

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Town of Bay Harbor Islands, Florida

For the Fiscal Year Ended September 30, 2017



COMPREHENSIVE ANNUAL FINANCIAL REPORT

of the

TOWN OF BAY HARBOR ISLANDS, FLORIDA



For the fiscal year ended September 30, 2017

Prepared by the Finance Department

Town of Bay Harbor Islands, Florida
Comprehensive Annual Financial Report
September 30, 2017
Table of Contents

Introductory Section	Page
Letter of transmittal	i-iv
Town officials	v
Certificate of achievement for excellence in financial reporting.....	vi
Organization chart.....	vii
<hr/>	
Financial Section	
Independent Auditors' Report	1 - 3
Management's discussion and analysis (required supplementary information).....	4 - 15
Basic financial statements	
Government-wide financial statements	
Statement of net position	16
Statement of activities.....	17
Fund financial statements	
Governmental fund financial statements	
Balance sheet	18
Statement of revenues, expenditures and changes in fund balances.....	19
Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities	20
Proprietary fund financial statements	
Statement of net position	21
Statement of revenues, expenses and changes in net position.....	22
Statement of cash flows	23 - 24
Fiduciary fund financial statements	
Statement of fiduciary net position.....	25
Statement of changes in fiduciary net position.....	26
Notes to basic financial statements.....	27 - 63
Required supplementary information	
Budgetary comparison schedule – general fund.....	64
Note to budgetary comparison schedule.....	65

Town of Bay Harbor Islands, Florida
Comprehensive Annual Financial Report
September 30, 2017
Table of Contents

	Page
Schedule of funding progress – OPEB	66
Schedule of changes in the town’s net pension liability and related ratios	67
Schedule of town contributions	68

Statistical Section

Schedule 1 - Net position by component	69
Schedule 2 - Changes in net position	70 - 71
Schedule 3 - Fund balances of governmental funds	72
Schedule 4 - Changes in fund balances of governmental funds	73
Schedule 5 - Program revenues by function/program	74
Schedule 6 - Assessed value of taxable property	75
Schedule 7 - Property tax rates, direct and overlapping governments	76
Schedule 8 - Principal property taxpayers	77
Schedule 9 - Property tax levies and collections	78
Schedule 10 - Causeway toll revenues	79
Schedule 11 - Ratios of outstanding debt by type	80
Schedule 12 - Direct and overlapping governments	81
Schedule 13 - Legal debt margin information	82
Schedule 14 - Pledged revenue coverage	83
Schedule 15 - Demographic and economic statistics	84
Schedule 16 - Full-time town employees by function	85
Schedule 17 - Operating indicators by function	86
Schedule 18 - Capital asset statistics by function	87

Reporting Section

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 <i>Government Auditing Standards</i>	88 - 89
Summary Schedule of Prior Audit Findings	90
Management Letter in Accordance with the Rules of the Auditor General of the State of Florida.....	91 - 92
Independent Accountants’ Report on Compliance Pursuant to Section 218.415 Florida Statutes	93

INTRODUCTORY SECTION



Town Council

Jordan W. Leonard
Mayor

March 30, 2018

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

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, 2017 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 a 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, 2017, 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, 2017 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 5,975 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 30th. 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 2016 estimates from the U.S. Census Bureau, the median age for Town residents is 43, and median household income is \$63,594.

Property values have increased for six years in a row following four consecutive years of decline, and total taxable value has exceeded its 2007 high. According to the Miami-Dade County property appraiser, existing property values increased 15.4% as of January 1, 2017. 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 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

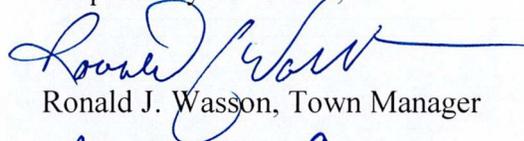
The Town's Community Center has been completed and opened. It houses the Town's extensive recreation programming as well as a branch Miami-Dade County library. The Town completed the Green Path Project which involved painting dedicated bike lanes for the East Island.

Awards and Acknowledgements

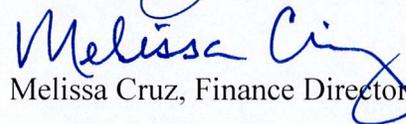
The Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town for its comprehensive annual financial report for the fiscal year ended September 30, 2016. This was the twenty first consecutive 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,

A handwritten signature in blue ink, appearing to read "Ronald J. Wasson", with a long horizontal flourish extending to the right.

Ronald J. Wasson, Town Manager

A handwritten signature in blue ink, appearing to read "Melissa Cruz", with a large, stylized flourish at the end.

Melissa Cruz, Finance Director

TOWN OF BAY HARBOR ISLANDS, FLORIDA

TOWN OFFICIALS

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

Melissa Cruz

INDEPENDENT AUDITORS

Marcum LLP



Government Finance Officers Association

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

Presented to

**Town of Bay Harbor Islands
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

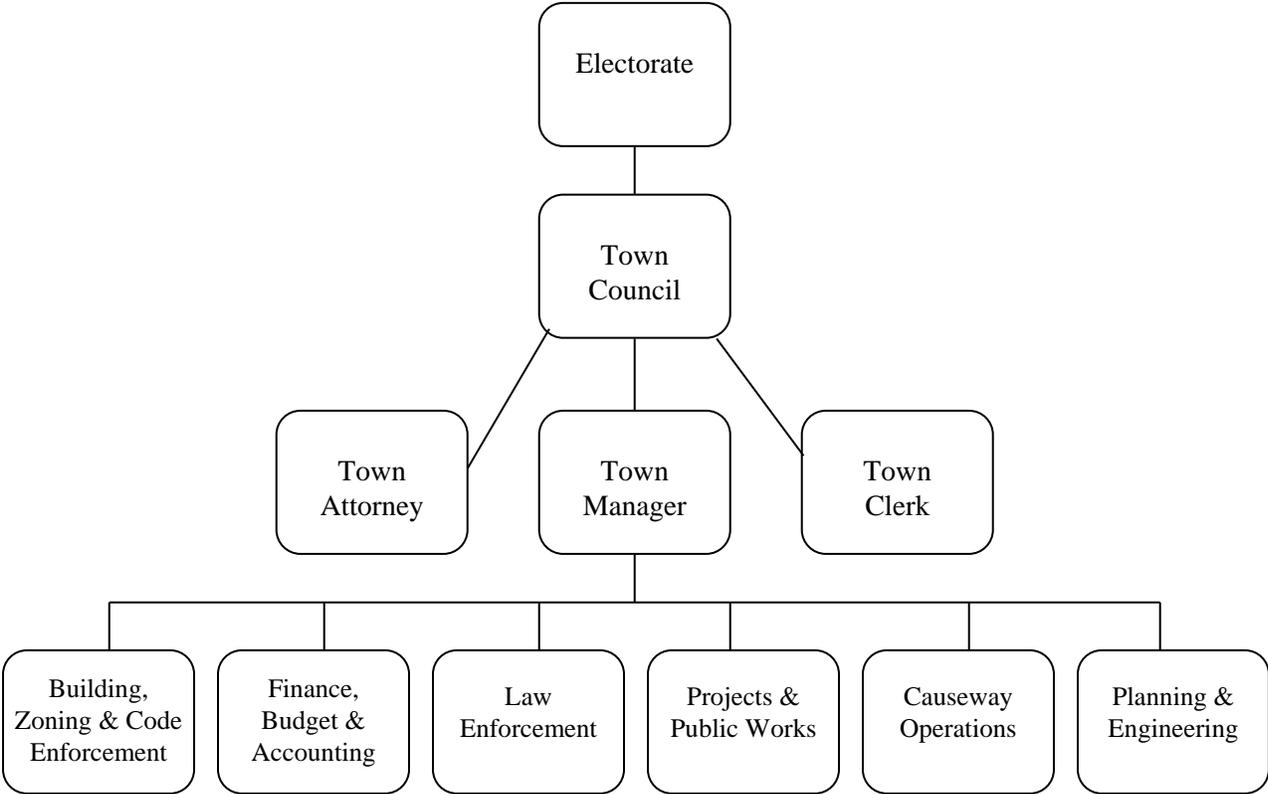
September 30, 2016

Christopher P. Morill

Executive Director/CEO

TOWN OF BAY HARBOR ISLANDS, FLORIDA

ORGANIZATIONAL CHART



FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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, 2017, 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, 2017, 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 64 and 65, and the required supplementary information for the pensions and OPEB on pages 66 to 68, 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 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 30, 2018 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's 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 30, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS
MD&A

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, 2017. 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 plus deferred outflows of the Town of Bay Harbor Islands exceeded its liabilities plus deferred inflows of resources at the close of the most recent fiscal year by \$59,351,809 (net position). Of this amount, \$15,814,341 (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 \$5,262,307.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$8,960,876, an increase of \$677,952 in comparison with the prior year. Approximately \$8,653,794 or 95.2% 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 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 \$1,482,988 or 6.4% during the current fiscal year due to scheduled repayment of existing debt.

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 64).

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 27-63 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 schedule 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 64-68 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 \$59,351,809 at the close of the most recent fiscal year.

Summary of Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 9,600,757	\$ 9,226,512	\$ 10,415,069	\$ 9,357,800	\$ 20,015,826	\$ 18,584,312
Capital assets	22,561,599	22,494,586	42,890,911	40,902,115	65,452,510	63,396,701
Total assets	<u>32,162,356</u>	<u>31,721,098</u>	<u>53,305,980</u>	<u>50,259,915</u>	<u>85,468,336</u>	<u>81,981,013</u>
Total deferred outflows	<u>1,763,367</u>	<u>915,223</u>	<u>628,482</u>	<u>314,143</u>	<u>2,391,849</u>	<u>1,229,366</u>
Long-term liabilities	9,021,943	8,312,007	15,559,136	16,336,955	24,581,079	24,648,962
Other liabilities	685,838	971,602	2,479,268	3,033,747	3,165,106	4,005,349
Total liabilities	<u>9,707,781</u>	<u>9,283,609</u>	<u>18,038,404</u>	<u>19,370,702</u>	<u>27,746,185</u>	<u>28,654,311</u>
Total deferred inflows	<u>375,162</u>	<u>136,171</u>	<u>387,029</u>	<u>330,395</u>	<u>762,191</u>	<u>466,566</u>
Net position:						
Net investment in capital assets	15,529,419	14,949,552	27,851,167	23,524,318	43,380,586	38,473,870
Restricted	67,839	7,487	89,043	86,092	156,882	93,579
Unrestricted	<u>8,245,522</u>	<u>8,259,502</u>	<u>7,568,819</u>	<u>7,262,551</u>	<u>15,814,341</u>	<u>15,522,053</u>
Total net position	<u>\$ 23,842,780</u>	<u>\$ 23,216,541</u>	<u>\$ 35,509,029</u>	<u>\$ 30,872,961</u>	<u>\$ 59,351,809</u>	<u>\$ 54,089,502</u>

73.1% 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 0.3% of the Town's net position is subject to external restrictions on use.

