162	75,320	10.46

Revenue Bonds and Refunding Note						
Fiscal Year	Sales Tax	Franchise Fees	Utility Tax	Total Revenues	Debt Service Amount	Coverage
2007	\$ 345,574	\$ 379,221	\$ 344,613	\$ 1,069,408	\$ 609,295	1.76
2008	330,552	343,972	359,065	1,033,589	608,950	1.70
2009	292,861	367,179	351,358	1,011,398	611,293	1.65
2010	305,951	339,581	387,399	1,032,931	606,531	1.70
2011	319,564	359,930	390,796	1,070,290	605,924	1.77
2012	336,947	347,020	399,923	1,083,890	609,903	1.78
2013	388,606	350,569	422,974	1,162,149	540,971	2.15
2014	413,855	373,096	461,351	1,248,302	537,960	2.32
2015	434,991	363,587	452,355	1,250,933	541,611	2.31
2016	441,069	350,674	455,606	1,247,349	535,582	2.33

## Town of Bay Harbor Islands, Florida

### DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN FISCAL YEARS

Year	Bay Harbor Islands Population *	Miami- Dade County **				
		Personal Income	Per Capita Personal Income	Unemployment Rate	Civilian Labor Force	Median Age
2007	5,148	\$ 85,978,571	\$ 35,791	3.6%	1,192,231	38
2008	5,135	88,954,732	37,264	5.3%	1,205,913	39
2009	5,095	90,915,774	37,909	8.9%	1,218,871	39
2010	5,628	92,227,399	36,846	12.0%	1,257,324	38
2011	5,762	96,657,710	37,834	12.7%	1,300,030	38
2012	5,821	100,688,604	39,466	9.7%	1,290,751	39
2013	5,854	104,373,301	40,680	8.9%	1,289,617	39
2014	6,007	111,528,866	43,123	7.2%	1,282,854	39
2015	6,036	N/A	N/A	6.2%	1,321,033	N/A
2016	6,000 <sup>(1)</sup>	N/A	N/A	5.2%	1,333,962	N/A

Note: Except for population, demographic statistics on the county level were the most specific available.

(1) Estimated

\* Source for 2007 to 2009: University of Florida, Bureau of Economic and Business Research (BEBR)  
Source for 2010 to 2016: U.S. Census Bureau

\*\* Source: Miami-Dade County Finance Department, and,  
U.S. Department of Commerce, Economic and Statistics Administration,  
Bureau of Economic Analysis/Regional Economic Information System.  
Florida Agency for Workforce Innovation, Labor Market Statistics.  
Miami-Dade County, Department of Planning and Zoning, Research Section  
University of Florida Bureau of Economic and Business Research

N/A Information unavailable as of the date of the date of this report.

Town of Bay Harbor Islands, Florida

FULL TIME TOWN EMPLOYEES BY FUNCTION  
LAST TEN FISCAL YEARS

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Governmental activities:										
General government	14	14	14	14	15	15	16	18	18	18
Public safety	36	35	35	35	39	39	35	36	26	28
Transportation	12	11	11	12	12	10	8	7	7	5
Culture and recreation								6	4	4
Total governmental activities	<u>62</u>	<u>60</u>	<u>60</u>	<u>61</u>	<u>66</u>	<u>64</u>	<u>59</u>	<u>67</u>	<u>55</u>	<u>55</u>
Business-type activities:										
Causeway	32	31	29	30	28	27	32	25	5	6
Sewer	3	2	3	3	2	2	1	1	1	1
Water	2	2	2	2	2	2	2	2	2	2
Parking	1	1	1	1	1	1	1	1	1	1
Solid waste										
Stormwater										
Total business-type activities	<u>38</u>	<u>36</u>	<u>35</u>	<u>36</u>	<u>33</u>	<u>32</u>	<u>36</u>	<u>29</u>	<u>9</u>	<u>10</u>
Total primary government	<u>100</u>	<u>96</u>	<u>95</u>	<u>97</u>	<u>99</u>	<u>96</u>	<u>95</u>	<u>96</u>	<u>64</u>	<u>65</u>