26.6% of the Town's net position (\$15,814,341) 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.

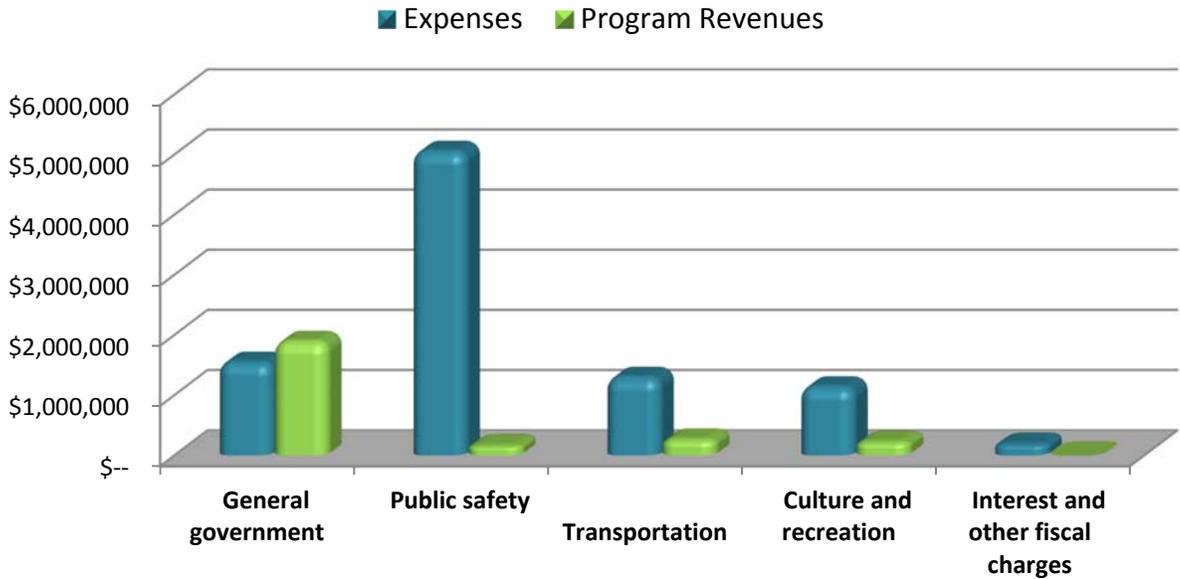
Summary of Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 969,698	\$ 1,353,562	\$ 13,803,295	\$ 11,094,517	\$ 14,772,993	\$ 12,448,079
Operating grants and contributions	42,825	41,440	-	-	42,825	41,440
Capital grants and contributions	254,603	254,549	-	514,988	254,603	769,537
General revenues:						
Property taxes	3,760,854	3,429,753	-	-	3,760,854	3,429,753
Franchise fees & utility taxes	1,027,448	1,027,722	-	-	1,027,448	1,027,722
Asset sales (development rights)	1,253,750	1,484,250	-	-	1,253,750	1,484,250
Intergovernmental revenue	660,337	1,175,138	-	-	660,337	1,175,138
Investment earnings/(losses)	(7,719)	68,011	(8,845)	94,084	(16,564)	162,095
Miscellaneous	57,681	74,354	318,991	355,331	376,672	429,685
Total revenues	<u>8,019,477</u>	<u>8,908,779</u>	<u>14,113,441</u>	<u>12,058,920</u>	<u>22,132,918</u>	<u>20,967,699</u>
Expenses:						
General government	1,537,536	1,538,406	-	-	1,537,536	1,538,406
Public safety	5,044,475	4,586,153	-	-	5,044,475	4,586,153
Transportation	1,285,291	1,092,928	-	-	1,285,291	1,092,928
Culture and recreation	1,127,501	874,555	-	-	1,127,501	874,555
Interest on long-term debt	186,048	291,717	-	-	186,048	291,717
Causeway	-	-	3,550,807	3,721,789	3,550,807	3,721,789
Sewer	-	-	1,547,994	1,440,701	1,547,994	1,440,701
Water	-	-	1,017,627	914,630	1,017,627	914,630
Parking	-	-	640,691	610,508	640,691	610,508
Solid Waste	-	-	736,001	763,258	736,001	763,258
Stormwater	-	-	196,640	236,869	196,640	236,869
Total expenses	<u>9,180,851</u>	<u>8,383,759</u>	<u>7,689,760</u>	<u>7,687,755</u>	<u>16,870,611</u>	<u>16,071,514</u>
Increase in net position before transfers	(1,161,374)	525,020	6,423,681	4,371,165	5,262,307	4,896,185
Transfers	1,787,613	1,654,850	(1,787,613)	(1,654,850)	-	-
Change in net position	626,239	2,179,870	4,636,068	2,716,315	5,262,307	4,896,185
Net position, beginning	23,216,541	21,036,671	30,872,961	28,156,646	54,089,502	49,193,317
Net position, ending	<u>\$ 23,842,780</u>	<u>\$ 23,216,541</u>	<u>\$ 35,509,029</u>	<u>\$ 30,872,961</u>	<u>\$ 59,351,809</u>	<u>\$ 54,089,502</u>

Governmental Activities

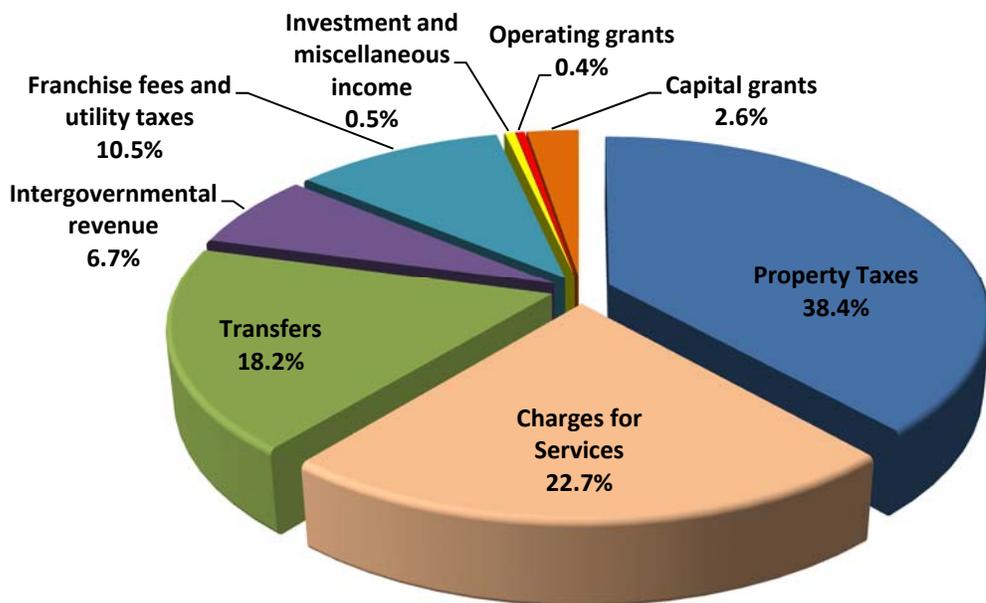
The Town's governmental activities net position increased by \$626,239 (2.7%), to \$23,842,780 at the end of the year. The revenue decrease was due to the combination of reduced sales of transferable development rights and decreased intergovernmental grant receipts, offset by an increase in property tax receipts. Costs related to Hurricane Irma, expanded recreation program activity and hiring to fill law enforcement positions that were vacant much of the prior year explain the increased expenses.

Expenses and Program Revenues - Governmental Activities



- Program revenues, comprised of charges for services, operating grants and contributions, and capital grants and contributions, were 25.7% of total governmental activities revenues (including transfers). Property taxes, 38.3% of total revenues for governmental activities, are non-program specific and are used to fund all activities not covered by program revenues.

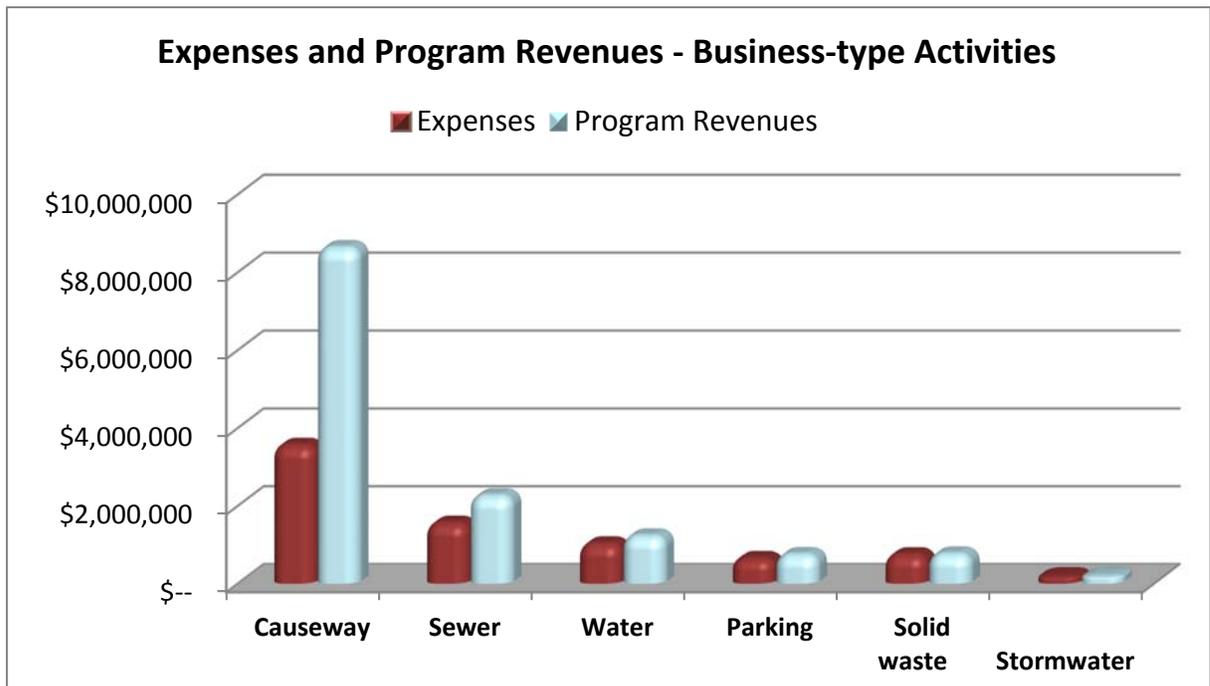
Revenue Sources - Governmental Activities

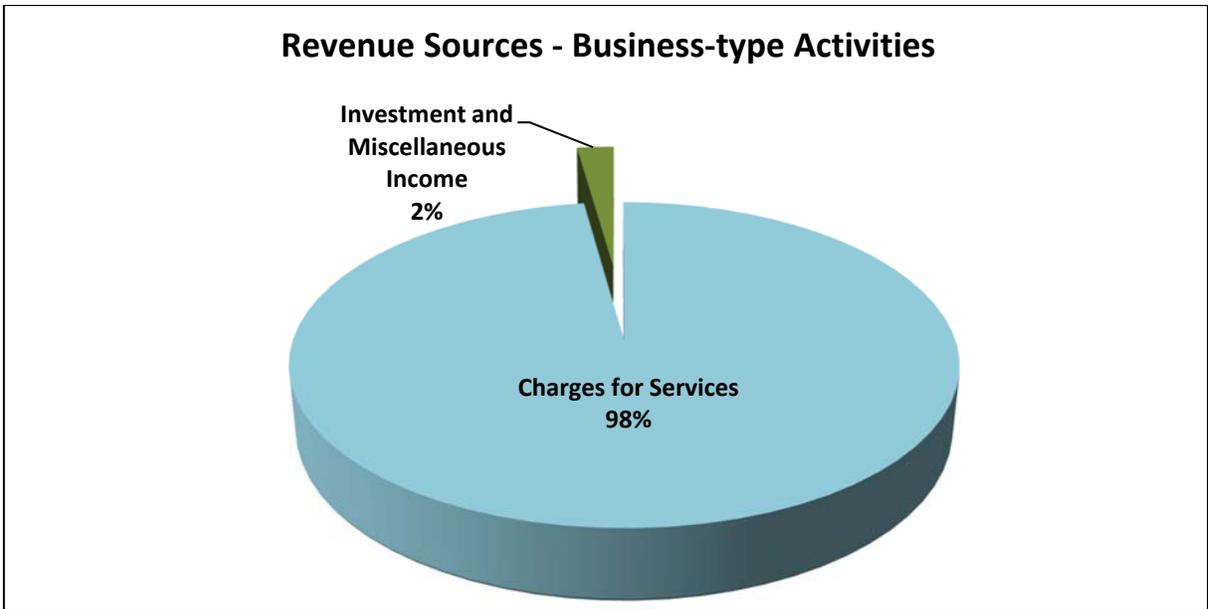


Business-type Activities

Business-type activities increased the Town of Bay Harbor Islands' net position by \$4,636,068. The causeway, sewer, water, and parking funds generated substantial operating income. The solid waste fund operated at a profit for the first time since 2013 due to the 3% increase in customer charges. Net transfers from the Town's business-type activities to its governmental activities increased by about 7.4% to \$1,787,613, including planned transfers to fund debt service on debt related to the community enhancements project.

- Causeway Fund revenues increased by \$2,283,620 or 36.0% due primarily to the toll increase from \$1.00 to \$1.50 in June 2016. Expenses decreased by \$170,982 or 4.6% due mostly to a payment of a large insurance settlement in the prior year.
- Sewer Fund revenue increased by \$240,350 or 11.9% due to a combination of the increase in sewer rates by 5.73% and increase in usage; many buildings that were under construction in the prior year were put in place in 2017. Water rates remained the same as the prior year. Increased sewage disposal increased sewer fund expenses.
- Parking Fund revenues increased by \$64,830 or 9.6% due to higher usage.
- Solid waste revenues increased by \$56,656 or 8.1% due to the 3% customer charge increase. Expenses decreased by \$27,257 or 3.6%. Stormwater Fund revenues were flat compared to prior year and costs decreased by \$40,229 or 17%. The decrease was due to inspection fees incurred only in the prior year offset by an increase in repairs and maintenance fees in 2017.





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 \$8,960,876, an increase of \$677,952 in comparison with the prior year. Decreased revenues were the net result of lower grant receipts, licenses and permits and lower sales of transferable development rights offset by higher property tax receipts. Total transfers from the Town's proprietary funds increased by 7.4% to \$1,787,613. General fund expenditures decreased, with the bulk of the decrease due to capital outlays for the construction of the new community center incurred in the prior year offset by an increase in public safety and culture and recreation expenditures. Of total fund balance, 96.6%, or \$8,653,794, 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 inventory or prepaid items (\$78,554), *restricted* for specific uses by law or agreement (\$7,489), restricted for debt service (\$60,350) 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 \$8,653,794 while total fund balance was \$8,800,187. 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 95.2% of total general fund expenditures, while total fund balance represents 96.8%.

Fund balance of the Town of Bay Harbor Islands’ general fund increased by \$677,952 during the current fiscal year. Property taxes increased; grant receipts, licenses and permits and sales of transferable development rights decreased. Decreased expenditures were mostly attributable to construction outlays for the new community center incurred in the prior year offset by the 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:

Revenues:

Property taxes	\$ 3,760,854	47.1%	\$ 3,429,753	38.5%	\$ 331,101	9.7%
Utility taxes	465,565	5.8%	455,606	5.1%	9,959	2.2%
Communications						
services taxes	203,152	2.6%	221,442	2.5%	(18,290)	-8.3%
Franchise fees	358,731	4.5%	350,674	3.9%	8,057	2.3%
Licenses and permits	629,233	7.9%	1,051,339	11.8%	(422,106)	-40.1%
Intergovernmental	922,765	11.6%	971,127	10.9%	(48,362)	-5.0%
Transfer development fees	1,253,750	15.7%	1,484,250	16.7%	(230,500)	-15.5%
Charges for services	224,723	2.8%	191,929	2.2%	32,794	17.1%
Fines and forfeitures	110,992	1.4%	109,149	1.2%	1,843	1.7%
Investment earnings/(losses)	(7,719)	-0.1%	68,011	0.8%	(75,730)	-111.3%
Grants	-	0.0%	500,000	5.6%	(500,000)	-100.0%
Miscellaneous	57,681	0.7%	74,354	0.8%	(16,673)	-22.4%
Total revenues	<u>\$ 7,979,727</u>	<u>100.0%</u>	<u>\$ 8,907,634</u>	<u>100.0%</u>	<u>\$ (927,907)</u>	<u>-10.4%</u>

- 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 decreased due to a grant for construction of the community center received in 2016. There were no grants received in 2017.

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

	2017	% of	2016	% of	Increase/ (Decrease)	% of Increase/ (Decrease)
	<u>Amount</u>	<u>Total</u>	<u>Amount</u>	<u>Total</u>	<u>from 2016</u>	<u>(Decrease)</u>
Expenditures						
General government	\$1,339,307	14.6%	\$ 1,387,402	13.4%	\$ (48,095)	-3.5%
Public safety	4,684,294	51.5%	4,441,408	42.7%	242,886	5.5%
Transportation	880,270	9.7%	722,403	7.0%	157,867	21.9%
Culture and recreation	905,788	10.0%	750,181	7.2%	155,607	20.7%
Capital outlay	842,941	9.3%	2,450,030	23.6%	(1,607,089)	-65.6%
Debt service	441,538	4.9%	639,248	6.2%	(197,710)	-30.9%
Total expenditures	<u>\$9,094,138</u>	<u>100.0%</u>	<u>\$ 10,390,672</u>	<u>100.0%</u>	<u>\$ (1,296,534)</u>	<u>-12.5%</u>

General fund expenditure decreases are due primarily to decreased capital spending for the new community center offset by increased costs for expanded recreation programming and contractual and budgeted salary increases.

Capital Projects Fund

- Fund balance in the capital projects fund was flat compared to the prior year due to no activity in 2017.

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 generated income before transfers.

For the proprietary funds as a whole, net position increased by \$4,636,068.

General Fund Budgetary Highlights

During the past year, the budget was modified several times, increasing the total budget amount by \$4,432,923. The major elements of this increase are as follows:

- \$50,000 for the Town Hall feasibility/renovation study
- \$79,139 for master meters.
- \$167,950 for the causeway corridor shoulder installation project.
- \$211,503 for the sewer manholes and laterals rehabilitation.
- \$523,770 for green path bike lanes on the East Island.
- \$2,995,678 for the causeway rehabilitation project.

For total revenues, there was a favorable budget variance of \$954,442, due to unbudgeted sales of transferable development rights owned by the Town and greater than anticipated property tax receipts.

Total expenditures were \$489,949 less than budgeted due to unspent appropriations for capital improvements, planned hires in the building department and services related to the community center.

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, 2017, amounts to \$65,452,510 (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 \$2,055,809.

Additions to capital assets for governmental activities before depreciation and net of transfers from construction in progress were \$842,941, while disposals amounted to \$58,198, for net additions of \$784,743.

Business-type activities' capital asset additions before depreciation and net of transfers from construction in progress totaled \$3,380,400. There were no disposals in 2017.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Capital assets, net of depreciation						
Land	\$ 3,806,254	\$ 3,806,254	\$ 671,273	\$ 671,273	\$ 4,477,527	\$ 4,477,527
Construction in progress	49,898	2,339,079	262,392	16,174,027	312,290	18,513,106
Buildings	2,681,244	355,260	-	-	2,681,244	355,260
Improvements other than buildings	15,647,498	15,689,732	27,158,601	8,867,592	42,806,099	24,557,324
Furniture, fixtures and equipment	376,705	304,261	562,041	543,819	938,746	848,080
Toll collection system	-	-	1,355,148	1,548,740	1,355,148	1,548,740
Sewer system	-	-	3,238,833	3,199,710	3,238,833	3,199,710
Water system	-	-	1,118,481	1,169,986	1,118,481	1,169,986
Parking garage	-	-	8,524,142	8,726,968	8,524,142	8,726,968
Total	<u>\$ 22,561,599</u>	<u>\$ 22,494,586</u>	<u>\$ 42,890,911</u>	<u>\$ 40,902,115</u>	<u>\$ 65,452,510</u>	<u>\$ 63,396,701</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 \$21,668,715.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Refunding Note, Series 2012	3,751,000	4,055,000	-	-	3,751,000	4,055,000
Revenue Bonds, Series 2016	3,210,253	3,218,081			3,210,253	3,218,081
Causeway Promissory Note, 2012	-	-	10,645,000	11,476,000	10,645,000	11,476,000
Parking Refunding Note, 2012	-	-	3,786,000	4,056,000	3,786,000	4,056,000
State Revolving Loan	-	-	281,462	346,623	281,462	346,623
Total	<u>\$6,961,253</u>	<u>\$7,273,081</u>	<u>\$14,712,462</u>	<u>\$15,878,623</u>	<u>\$21,673,715</u>	<u>\$23,151,704</u>

The Town of Bay Harbor Islands’ total debt decreased \$1,482,989 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 47-52 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 2018 fiscal year.

- The Town’s millage was reduced from 4.4 to 3.9995. Since taxable values increased, a modest increase in tax revenues is anticipated.
- Water rates were increased by 5.76% and it is expected wholesale water rates paid by the Town will increase throughout the year.
- Sewage rates were increased by 5.73% in anticipation of higher wholesale sewage rates being charged to the Town.

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.