Source: Town Finance Department

Town of Bay Harbor Islands, Florida

OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:										
General government										
Elections Held	1	2	1	1	--	2	1	1	2	2
Newsletters Issued	12	12	12	12	12	12	12	12	12	12
Town Council Meetings	12	12	12	12	12	11	11	10	10	11
Planning & Zoning Board Meetings	23	19	14	13	12	10	17	13	17	19
Public safety										
Case numbers issued	2,579	1,006	943	688	647	870	584	626	831	843
Arrests	141	86	164	189	192	171	121	84	73	83
Calls for service	--	7,024	13,884	13,396	13,798	17,782	14,366	17,900	16,813	1,722
Business-type activities:										
Causeway										
Traffic Count (vehicles)	6,686,886	6,221,429	5,950,509	5,853,952	6,204,622	6,484,193	6,611,424	6,729,408	7,488,382	7,917,781
Sewer										
Average Monthly Sewage Volume (thousands of gallons)	27,680	19,725	22,514	19,356	19,200	24,066	21,397	20,242	19,676	19,836
Water										
Average Monthly Gallons Purchased (thousands)	30,466	29,829	27,387	26,387	25,130	25,863	25,763	26,534	26,576	24,221
Average Monthly Gallons Sold (thousands)	23,859	22,200	22,621	21,263	21,761	23,974	23,617	23,534	23,618	21,884
Parking										
Parking Citations	2,179	3,752	4,425	3,322	2,031	1,635	2,431	1,465	2,592	2,626

Source: Town Finance Department

## Town of Bay Harbor Islands, Florida

### CAPITAL ASSET STATISTICS BY FUNCTION LAST TEN FISCAL YEARS

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:										
Public safety										
Patrol Cars/SUV	8	18	18	18	18	18	18	18	18	25
Police Boat	1	1	1	1	1	1	1	1	1	1
Transportation										
Streets and roads (feet)	47,396	47,396	47,396	47,396	47,396	47,396	47,396	47,396	47,396	47,396
Culture and recreation										
Parks	1	1	1	2	2	2	2	3	3	3
Business-type activities:										
Causeway										
Bascule Bridges	1	1	1	1	1	1	1	1	1	1
Fixed Span Bridges	3	3	3	3	3	3	3	3	3	3
Sewer										
Pump Stations	1	1	1	1	1	1	1	1	1	1
Lift Stations	5	5	5	5	5	5	5	5	5	5
Sanitary Sewers (feet)	43,296	43,296	43,296	43,296	43,296	43,296	43,296	43,296	43,296	43,296
Water										
Water Mains (feet)	44,725	44,725	44,725	44,725	44,725	44,725	44,725	44,725	44,725	44,725
Stormwater										
Valley gutters (feet)	86,592	86,592	86,592	86,592	86,592	86,592	86,592	86,592	86,592	86,592
Outfalls	53	53	53	53	53	53	53	53	53	53

Source: Town Finance Department

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## REPORTING SECTION

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

Honorable Mayor, Town Council and Town Manager  
**Town of Bay Harbor Islands, 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 Town of Bay Harbor Islands, Florida (the Town), as of and for the fiscal year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated March 31, 2017.

***Internal Control Over Financial Reporting***

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

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 Town's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

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 may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Item 2016-001.

### ***Town's Response to the Finding***

The Town's response to the finding identified in our audit are described in the accompanying schedule of findings and questioned costs. The Town's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### ***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 result of that testing, and not to provide an opinion on the effectiveness of the Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Marcum LLP*

Miami, FL  
March 31, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH  
MAJOR STATE PROJECT AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY CHAPTER 10.550, RULES  
OF THE AUDITOR GENERAL**

Honorable Mayor, Town Council and Town Manager  
**Town of Bay Harbor Islands, Florida**

***Report on Compliance for Each Major State Project***

We have audited the Town of Bay Harbor Islands, Florida's (the Town) compliance with the types of compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on the Town's major State projects for the fiscal year ended September 30, 2016. The Town's major State projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with State statutes, regulations, and the terms and conditions applicable to State projects.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Town's major state projects 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 Chapter 10.550, Rules of the Auditor General. Those standards and Chapter 10.550, Rules of the Auditor General, 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 State project occurred. An audit includes examining, on a test basis, evidence about the Town'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 its major State projects. However, our audit does not provide a legal determination of the Town's compliance.