BASIC FINANCIAL STATEMENTS

TOWN OF BAY HARBOR ISLANDS, FLORIDA

**STATEMENT OF NET POSITION
SEPTEMBER 30, 2017**

	Governmental Activities	Business-type Activities	Total
Assets			
Cash	\$ 6,207,334	\$ 4,827,020	\$ 11,034,354
Investments	2,870,145	3,340,142	6,210,287
Receivables, net	175,584	1,144,461	1,320,045
Internal balances	(106,193)	106,193	--
Due from other governments	188,544	219,870	408,414
Inventory	15,961	57,007	72,968
Prepaid items	62,593	200,967	263,560
Restricted assets:			
Cash	186,789	430,366	617,155
Loan reserves	--	89,043	89,043
Capital assets not being depreciated	3,856,152	933,665	4,789,817
Capital assets being depreciated, net	18,705,447	41,957,246	60,662,693
Total assets	32,162,356	53,305,980	85,468,336
Deferred outflows of resources			
Pension	1,763,367	628,482	2,391,849
Liabilities			
Accounts payable and accrued liabilities	482,252	1,578,146	2,060,398
Due to other governments	--	274,210	274,210
Due to pension	42,825	--	42,825
Unearned revenue	36,811	196,546	233,357
Customer deposits	123,950	430,366	554,316
Noncurrent liabilities:			
Due within one year	342,743	85,648	428,391
Due in more than one year	6,925,937	14,811,510	21,737,447
Net pension liability	1,679,520	598,721	2,278,241
Net OPEB obligation	73,743	63,257	137,000
Total liabilities	9,707,781	18,038,404	27,746,185
Deferred inflows of resources			
Parking trust receipts	--	278,575	278,575
Deferred gain on bond refunding	70,927	--	70,927
Pension	304,235	108,454	412,689
Total deferred inflows of resources	375,162	387,029	762,191
Net position			
Net investment in capital assets	15,529,419	27,851,167	43,380,586
Restricted for:			
Law enforcement	7,489	--	7,489
Debt Service	60,350	--	60,350
Loan reserve	--	89,043	89,043
Unrestricted	8,245,522	7,568,819	15,814,341
Total net position	\$ 23,842,780	\$ 35,509,029	\$ 59,351,809

See notes to basic financial statements.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Total
Governmental activities							
General government	\$ 1,537,536	\$ 1,883,013	\$ --	\$ --	\$ 345,477	\$ --	\$ 345,477
Public safety	5,044,475	115,543	42,825	--	(4,886,107)	--	(4,886,107)
Transportation	1,285,291	4,750	--	254,603	(1,025,938)	--	(1,025,938)
Culture and recreation	1,127,501	220,142	--	--	(907,359)	--	(907,359)
Interest and other fiscal charges	186,048	--	--	--	(186,048)	--	(186,048)
Total governmental activities	9,180,851	2,223,448	42,825	254,603	(6,659,975)	--	(6,659,975)
Business-type activities							
Causeway	3,550,807	8,627,495	--	--	--	5,076,688	5,076,688
Sewer	1,547,994	2,253,963	--	--	--	705,969	705,969
Water	1,017,627	1,219,765	--	--	--	202,138	202,138
Parking	640,691	738,302	--	--	--	97,611	97,611
Solid waste	736,001	755,226	--	--	--	19,225	19,225
Stormwater	196,640	208,544	--	--	--	11,904	11,904
Total business-type activities	7,689,760	13,803,295	--	--	--	6,113,535	6,113,535
Total	\$ 16,870,611	\$ 16,026,743	\$ 42,825	\$ 254,603	(6,659,975)	6,113,535	(546,440)
General revenues							
Property taxes					3,760,854	--	3,760,854
Franchise fees based on gross receipts					358,731	--	358,731
Utility taxes					465,565	--	465,565
Communications services tax					203,152	--	203,152
Unrestricted intergovernmental revenue					660,337	--	660,337
Unrestricted investment losses					(7,719)	(8,845)	(16,564)
Miscellaneous					57,681	318,991	376,672
Transfers					1,787,613	(1,787,613)	--
Total general revenues and transfers					7,286,214	(1,477,467)	5,808,747
Change in net position					626,239	4,636,068	5,262,307
Net position - Beginning					23,216,541	30,872,961	54,089,502
Net Position - Ending					\$ 23,842,780	\$ 35,509,029	\$ 59,351,809

See notes to basic financial statements.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017**

	General	Capital Projects	Total Governmental Funds
Assets			
Cash	\$ 6,108,095	\$ 99,239	\$ 6,207,334
Investments	2,870,145	--	2,870,145
Receivables, net	158,864	--	158,864
Interest receivable	16,720	--	16,720
Due from other funds	20,663	88,992	109,655
Due from other governments	188,544	--	188,544
Inventory	15,961	--	15,961
Prepaid items	62,593	--	62,593
Restricted cash	186,789	--	186,789
Total assets	\$ 9,628,374	\$ 188,231	\$ 9,816,605
Liabilities			
Accounts payable and accrued liabilities	\$ 401,295	\$ --	\$ 401,295
Due to other funds	188,306	27,542	215,848
Due to pension fund	42,825	--	42,825
Unearned revenue	36,811	--	36,811
Customer deposits	123,950	--	123,950
Total liabilities	793,187	27,542	820,729
Deferred inflows of resources			
Unavailable revenue	35,000	--	35,000
Fund balances			
Non-spendable:			
Inventory	15,961	--	15,961
Prepaid items	62,593	--	62,593
Restricted:			
Law enforcement	7,489	--	7,489
Debt Service	60,350	--	60,350
Assigned:			
Capital projects fund	--	160,689	160,689
Unassigned	8,653,794	--	8,653,794
Total fund balances	8,800,187	160,689	8,960,876
Total liabilities, deferred inflows of resources, and fund balances	\$ 9,628,374	\$ 188,231	

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	22,561,599
Deferred outflows and inflows of resources related to pensions are recorded in the statement of net position	1,459,132
Revenues in the statement of activities that do not provide current financial resources are reported as unavailable revenue in the governmental funds financial statements	35,000
Deferred inflows of resources related to deferred charges on refunding of revenue bonds	(70,927)
Accrued interest related to long-term debt is recorded in the statement of net position	(80,957)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds (see Note 2)	(9,021,943)
Net position of governmental activities	\$ 23,842,780

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, 2017

	General	Capital Projects	Total Governmental Funds
Revenues			
Property taxes	\$ 3,760,854	\$ --	\$ 3,760,854
Utility taxes	465,565	--	465,565
Communications services tax	203,152	--	203,152
Franchise fees	358,731	--	358,731
Licenses and permits	629,233	--	629,233
Intergovernmental	922,765	--	922,765
Transfer development right fees	1,253,750	--	1,253,750
Charges for services	224,723	--	224,723
Fines and forfeitures	110,992	--	110,992
Investment losses	(7,719)	--	(7,719)
Miscellaneous	57,681	--	57,681
Total revenues	<u>7,979,727</u>	<u>--</u>	<u>7,979,727</u>
Expenditures			
Current:			
General government	1,339,307	--	1,339,307
Public safety	4,684,294	--	4,684,294
Transportation	880,270	--	880,270
Culture and recreation	905,788	--	905,788
Capital outlay	842,941	--	842,941
Debt service:			
Principal payments	304,000	--	304,000
Interest and other fiscal charges	137,538	--	137,538
Total expenditures	<u>9,094,138</u>	<u>--</u>	<u>9,094,138</u>
Deficiency of revenues over expenditures	<u>(1,114,411)</u>	<u>--</u>	<u>(1,114,411)</u>
Other financing sources			
Proceeds from sale of capital assets	4,750	--	4,750
Transfers in	1,787,613	--	1,787,613
Total other financing sources	<u>1,792,363</u>	<u>--</u>	<u>1,792,363</u>
Net change in fund balances	677,952	--	677,952
Fund balances - beginning	8,122,235	160,689	8,282,924
Fund balances - ending	<u>\$ 8,800,187</u>	<u>\$ 160,689</u>	<u>\$ 8,960,876</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, 2017

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) \$ 677,952

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	\$ 842,941	
Depreciation expense	<u>(775,928)</u>	67,013

Repayment of long-term debt is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

The details of the difference are as follows:

2012 Revenue bonds principal payment	304,000	
Amortization of gain on bond refunding	4,433	
Amortization of bond premium	<u>7,828</u>	316,261

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	(52,943)	
Compensated absences payable	(42,439)	
Net pension liability and related deferred outflows and inflows of resources	(366,772)	
Net OPEB obligation	<u>(7,833)</u>	(469,987)

Some revenues reported in the statement of activities are not reported in the funds because they have no effect on current financial resources.

35,000

Change in net position of governmental activities (Page 17)

\$ 626,239

See notes to basic financial statements.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

STATEMENT OF NET POSITION PROPRIETARY FUNDS SEPTEMBER 30, 2017

	Business-type Activities - Enterprise Funds						Total
	Causeway	Sewer	Water	Parking	Solid Waste	Stormwater (a Nonmajor Fund)	
Assets							
Current assets:							
Cash	\$ 1,266,449	\$ 1,628,206	\$ 880,722	\$ 568,269	\$ 483,374	\$ --	\$ 4,827,020
Investments	1,611,358	--	1,728,784	--	--	--	3,340,142
Receivables, net	5,205	--	793,156	293,107	--	--	1,091,468
Interest receivable	9,521	--	9,876	33,596	--	--	52,993
Due from other funds	99,958	--	127,777	87,381	46	720,711	1,035,873
Due from other governments	219,870	--	--	--	--	--	219,870
Inventory	--	--	57,007	--	--	--	57,007
Prepaid items	170,960	11,508	7,978	8,574	--	1,947	200,967
Restricted assets:							
Cash	10,644	204,229	152,314	--	63,179	--	430,366
Loan reserves	--	89,043	--	--	--	--	89,043
Total current assets	3,393,965	1,932,986	3,757,614	990,927	546,599	722,658	11,344,749
Noncurrent assets							
Capital assets not being depreciated	262,392	--	--	671,273	--	--	933,665
Capital assets being depreciated, net	28,357,936	3,270,109	1,403,549	8,630,934	--	294,718	41,957,246
Total noncurrent assets	28,620,328	3,270,109	1,403,549	9,302,207	--	294,718	42,890,911
Total assets	32,014,293	5,203,095	5,161,163	10,293,134	546,599	1,017,376	54,235,660
Deferred outflows of resources							
Pension	367,638	97,813	95,397	50,203	--	17,431	628,482
Liabilities							
Current liabilities:							
Accounts payable and accrued liabilities	1,215,574	206,881	81,711	5,373	57,833	10,774	1,578,146
Due to other funds	--	161,914	726,195	--	41,571	--	929,680
Due to other governments	--	--	274,210	--	--	--	274,210
Unearned revenue	196,546	--	--	--	--	--	196,546
Customer deposits (payable from restricted assets)	10,644	204,229	152,314	--	63,179	--	430,366
Current portion of notes payable	--	67,179	--	--	--	--	67,179
Current portion of compensated absences	12,027	2,490	2,225	1,435	--	292	18,469
Total current liabilities	1,434,791	642,693	1,236,655	6,808	162,583	11,066	3,494,596
Noncurrent liabilities							
Notes payable	10,645,000	214,284	--	3,786,000	--	--	14,645,284
Net OPEB obligation	45,696	6,581	7,187	3,234	--	559	63,257
Compensated absences	108,241	22,406	20,026	12,920	--	2,633	166,226
Net pension liability	350,166	93,179	90,901	47,843	--	16,632	598,721
Total noncurrent liabilities	11,149,103	336,450	118,114	3,849,997	--	19,824	15,473,488
Total liabilities	12,583,894	979,143	1,354,769	3,856,805	162,583	30,890	18,968,084
Deferred inflows of resources							
Parking trust receipts	--	--	--	278,575	--	--	278,575
Pension	63,430	16,879	16,466	8,667	--	3,012	108,454
Total deferred inflows of resources	63,430	16,879	16,466	287,242	--	3,012	387,029
Net position							
Net investment in capital assets	17,665,992	2,982,036	1,398,550	5,516,207	--	288,382	27,851,167
Restricted for loan reserve	--	89,043	--	--	--	--	89,043
Unrestricted	2,068,615	1,233,807	2,486,775	683,083	384,016	712,523	7,568,819
Total net position	\$ 19,734,607	\$ 4,304,886	\$ 3,885,325	\$ 6,199,290	\$ 384,016	\$ 1,000,905	\$ 35,509,029

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, 2017**

	Business-type Activities - Enterprise Funds						Total
	Causeway	Sewer	Water	Parking	Solid Waste	Stormwater (a Nonmajor Fund)	
Operating revenues							
Charges for services	\$ 8,627,495	\$ 2,253,963	\$ 1,219,765	\$ 738,302	\$ 755,226	\$ 208,544	\$ 13,803,295
Miscellaneous revenue	14,190	12,350	50,173	360	794	--	77,867
Total operating revenues	8,641,685	2,266,313	1,269,938	738,662	756,020	208,544	13,881,162
Operating expenses							
Operation and maintenance	2,345,852	1,389,039	930,064	329,412	736,001	179,687	5,910,055
Depreciation expense	914,612	149,212	87,563	223,264	--	16,953	1,391,604
Total operating expenses	3,260,464	1,538,251	1,017,627	552,676	736,001	196,640	7,301,659
Operating income	5,381,221	728,062	252,311	185,986	20,019	11,904	6,579,503
Nonoperating revenues (expenses)							
Investment loss	(4,038)	--	(4,807)	--	--	--	(8,845)
Rental income	91,959	--	--	149,165	--	--	241,124
Interest expense and other debt costs	(290,343)	(9,743)	--	(88,015)	--	--	(388,101)
Total nonoperating revenues (expenses)	(202,422)	(9,743)	(4,807)	61,150	--	--	(155,822)
Income before transfers	5,178,799	718,319	247,504	247,136	20,019	11,904	6,423,681
Transfers	(1,120,000)	(467,613)	(200,000)	--	--	--	(1,787,613)
Change in net position	4,058,799	250,706	47,504	247,136	20,019	11,904	4,636,068
Net position - beginning	15,675,808	4,054,180	3,837,821	5,952,154	363,997	989,001	30,872,961
Net position - ending	\$ 19,734,607	\$ 4,304,886	\$ 3,885,325	\$ 6,199,290	\$ 384,016	\$ 1,000,905	\$ 35,509,029

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, 2017

	Business-type Activities - Enterprise Funds						Total
	Causeway	Sewer	Water	Parking	Solid Waste	Stormwater (a Nonmajor Fund)	
Cash flows from operating activities							
Cash received from customers	\$ 8,766,429	\$ 2,280,388	\$ 1,366,741	\$ 716,791	\$ 762,853	\$ 788,014	\$ 14,681,216
Cash received from other operations	14,190	12,350	50,173	360	794	--	77,867
Cash payments to employees for services	(1,351,313)	(299,896)	(345,981)	(177,480)	--	(56,306)	(2,230,976)
Cash payments to suppliers for goods and services	(1,843,928)	(1,077,033)	(1,342,880)	(157,619)	(1,136,930)	(677,499)	(6,235,889)
Net cash provided (used) by operating activities	5,585,378	915,809	(271,947)	382,052	(373,283)	54,209	6,292,218
Cash flows from noncapital financing activities							
Transfers out	(1,120,000)	(467,613)	(200,000)	--	--	--	(1,787,613)
Net cash used by noncapital financing activities	(1,120,000)	(467,613)	(200,000)	--	--	--	(1,787,613)
Cash flows from capital and related financing activities							
Acquisition of capital assets	(2,800,856)	(173,543)	--	(42,457)	--	(54,209)	(3,071,065)
Principal paid on capital debt	(831,000)	(65,160)	--	(270,000)	--	--	(1,166,160)
Interest paid on capital debt	(290,343)	(10,160)	--	(88,015)	--	--	(388,518)
Net cash used by capital and related financing activities	(3,922,199)	(248,863)	--	(511,499)	--	(54,209)	(4,736,770)
Cash flows from investing activities							
Sales and maturities of investments	514,648	--	524,366	--	--	--	1,039,014
Purchases of investments	(524,134)	--	(540,364)	--	--	--	(1,064,498)
Rental income received	86,754	--	--	149,165	--	--	235,919
Investment earnings received	29,395	--	30,999	--	--	--	60,394
Net cash provided by investing activities	106,663	--	15,001	149,165	--	--	270,829
Net increase (decrease) in cash	649,842	199,333	(456,946)	19,718	(373,283)	--	38,664
Cash - beginning (including restricted assets)	627,251	1,722,145	1,489,982	548,551	919,836	--	5,307,765
Cash - ending (including restricted assets)	\$ 1,277,093	\$ 1,921,478	\$ 1,033,036	\$ 568,269	\$ 546,553	\$ --	\$ 5,346,429

(Continued)

See notes to basic financial statements.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS (Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

	Business-type Activities - Enterprise Funds						Total
	Causeway	Sewer	Water	Parking	Solid Waste	Stormwater (a Nonmajor Fund)	
Reconciliation of cash to the statement of net position							
Cash	\$ 1,266,449	\$ 1,628,206	\$ 880,722	\$ 568,269	\$ 483,374	\$ --	\$ 4,827,020
Restricted cash	10,644	293,272	152,314	--	63,179	--	519,409
	<u>\$ 1,277,093</u>	<u>\$ 1,921,478</u>	<u>\$ 1,033,036</u>	<u>\$ 568,269</u>	<u>\$ 546,553</u>	<u>\$ --</u>	<u>\$ 5,346,429</u>
Reconciliation of operating income to net cash provided (used) by operating activities							
Operating income	\$ 5,381,221	\$ 728,062	\$ 252,311	\$ 185,986	\$ 20,019	\$ 11,904	\$ 6,579,503
Adjustments to reconcile operating income to net cash provided (used) by operating activities							
Depreciation	914,612	149,212	87,563	223,264	--	16,953	1,391,604
Changes in assets, liabilities and deferred inflows/outflows:							
(Increase) decrease in:							
Receivables	--	--	(284,726)	(23,516)	--	--	(308,242)
Interest receivable	--	--	--	6,341	--	--	6,341
Due from other funds	200,770	--	420,924	26,617	615	579,470	1,228,396
Due from other governments	13,616	--	--	--	--	--	13,616
Inventory	--	--	(14,257)	--	--	--	(14,257)
Prepaid items	(23,853)	(11,508)	(7,978)	(8,574)	--	(1,947)	(53,860)
Deferred outflows - pension	(183,716)	(49,649)	(48,781)	(23,394)	--	(8,799)	(314,339)
Increase (decrease) in:							
Accounts payable and accrued liabilities	(897,969)	52,812	12,115	(10,557)	(5,722)	--	(849,321)
Due to other governments	--	--	17,160	--	--	--	17,160
Due to other funds	(21,376)	(55,075)	(789,753)	--	(395,207)	(556,711)	(1,818,122)
Customer deposits	2	26,425	10,778	--	7,012	--	44,217
Parking trust receipts	--	--	--	(30,953)	--	--	(30,953)
Net pension liability	207,894	55,900	54,858	27,111	--	9,975	355,738
Net OPEB obligation	1,993	833	803	444	--	95	4,168
Compensated absences	16,427	5,119	3,665	2,397	--	828	28,436
Deferred inflows - pension	51,211	13,678	13,371	6,886	--	2,441	87,587
Unearned revenues	(75,454)	--	--	--	--	--	(75,454)
Total adjustments	204,157	187,747	(524,258)	196,066	(393,302)	42,305	(287,285)
Net cash provided (used) by operating activities	<u>\$ 5,585,378</u>	<u>\$ 915,809</u>	<u>\$ (271,947)</u>	<u>\$ 382,052</u>	<u>\$ (373,283)</u>	<u>\$ 54,209</u>	<u>\$ 6,292,218</u>
Noncash investing and financing activities							
Decrease in fair value of investments	\$ (29,998)	\$ --	\$ (33,350)	\$ --	\$ --	\$ --	\$ (63,348)

See notes to basic financial statements.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

STATEMENT OF FIDUCIARY NET POSITION

PENSION TRUST FUND

SEPTEMBER 30, 2017

Assets

Cash \$ 254,464

Investments

Money market funds 737,735

U.S. treasuries and government obligations 4,024,660

Corporate bonds 2,301,315

Common stock and equity funds 1,969,223

Commingled collective trusts 8,592,552

Real estate fund 1,085,193

Total investments 18,710,678

Receivables

Due from town 42,825

Due from broker for investments sold 68,422

Due from participant 82,737

Accrued interest and dividends 18,122

Total receivables 212,106

Prepaid expenses 5,020

Total assets 19,182,268

Liabilities

Accounts payable 13,012

Due to participants 4,200

Due to broker for investments purchased 69,666

Total liabilities 86,878

Net position

Restricted for pension benefits \$ 19,095,390

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, 2017

Additions

Contributions:

Town (including state)	\$ 874,490
Employees	<u>332,750</u>
Total contributions	<u>1,207,240</u>

Investment income

Net appreciation in fair value of investments	1,554,590
Interest	162,963
Dividends	<u>41,173</u>
	1,758,726
Less investment expense	<u>(53,311)</u>

Net investment income

1,705,415

Total additions

2,912,655

Deductions

Benefits paid and refunds	897,950
Administrative expenses	<u>33,384</u>

Total deductions

931,334

Net Increase in net position

1,981,321

Net position restricted for pension benefits - beginning

17,114,069

Net position restricted for pension benefits - ending

\$ 19,095,390

See notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

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.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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, parking trust arrangements, 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.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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 did not implement any new GASB pronouncements during the fiscal year ended September 30, 2017 that had a significant impact to the Town's financial statements.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY

1. Deposits and Investments

The Town's cash includes cash on hand, and time/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. There was no capitalized interest for the fiscal year ended September 30, 2017.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, 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:

Assets	Years
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 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, 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 2017 into the Town of Bay Harbor Islands Employees' Retirement System. The net pension liability associated with the Plan was measured as of September 30, 2016. The amounts paid during fiscal year 2017 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 and governmental funds balance sheet 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 three items that qualify for reporting in this category. The proprietary funds statement of net position includes deferred Parking Trust receipts and deferred inflows related to pensions described below. These amounts are deferred and recognized as an inflow of resources in the period that they are earned. Within the governmental funds balance sheet, the Town reports deferred inflows related to unavailable revenues that qualify for reporting in this category. The governmental funds report this item as a deferred inflow until the criteria for revenue recognition has been met.