### ***Basis for Qualified Opinion on the Economic Development Transportation Project***

As described in the accompanying schedule of findings and questioned costs, the Town did not comply with requirements regarding CSFA 55.032, Economic Development Transportation Projects, in finding 2016-002 for cash management and reporting. Compliance with such requirements is necessary, in our opinion, for the Town to comply with the requirements applicable to that program.

### ***Qualified Opinion on the Economic Development Transportation Project***

In our opinion, except for the noncompliance described in the basis for qualified opinion paragraph, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Economic Development Transportation Project for the fiscal year ended September 30, 2016.

### ***Unmodified Opinion on Cultural Facilities Grant***

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Cultural Facilities Grant Project for the fiscal year ended September 30, 2016.

### ***Other Matter***

The Town's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### ***Report on Internal Control Over Compliance***

Management of the Town 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 Town's internal control over compliance with the types of requirements that could have a direct and material effect on its major State projects to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major State projects and to test and report on internal control over compliance in accordance with Chapter 10.550, Rules of the Auditor General, 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 the Town'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 State project 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 State project will not be prevented, or detected and collected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or as combination of deficiencies, in internal control over compliance with the type of compliance requirement of a State project 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-002 that we consider to be a significant deficiency.

The Town's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on this response.

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 Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

*Marcum LLP*

Miami, FL  
March 31, 2017

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

<b>Grantor Project Title</b>	<b>State CSFA Number</b>	<b>Contract Number</b>	<b>Expenditures</b>
<b>State Awards</b>			
Florida Department of State Cultural Facilities Grant	45.014	15.9.300.597	\$ 500,000
Florida Department of Transportation Economic Development Transportation Projects - Road Fund	55.032	436093-1-58-01	<u>514,988</u>
<b>Total Expenditures of State Financial Assistance</b>			<u>\$ 1,014,988</u>

See notes to schedule of expenditures of State financial assistance.

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

### **NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of state financial assistance (the schedule) includes the State grant activity of the Town under projects of the State for the fiscal year ended September 30, 2016. The information in this schedule is presented in accordance with the requirements of Chapter 10.550, Rules of the Auditor General. Because the schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town. All state awards received directly from state agencies are included in the accompanying schedule of expenditures of state awards.

### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Florida Single Audit Act, where certain types of expenditures are not allowable or are limited as to reimbursement.

**TOWN OF BAY HARBOR ISLANDS, FLORIDA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

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**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

**Financial Statements**

*Unmodified Opinion*

Type of auditors’ report issued:

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No

Significant Deficiency(ies) identified not considered to be material weakness(es)?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

**State Projects**

Internal control over major state projects:

Material weakness(es) identified?  Yes  No

Significant Deficiency(ies) identified not considered to be material weakness(es)?  Yes  None reported

Type of auditors’ report issued on compliance for major state projects:

*Modified Opinion*

Any audit findings disclosed that are required to be reported in accordance with Chapter 10.557, Rules of the Auditor General?