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.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (CONTINUED)

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.

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 the Capital Projects Fund is assigned for the purposes in accordance with the nature of its 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 fund 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.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (CONTINUED)

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.

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.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (CONTINUED)

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.

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 \$9,021,943 difference are as follows:

Bonds payable	\$ 6,836,000
Bonds payable - premium	125,253
Compensated absences	307,427
Net pension liability	1,679,520
Net OPEB obligation	<u>73,743</u>
	<u>\$ 9,021,943</u>

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

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 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 domestic equity index funds and a core real estate fund.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

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.

INVESTMENTS – TOWN

The Town's investment policy limits the maturity of fixed-income holdings to ten years. As of September 30, 2017, the Town had the following investments and its corresponding maturities in its portfolio:

Investments	Investment Maturities (In Years)				
	Fair Value	Less than 1	1-5	6-10	Greater than 10
U.S. treasury securities	\$ 2,803,628	\$ 480,598	\$ 1,488,662	\$ 834,368	\$ --
U.S. government agency securities	20,129	--	20,129	--	--
Local government bonds	292,780	--	247,531	45,249	--
Corporate bonds	3,093,750	258,042	1,819,444	1,016,264	--
Total Investments	\$ 6,210,287	\$ 738,640	\$ 3,575,766	\$ 1,895,881	\$ --

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENTS – TOWN (CONTINUED)

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, 2017, the value of each position held in the Town's portfolio comprised less than 5% of the Town's investment assets.

Fair Value Hierarchy

The Town has the following recurring fair value measurements as of September 30, 2017:

- U.S. treasury securities, U.S. government agency securities, corporate bonds and local government bonds of \$6,210,287 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.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENTS – PENSION PLAN (CONTINUED)

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%

As of September 30, 2017, the Plan had the following debt securities and its corresponding maturities in its portfolio:

Investments	Investment Maturities (In Years)				
	Fair Value	Less Than 1	1-5	6-10	Over 10
U.S. Treasury securities	\$ 1,569,102	\$ --	\$ --	\$ --	\$ 1,569,102
U.S. Government obligations	2,455,558	135,202	1,675,259	214,006	431,091
Corporate bonds	2,301,315	--	1,160,540	1,140,775	--
	\$ 6,325,975	\$ 135,202	\$ 2,835,799	\$ 1,354,781	\$ 2,000,193

Rate of Return

For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 10.16%. 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.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENTS – PENSION PLAN (CONTINUED)

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.

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, 2017, the value of each position held in the Plan's portfolio comprised less than 5% of fiduciary 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 holds money market funds, which are reported at amortized cost.

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

Debt 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. treasury securities, U.S. government obligations, corporate bonds.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

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, 2017:

	Fair Value Measurements Using		
	9/30/2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments by Fair Value Level			
Debt securities			
U.S. treasury securities	\$ 1,569,102	\$ --	\$ 1,569,102
U.S. government obligations and corporate bonds	4,756,873	--	4,756,873
Total Debt Securities	6,325,975	--	6,325,975
Equity Securities			
Common stock, ADR's, and ETF's	1,969,223	1,969,223	--
Total Equity Securities	1,969,223	1,969,223	--
Total Investments at Fair Value	8,295,198	\$ 1,969,223	\$ 6,325,975
Investments Measured at Net Asset Value (NAV)*			
Commingled collective trusts	8,592,552		
Core real estate fund	1,085,193		
Total investments measured at NAV	<u>9,677,745</u>		
Money market funds (exempt)	<u>737,735</u>		
Total investments	<u>\$ 18,710,678</u>		

* 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 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

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 as of September 30, 2017:

Investments Measured at NAV	Fair Value	Unfunded Commitments	Redemption	Redemption
			Frequency (if Currently Eligible)	Notice Period
Core real estate fund ⁽¹⁾	\$ 1,085,193	\$ 800,000	Quarterly	N/A
Commingled collective trusts ⁽²⁾	<u>8,592,552</u>	--	Daily	N/A
Total Investments Measured at NAV	<u>\$ 9,677,745</u>			

- (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.
- (2) *Commingled trust fund.* This fund's investment objectives are to match the return of the S&P 500, S&P Small-Cap 600, and Russell 1000 Stock Index through investments in substantially all of the stocks contained in those indexes. This investment also seeks long-term growth of capital by investing primarily in common stocks of issuers whose market capitalizations fall within the range of companies within the S&P MidCap 400 Index. This investment is valued at NAV and is redeemable on a daily 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, monitor 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 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 4 - RECEIVABLES

Receivables as of September 30, 2017 for the Town's individual major funds and fiduciary funds including the allowances for uncollectible accounts, are as follows:

	General	Causeway	Water	Parking	Pension Trust Fund	Total
Customers billed	\$ --	\$ --	\$ 959,330	\$ --	\$ --	\$ 959,330
Property taxes	570	--	--	--	--	570
Franchise fees	70,099	--	--	--	--	70,099
Utility taxes	45,104	--	--	--	--	45,104
Rental income	19,670	5,205	--	--	--	24,875
Interest	16,720	9,521	9,876	33,596	18,122	87,835
Parking trust receipts	--	--	--	293,107	--	293,107
Due from broker	--	--	--	--	68,422	68,422
Due from participant	--	--	--	--	82,737	82,737
Due from Town	--	--	--	--	42,825	42,825
Other	23,421	--	--	--	--	23,421
Gross receivables	175,584	14,726	969,206	326,703	212,106	1,698,325
Less allowance for uncollectibles	--	--	(166,174)	--	--	(166,174)
Net Total Receivables	\$ 175,584	\$ 14,726	\$ 803,032	\$ 326,703	\$ 212,106	\$ 1,532,151

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, 2017, there were no material delinquent taxes.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of September 30, 2017 is as follows:

DUE FROM/TO OTHER FUNDS

	Receivable Fund		Payable Fund			Total
	General	Capital Projects	Sewer	Water	Solid Waste	
General	\$ --	\$ --	\$ 14,258	\$ 6,405	\$ --	\$ 20,663
Capital Projects	--	--	88,992	--	--	88,992
Causeway	99,958	--	--	--	--	99,958
Water	--	27,542	58,664	--	41,571	127,777
Parking	87,381	--	--	--	--	87,381
Solid waste	46	--	--	--	--	46
Nonmajor:						
Stormwater	921	--	--	719,790	--	720,711
	<u>\$ 188,306</u>	<u>\$ 27,542</u>	<u>\$ 161,914</u>	<u>\$ 726,195</u>	<u>\$ 41,571</u>	<u>\$ 1,145,528</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/expenses occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

INTERFUND TRANSFERS

	<u>Transfers In</u> General Fund
Transfers Out	
Causeway Fund	\$ 1,120,000
Sewer Fund	467,613
Water Fund	<u>200,000</u>
Total Transfers Out	<u>\$ 1,787,613</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 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2017 was as follows:

	Beginning		Ending	
	Balance	Increases	Decreases	Balance
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 3,806,254	\$ --	\$ --	\$ 3,806,254
Construction in progress	2,339,079	329,353	(2,618,534)	49,898
Total capital assets, not being depreciated	6,145,333	329,353	(2,618,534)	3,856,152
Capital assets, being depreciated				
Buildings	2,043,857	2,456,239	--	4,500,096
Improvements other than buildings	20,502,434	488,265	--	20,990,699
Furniture, fixtures and equipment	1,895,741	187,618	(58,198)	2,025,161
Total capital assets, being depreciated	24,442,032	3,132,122	(58,198)	27,515,956
Less accumulated depreciation for:				
Buildings	(1,688,597)	(130,255)	--	(1,818,852)
Improvements other than buildings	(4,812,702)	(530,499)	--	(5,343,201)
Furniture, fixtures and equipment	(1,591,480)	(115,174)	58,198	(1,648,456)
Total accumulated depreciation	<u>(8,092,779)</u>	<u>(775,928)</u>	<u>58,198</u>	<u>(8,810,509)</u>
Total capital assets, being depreciated, net	<u>16,349,253</u>	<u>2,356,194</u>	<u>--</u>	<u>18,705,447</u>
Governmental activities capital assets, net	\$ 22,494,586	\$ 2,685,547	\$ (2,618,534)	\$ 22,561,599
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 671,273	\$ --	\$ --	\$ 671,273
Construction in progress	16,174,027	3,021,252	(18,932,887)	262,392
Total capital assets, not being depreciated	16,845,300	3,021,252	(18,932,887)	933,665
Capital assets, being depreciated				
Causeway system	2,549,328	--	--	2,549,328
Toll collection system	1,935,924	--	--	1,935,924
Sewer system	5,653,817	173,542	--	5,827,359
Water system	2,547,365	--	--	2,547,365
Parking garage	10,141,279	--	--	10,141,279
Improvements other than buildings	18,145,095	18,999,427	--	37,144,522
Equipment	1,413,133	119,066	--	1,532,199
Total capital assets, being depreciated	42,385,941	19,292,035	--	61,677,976
Less accumulated depreciation for:				
Causeway system	(2,549,328)	--	--	(2,549,328)
Toll collection system	(387,184)	(193,592)	--	(580,776)
Sewer system	(2,454,107)	(134,419)	--	(2,588,526)
Water system	(1,377,379)	(51,505)	--	(1,428,884)
Parking garage	(1,414,311)	(202,826)	--	(1,617,137)
Improvements other than buildings	(9,277,503)	(708,418)	--	(9,985,921)
Equipment	(869,314)	(100,844)	--	(970,158)
Total accumulated depreciation	<u>(18,329,126)</u>	<u>(1,391,604)</u>	<u>--</u>	<u>(19,720,730)</u>
Total capital assets, being depreciated, net	<u>24,056,815</u>	<u>17,900,431</u>	<u>--</u>	<u>41,957,246</u>
Business-type activities capital assets, net	\$ 40,902,115	\$ 20,921,683	\$ (18,932,887)	\$ 42,890,911

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 7 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged as functions/programs as follows:

Governmental activities	
General government	\$ 88,181
Public safety	78,991
Transportation	387,043
Culture and recreation	<u>221,713</u>
Total depreciation expense - governmental activities	<u>\$ 775,928</u>
Business-type activities	
Causeway	\$ 914,612
Sewer	149,212
Water	87,563
Parking	223,264
Stormwater	<u>16,953</u>
Total depreciation expense - business-type activities	<u>\$ 1,391,604</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, 2017:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable:					
Refunding Note, Series 2012	\$ 4,055,000	\$ --	\$ (304,000)	\$ 3,751,000	\$ 307,000
Revenue bonds, Series 2016	3,085,000	--	--	3,085,000	5,000
Add deferred amounts:					
Issuance premium	133,081	--	(7,828)	125,253	--
Total bonds payable	<u>7,273,081</u>	<u>--</u>	<u>(311,828)</u>	<u>6,961,253</u>	<u>312,000</u>
Compensated absences	264,988	289,159	(246,720)	307,427	30,743
Net OPEB obligation	65,910	19,659	(11,826)	73,743	--
Governmental activities long-term liabilities	<u>\$ 7,603,979</u>	<u>\$ 308,818</u>	<u>\$ (570,374)</u>	<u>\$ 7,342,423</u>	<u>\$ 342,743</u>

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 8 - LONG-TERM DEBT (CONTINUED)

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

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. As of September 30, 2017, the deferred gain on refunding balance is \$70,927. The total principal and interest remaining on the bonds is \$4,690,725. The note bears interest at a variable rate between 2% to 5%, with annual principal payments and semi-annual interest payments due through October 1, 2034.