Yes  No

Identification of major state projects:

<u>State Projects</u>	<u>State CSFA</u> <u>No.</u>
Cultural Facilities Grant	45.014
Economic Development Transportation Projects	55.032

Dollar threshold used to distinguish between Type A and Type B projects:

State \$100,000

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

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### SECTION II – FINANCIAL STATEMENT FINDINGS

#### Noncompliance

##### *2016-001 Noncompliance with Procurement Policy*

##### *Criteria*

The Town of Bay Harbor Islands Procurement Policy Section 2-1 (Sec 2-1.1 through 2-1.10)

##### *Condition*

We selected seven (7) different types of procurements from invoices by vendor from October 1, 2015 through September 30, 2016 as follows:

1. Open-ended procurement greater than \$10,000;
2. Regular bid over \$10,000;
3. Emergency situation, over \$10,000;
4. Regular bid converted to an emergency situation over \$10,000;
5. Emergency situation converted to a regular bid over \$10,000;
6. Regular bid under \$5,000; and
7. Regular bid between \$5,000 - \$10,000.

With respect to item 1, we had 2 exceptions; to have an open ended contract implies that you have an original contract and no original contract could be provided. In addition, section 2-1.1 states that even in an open ended contract if the contract amount is expected to exceed \$10,000 within a fiscal year it is subject to the competitive bidding requirements but competitive bidding was not performed each year.

With respect to items 3 and 4, minor instances of noncompliance were noted relative to emergency situations whereby the Town Council should have been notified at the next regular Council meeting. No such notification took place in the next regular Council meeting.

With respect to item 7, 3 competitive bids should have been obtained for the procurement tested between \$5,000 and \$10,000. Only 1 bid could be provided.

##### *Cause*

The cause of certain instances of noncompliance stem from not having adequate internal controls in place to ensure compliance with the Town's Procurement Policy. Based on our review of the matters described and above and discussions with Town management, some of the matters arose due to ambiguities in the interpretation of the Town's Procurement Policy.

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

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### SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

#### Noncompliance (continued)

##### *2016-001 Noncompliance with Procurement Policy (continued)*

##### *Effect*

The effect is noncompliance with certain provisions of the Town's Procurement Policy.

##### *Recommendation*

We recommend that first and foremost, that the Town comply with their Procurement Policy and have internal controls in place to ensure compliance. Secondly, from reviewing the Procurement Policy, we recommend that the policy be revised to make it less ambiguous and less subject to interpretation and also that the Procurement Policy be revised to meet the needs of the Town for entering into contracts with vendors.

##### *Views of Responsible Officials and Planned Corrective Action*

We are revising our forms, procedures, and personnel training to ensure compliance with our Procurement Policy and to ensure creation and retention of appropriate documentation of compliance. The Town's administration believes that the audit exceptions noted were largely due to failure to document and retain documentation rather than failure to follow procurement procedures. The minor noncompliance issues noted relating to notification of the Town Council regarding emergency procurements were timing issues only – the Council was notified but not at the next regular meeting. The delay was occasioned by the wish to present the Council with complete and final costs regarding the procurements in question. The administration concurs that notification should have occurred earlier as per the policy and will ensure that it does comply with timeliness requirements in the future.

With regard to bidding requirements for open ended contracts, the administration interpreted Section 2-1.1 of the purchasing ordinance to require bidding *at the inception of the agreement* if the procurement amount was expected to exceed \$10,000 in a fiscal year not to require bidding each and every year. The Town Attorney opined that staff acted in compliance with applicable Law; nevertheless, the Town will revisit its purchasing ordinance in order to eliminate ambiguities and enhance efficiency.

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

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### SECTION III – STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

#### Noncompliance – Cash Management and Reporting

##### *2016-002 Significant Deficiency in Internal Control Over Compliance*

###### *Program*

CSFA 55.032 Economic Development Transportation Projects

###### *Criteria*

Pursuant to Florida Statute 339.2821 – Economic Development Transportation Projects – the Town is required to provide the Florida Department of Transportation (FDOT) with progress reports that must contain the following: (1) a narrative description of the work completed and whether the work is proceeding according to the transportation project schedule, (2) a description of each change order executed by the governmental body, (3) a budget summary detailing planned expenditures compared to actual expenditures.

###### *Condition*

Based on our review of the grant agreement, the Town was required to submit progress reports on a quarterly basis. The Town only submitted one progress report for work completed during fiscal year 2016 which included 6 months of progress (as opposed to quarterly which would have required 4 progress reports during the fiscal year) which should have included items 1 through 3 noted above.