Debt service requirements to maturity are as follows:

	Principal	Interest	Total
Fiscal year ending September 30:			
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	10,000	109,600	119,600
2023-2027	50,000	543,800	593,800
2028-2032	1,435,000	439,900	1,874,900
2033-2035	1,560,000	71,100	1,631,100
Total	\$ 3,085,000	\$ 1,605,725	\$ 4,690,725

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

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 \$4,198,061. For the current year, pledged revenues were \$1,245,324 and debt service on the note was \$385,573. 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:			
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	334,000	48,363	382,363
2023-2027	1,770,000	133,530	1,903,530
2028	377,000	3,938	380,938
Total	<u>\$ 3,751,000</u>	<u>\$ 447,061</u>	<u>\$ 4,198,061</u>

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 8 - LONG-TERM DEBT (CONTINUED)

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, 2017:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities					
Notes and loan payable:					
Broad Causeway Promissory Note,					
Series 2012	\$ 11,476,000	\$ --	\$ (831,000)	\$ 10,645,000	\$ --
State Revolving Fund Loan	346,623	--	(65,161)	281,462	67,179
Parking Refunding Note,					
Series 2012	4,056,000	--	(270,000)	3,786,000	-
Total notes and loan payable	15,878,623	--	(1,166,161)	14,712,462	67,179
Compensated absences	156,259	173,720	(145,283)	184,696	18,469
Net OPEB obligation	59,090	13,342	(9,175)	63,257	-
Business-type activities long-term liabilities	\$ 16,093,972	\$ 187,062	\$ (1,320,619)	\$ 14,960,415	\$ 85,648

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 \$12,328,133. For the current year, pledged revenues were \$8,729,606 and debt service on the note was \$1,121,343. The note bears interest at 2.53%, with annual principal payments and semi-annual interest payments due through December 1, 2028.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 8 - LONG-TERM DEBT (CONTINUED)

BROAD CAUSEWAY PROMISSORY NOTE, SERIES 2012 (CONTINUED)

	Principal	Interest	Total
Fiscal year ending September 30:			
2018	\$ --	\$ 134,659	\$ 134,659
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	918,000	191,445	1,109,445
2023-2027	4,949,000	592,387	5,541,387
2028-2029	2,159,000	54,964	2,213,964
Total	\$ 10,645,000	\$ 1,683,133	\$ 12,328,133

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, 2017, 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 \$301,279. For the current year, pledged revenues were \$877,220 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.

	Principal	Interest	Total
Fiscal year ending September 30:			
2018	\$ 67,179	\$ 8,141	\$ 75,320
2019	69,260	6,060	75,320
2020	71,406	3,914	75,320
2021	73,617	1,702	75,319
Total	\$ 281,462	\$ 19,817	\$ 301,279

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 8 - LONG-TERM DEBT (CONTINUED)

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 \$4,263,421. The note bears interest at 2.17%, with annual principal payments and semi-annual interest payments due through December 1, 2027.

	Principal	Interest	Total
Fiscal year ending September 30:			
2018	\$ --	\$ 41,078	\$ 41,078
2019	278,000	79,140	357,140
2020	351,000	72,315	423,315
2021	357,000	64,633	421,633
2022	358,000	56,876	414,876
2023-2027	2,009,000	158,681	2,167,681
2028	433,000	4,698	437,698
Total	\$ 3,786,000	\$ 477,421	\$ 4,263,421

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.

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.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

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, 2016 (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

PLAN DESCRIPTION

Membership in the Plan as of October 1, 2016, was as follows:

Inactive plan members and beneficiaries currently receiving benefits	36
Inactive plan members entitled but not yet receiving benefits	7
Active plan members	<u>63</u>
Total Members	<u><u>106</u></u>

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.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 in a lump sum at retirement an amount which is the actuarial equivalent of the benefits otherwise payable under the Plan. 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.

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.

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 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

PENSION BENEFITS (CONTINUED)

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, 2017 were 20.05% of covered payroll. The contribution requirements of the Town for the fiscal year ended September 30, 2017 were determined by the October 1, 2015 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 distributes this money to local governments meeting certain eligibility requirements which is intended to purchase supplemental pension benefits for police officers. Refer to the share plan/supplemental benefits note for changes made to this benefit.

In fiscal year 2017, \$42,825 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.

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 \$18,000 and \$322,706 were received in fiscal year 2017 and 2016, respectively. A balance of \$82,737 was outstanding as of September 30, 2017 which includes \$5,152 of interest associated with the receivable. 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 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

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 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's required contributions. As a result, there are no Share plan assets included in the pension trust fund as of September 30, 2017.

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 details 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 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

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, 2016, was as follows:

Total pension liability	\$ 19,392,310
Plan fiduciary net position	<u>(17,114,069)</u>
Net pension liability	<u>\$ 2,278,241</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>88.25%</u>

The above net pension liability is recorded within the government-wide statement of net position as of September 30, 2017.

CHANGES IN THE NET PENSION LIABILITY

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at September 30, 2015	<u>\$ 16,164,352</u>	<u>\$ (15,213,341)</u>	<u>\$ 951,011</u>
Changes for the year:			
Service cost	881,514	--	881,514
Expected interest growth	983,968	(899,820)	84,148
Unexpected investment income	--	(606,253)	(606,253)
Demographic experience	(435,741)	--	(435,741)
Contributions - employer	--	(795,792)	(795,792)
Contributions - employee	--	(700,737)	(700,737)
Benefit payments, including refunds of employee contributions	(1,064,535)	1,064,535	--
Administrative changes	--	37,339	37,339
Change in benefit terms	998,287	--	998,287
Assumption Changes	1,864,465	--	1,864,465
Net changes	<u>3,227,958</u>	<u>(1,900,728)</u>	<u>1,327,230</u>
Balances at September 30, 2016	<u>\$ 19,392,310</u>	<u>\$ (17,114,069)</u>	<u>\$ 2,278,241</u>

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

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, 2016, based on a valuation date of October 1, 2015
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.

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, 2016 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)	5.3%	25.0%
Mid cap (domestic equity)	8.5%	7.5%
Small cap (domestic equity)	7.4%	7.5%
Fixed Income	2.2%	35.0%
Foreign Equity (international equity)	3.7%	10.0%
Emerging Market (international equity)	7.9%	5.0%
Real Estate	6.8%	10.0%

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

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	<u>\$ 4,701,122</u>	<u>\$ 2,278,241</u>	<u>\$ 296,257</u>

PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At September 30, 2017, the Town reported a net pension liability of \$2,278,241. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2015. For the fiscal year ended September 30, 2017, the Town recognized pension expense of \$1,592,631. 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	\$ 45,994	\$ --
Assumption changes	1,497,444	--
Demographic experience	--	412,689
Town contributions subsequent to the measurement date	<u>848,411</u>	<u>--</u>
Total	<u>\$ 2,391,849</u>	<u>\$ 412,689</u>

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (CONTINUED)

The deferred outflows of resources totaling \$848,411, 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, 2018. 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:

Fiscal Year Ending September 30	Amount
2018	\$ 292,080
2019	292,080
2020	369,957
2021	154,133
2022	<u>22,499</u>
Total	<u>\$ 1,130,749</u>

PAYABLE TO THE PENSION PLAN

At September 30, 2017, the Town reported a payable of \$42,825 for amounts received from Chapter 185 contributions due to the Plan for the fiscal year ended September 30, 2017.

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.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

FUNDING POLICY AND ANNUAL OPEB COST

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

The annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer, an amount actuarially determined 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	5,000
Adjustment to ARC	(15,000)
Amortization	<u>23,000</u>
Annual OPEB cost	23,000
Contributions made	<u>(11,000)</u>
Increase in net OPEB obligation	12,000
Net OPEB obligation, beginning of year	<u>125,000</u>
Net OPEB Obligation, End of Year	<u>\$ 137,000</u>

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

THREE-YEAR TREND INFORMATION

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

	<u>Fiscal Year Ended September 30,</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual OPEB cost	\$ 23,000	\$ 23,000	\$ 21,000
Percentage of OPEB cost contributed	48%	39%	81%
Net OPEB obligation	\$ 137,000	\$ 125,000	\$ 111,000

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.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

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

TOWN OF BAY HARBOR ISLANDS, FLORIDA

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget-Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 3,678,865	\$ 3,678,865	\$ 3,760,854	\$ 81,989
Utility taxes	456,000	456,000	465,565	9,565
Communications services tax	240,000	240,000	203,152	(36,848)
Franchise fees	374,000	374,000	358,731	(15,269)
Licenses and permits	871,000	871,000	629,233	(241,767)
Intergovernmental	921,000	921,000	922,765	1,765
Transfer development right fees	--	--	1,253,750	1,253,750
Charges for services	268,420	268,420	224,723	(43,697)
Fines and forfeitures	105,000	105,000	110,992	5,992
Investment earnings	56,000	56,000	(7,719)	(63,719)
Miscellaneous	55,000	55,000	57,681	2,681
Total Revenues	7,025,285	7,025,285	7,979,727	954,442
Expenditures				
General government:				
Legislative	115,016	115,016	98,687	16,329
Executive	417,518	417,518	451,913	(34,395)
Clerk	214,553	214,553	183,882	30,671
Finance and administration	197,558	197,558	186,382	11,176
Information technology	171,793	171,793	127,537	44,256
Legal	163,000	163,000	145,344	17,656
Total General Government	1,279,438	1,279,438	1,193,745	85,693
Public buildings	199,491	249,491	251,244	(1,753)
Public safety:				
Law enforcement	4,065,065	4,065,065	4,058,056	7,009
Protective inspections	536,194	536,194	443,860	92,334
Code enforcement	162,134	162,134	152,919	9,215
Other public safety	45,526	45,526	54,781	(9,255)
Total public safety	4,808,919	4,808,919	4,709,616	99,303
Transportation:				
Streets and parkways	879,884	1,403,654	1,278,481	125,173
Public transit	101,000	101,000	90,054	10,946
Total transportation	980,884	1,504,654	1,368,535	136,119
Culture and recreation:				
Parks and recreation	1,000,843	1,198,262	1,129,460	68,802
Total culture and recreation	1,000,843	1,198,262	1,129,460	68,802
Debt service:				
Principal, interest and fiscal charges	543,323	543,323	441,538	101,785
Total expenditures	8,812,898	9,584,087	9,094,138	489,949
Deficiency of revenues over expenditures	(1,787,613)	(2,558,802)	(1,114,411)	1,444,391
Other financing sources				
Appropriation of prior year fund balance	--	771,189	--	(771,189)
Proceeds from sale of capital assets	--	--	4,750	4,750
Transfers in	1,787,613	1,787,613	1,787,613	--
Total other financing sources (uses)	1,787,613	2,558,802	1,792,363	(766,439)
Net change in fund balance	\$ --	\$ --	\$ 677,952	\$ 677,952