There were change orders executed by the Town for the bridge rehabilitation project, however, there were no change orders submitted to FDOT for prior approval to the incurrence of the expenditure other than what was included in the one submitted progress report noted above.

###### *Cause*

Lack of an adequate internal controls over compliance and lack of review and understanding of the Economic Development Transportation reporting requirements.

###### *Effect*

Lack of adequate controls can result in the Town failing to meet the compliance requirements as stipulated in the grant agreement. In addition, since the Town did not request approval of the change orders prior to the incurrence of the expenditure, the granting agency can disallow those costs.

# TOWN OF BAY HARBOR ISLANDS, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

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### **SECTION III – STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS (CONTINUED)**

#### **Noncompliance – Reporting (continued)**

##### *2016-002 Significant Deficiency in Internal Control Over Compliance (continued)*

##### *Recommendation*

We recommend that the Town implement internal controls over compliance to include designating an individual within management of the Town to review and ensure compliance over the requirements of the grant.

##### *Views of Responsible Officials and Planned Corrective Action*

The Town will designate an individual responsible for compliance with grant requirements. Upon initial execution, grant documents will be reviewed and there will be coordination with the appropriate agency to ensure all requirements are fulfilled. With regard to the grant for which exceptions were noted, staff has been in contact with FDOT and supplied documentation as required by FDOT. Substantially the entire grant award has been received and no payment application was delayed by FDOT.

**TOWN OF BAY HARBOR ISLANDS, FLORIDA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

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**I – PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND STATUS**

None reported in prior year

**II – PRIOR YEAR STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS**

The Town was not subject to a Florida Single Audit for the fiscal year ended September 30, 2015.

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

Honorable Mayor, Town Council and Town Manager  
**Town of Bay Harbor Islands, Florida**

***Report on the Financial Statements***

We have audited the financial statements of the Town of Bay Harbor Islands, Florida (the Town), Florida, as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated March 31, 2017.

***Auditors' Responsibility***

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; and Chapter 10.550, Rules of the Auditor General.

***Other Reports and Schedules***

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for Each Major State Project and Report on Internal Control over Compliance Required by Chapter 10.550, *Rules of the Auditor General*; Schedule of Findings and Questioned Costs; Summary Schedule of Prior Audit Findings; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedules, which are dated March 31, 2017, should be considered in conjunction with this management letter.

***Prior Audit Findings***

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations made in the preceding annual financial audit report.

***Official Title and Legal Authority***

Section 10.554(1)(i)4., 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. As more fully described in Note 1, the Town of Bay Harbor Islands was incorporated by the Laws of Florida Chapter 2889. There are no component units related to the Town.

### ***Financial Condition***

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not the Town has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition met. In connection with our audit, we determined that the Town did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Town's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. This assessment was done as of the fiscal year end.

### ***Annual Financial Report***

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the Town for the fiscal year ended September 30, 2016, 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, 2016. In connection with our audit, we determined that these two reports were in agreement.

### ***Other Matters***

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with 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 which warrants the attention of those charged with governance. In connection with our audit, we did have one such finding reported as 2016-001, in our schedule of findings and questioned costs.

### ***Purpose of this Letter***

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal, State and other granting agencies, the Honorable Mayor, Town Council, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*Marcum LLP*

Miami, FL  
March, 31 2017

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE PURSUANT TO  
SECTION 218.415 FLORIDA STATUTES**

Honorable Mayor, Town Council and Town Manager  
**Town of Bay Harbor Islands, Florida**

We have examined the Town of Bay Harbor Islands, Florida's (the Town) compliance with Section 218.415 Florida Statutes for the fiscal year ended September 30, 2016. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Town's compliance with specified requirements.

In our opinion, the Town of Bay Harbor Islands, Florida complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2016.

This report is intended solely for the information and use of management, Town Council, others within Town and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

*Marcum LLP*

Miami, FL  
March, 31 2017