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, 2017

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, 2017, there were supplemental appropriations of approximately \$771,000.
- (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

	September 30,			
	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 1,026,849	\$ 881,514	\$ 758,824	\$ 686,893
Interest	1,180,877	983,968	923,439	851,757
Demographic experience	(328,634)	(435,741)	(100,632)	--
Changes of benefit terms	726,619	998,287	--	--
Changes of assumptions	--	1,864,465	--	--
Benefit payments, including refunds of member contributions	(893,750)	(1,064,535)	(671,862)	(359,028)
Net change in total pension liability	1,711,961	3,227,958	909,769	1,179,622
Total pension liability - beginning	19,392,310	16,164,352	15,254,583	14,074,961
Total pension liability - ending (a)	<u>\$ 21,104,271</u>	<u>\$ 19,392,310</u>	<u>\$ 16,164,352</u>	<u>\$ 15,254,583</u>
Plan fiduciary net position				
Contributions - employer	\$ 874,490	\$ 795,792	\$ 674,623	\$ 922,599
Contributions - employee	332,750	700,737	271,897	275,817
Net Investment income (loss)	1,705,415	1,506,073	(248,856)	1,185,773
Benefit payments, including refunds of member contributions	(893,750)	(1,064,535)	(671,862)	(384,382)
Administrative expense	(33,384)	(37,339)	(31,590)	(31,811)
Net change in plan fiduciary net position	1,985,521	1,900,728	(5,788)	1,967,996
Plan fiduciary net position - beginning	17,114,069	15,213,341	15,219,129	13,251,133
Plan fiduciary net position - ending (b)	<u>\$ 19,099,590</u>	<u>\$ 17,114,069</u>	<u>\$ 15,213,341</u>	<u>\$ 15,219,129</u>
Net pension liability - Ending (a) - (b)	<u>\$ 2,004,681</u>	<u>\$ 2,278,241</u>	<u>\$ 951,011</u>	<u>\$ 35,454</u>
Fiduciary net position as a percentage of the total pension liability	90.50%	88.25%	94.12%	99.77%
Covered payroll	\$ 4,362,247	\$ 3,962,146	\$ 3,822,792	\$ 3,633,983
Net pension liability as a percentage of covered payroll	45.96%	57.50%	24.88%	0.98%

Note: Plan Fiduciary Net Position for 2017 excludes \$4,200 related to benefits payable to participants that was accrued after the actuarial valuation was completed.

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
2017	\$ 816,415	\$ 874,490	\$ (58,075)	\$ 4,362,247	20.05%
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%

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year Ending September 30, 2017:

Valuation Date: October 1, 2015

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.

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.

Contents	Page(s)
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Financial Trends	69-74
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These schedules contain information to help the reader understand how the Town's financial performance and well-being have changed over time.

Revenue Capacity	75-79
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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	80-83
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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	84
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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	85-87
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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

**SCHEDULE 1
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Accrual basis of accounting)**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net investment in capital assets	\$ 9,298,331	\$ 9,257,952	\$ 9,434,221	\$ 9,064,893	\$ 12,424,702	\$ 12,195,723	\$ 12,455,881	\$ 12,948,529	\$ 14,949,552	\$ 15,529,419
Restricted	2,406,945	3,139,500	3,225,411	3,191,089	653,821	543,612	511,416	7,486	7,487	67,839
Unrestricted	4,005,296	3,961,738	3,305,290	3,605,326	3,178,473	3,599,739	5,109,768	8,080,656	8,259,502	8,245,522
Total governmental activities net position	\$ 15,710,572	\$ 16,359,190	\$ 15,964,922	\$ 15,861,308	\$ 16,256,996	\$ 16,339,074	\$ 18,077,065	\$ 21,036,671	\$ 23,216,541	\$ 23,842,780
Business-type activities										
Net investment in capital assets	\$ 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	\$ 27,851,167
Restricted	62,432	65,441	68,391	71,341	74,292	77,242	80,192	83,142	86,092	89,043
Unrestricted	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	7,568,819
Total business-type activities net position	\$ 21,080,280	\$ 22,373,203	\$ 23,318,652	\$ 23,900,655	\$ 25,074,350	\$ 25,618,133	\$ 25,966,123	\$ 28,156,646	\$ 30,872,961	\$ 35,509,029
Primary government										
Net investment in capital assets	\$ 22,198,587	\$ 26,409,839	\$ 27,094,087	\$ 26,901,776	\$ 30,536,846	\$ 30,272,828	\$ 31,054,141	\$ 30,781,558	\$ 38,473,870	\$ 43,380,586
Restricted	2,469,377	3,204,941	3,293,802	3,262,430	728,113	620,854	591,608	90,628	93,579	156,882
Unrestricted	12,122,888	9,117,613	8,895,685	9,597,757	10,066,387	11,063,525	12,397,439	18,321,131	15,522,053	15,814,341
Total primary government net position	\$ 36,790,852	\$ 38,732,393	\$ 39,283,574	\$ 39,761,963	\$ 41,331,346	\$ 41,957,207	\$ 44,043,188	\$ 49,193,317	\$ 54,089,502	\$ 59,351,809

TOWN OF BAY HARBOR ISLANDS, FLORIDA

SCHEDULE 2

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

(Accrual Basis of Accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government	\$ 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	\$ 1,537,536
Public safety	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	5,044,475
Transportation	986,410	891,109	935,471	1,011,529	1,087,658	1,198,230	1,031,567	1,058,239	1,092,928	1,285,291
Culture and recreation	135,373	113,496	92,717	124,264	124,506	162,244	303,531	620,285	874,555	1,127,501
Interest on long-term debt	427,641	424,764	419,819	412,328	407,945	552,546	255,835	248,602	291,717	186,048
Total governmental activities expenses	6,940,686	6,938,703	7,034,215	7,030,889	7,212,508	7,723,709	6,807,371	7,546,419	8,383,759	9,180,851
Business-type activities										
Causeway	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	3,550,807
Sewer	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	1,547,994
Water	848,993	938,061	1,067,501	933,301	953,007	913,966	963,031	1,062,721	914,630	1,017,627
Parking	231,733	183,760	576,340	679,315	642,801	817,428	578,007	554,897	610,508	640,691
Solid waste	652,640	625,189	655,092	670,688	668,603	690,765	754,366	764,182	763,258	736,001
Stormwater	92,196	112,155	114,784	113,974	94,893	120,114	118,290	153,990	236,869	196,640
Total business-type activities expenses	6,290,267	6,574,670	7,411,970	7,655,191	7,522,064	8,034,527	8,676,375	7,211,154	7,687,755	7,689,760
Total primary government expenses	13,230,953	13,513,373	14,446,185	14,686,080	14,734,572	15,758,236	15,483,746	14,757,573	16,071,514	16,870,611
Program revenues										
Governmental activities:										
Charges for services:										
General government	275,841	205,480	179,880	153,406	191,668	509,994	513,369	1,180,307	2,535,629	1,883,013
Public safety	187,961	203,641	162,720	144,116	148,623	188,158	119,749	123,346	112,103	115,543
Transportation	--	--	--	--	--	--	--	--	1,145	4,750
Culture and recreation	711	730	1,713	2,019	2,488	10,726	117,927	187,006	188,935	220,142
Operating grants and contributions	380,915	32,083	33,156	36,584	37,187	75,071	44,615	45,552	41,440	42,825
Capital grants and contributions	194,029	760,679	653,639	291,057	846,776	226,878	553,794	258,583	254,549	254,603
Total governmental activities program revenues	1,039,457	1,202,613	1,031,108	627,182	1,226,742	1,010,827	1,349,454	1,794,794	3,133,801	2,520,876
Business-type Activities										
Charges for services:										
Causeway	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	8,627,495
Sewer	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	2,253,963
Water	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	1,219,765
Parking	290,891	297,852	335,354	389,756	379,778	476,723	691,395	733,488	673,472	738,302
Solid waste	684,793	681,769	696,642	694,928	715,326	715,130	725,714	711,977	698,570	755,226
Stormwater	211,306	213,624	209,865	208,815	213,156	209,667	209,457	205,037	210,169	208,544
Capital grants and contributions	--	--	--	316,249	--	--	--	485,012	514,988	--
Total Business-type Activities Program Revenues	8,792,844	8,693,908	8,983,250	9,683,394	10,038,301	10,131,884	10,414,154	10,983,641	11,609,505	13,803,295
Total Primary Government Program Revenues	\$ 9,832,301	\$ 9,896,521	\$ 10,014,358	\$ 10,310,576	\$ 11,265,043	\$ 11,142,711	\$ 11,763,608	\$ 12,778,435	\$ 14,743,306	\$ 16,324,171

Continued

TOWN OF BAY HARBOR ISLANDS, FLORIDA

**SCHEDULE 2 (CONTINUED)
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
(continued)**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net (expense) revenue										
Governmental activities	\$ (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)	\$ (6,659,975)
Business-type activities	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	6,113,535
Total net (expense) revenue	\$ (3,398,652)	\$ (3,616,852)	\$ (4,431,827)	\$ (4,375,503)	\$ (3,469,528)	\$ (4,615,525)	\$ (3,720,138)	\$ (1,979,138)	\$ (1,328,208)	\$ (546,440)
General revenues and other changes in net position										
Governmental activities:										
Property taxes	\$ 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	\$ 3,760,854
Franchise fees based on gross receipts	379,264	367,179	339,581	359,930	347,019	350,569	373,096	363,587	350,674	358,731
Utility taxes	359,065	351,358	387,399	390,796	399,923	422,974	461,351	452,355	455,606	465,565
Communications services tax	453,261	348,882	348,436	307,006	298,092	281,603	270,719	249,333	221,442	203,152
Unrestricted intergovernmental revenue	521,120	467,565	480,068	495,586	549,523	618,159	630,453	670,021	1,175,138	660,337
Unrestricted investment earnings (losses)	450,029	388,574	185,113	61,145	87,275	(57,892)	12,555	39,064	68,011	(7,719)
Miscellaneous	50,578	53,850	9,922	18,144	64,179	103,964	82,892	50,830	74,354	57,681
Transfers	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	1,787,613
Total governmental activities	6,587,854	6,384,708	5,608,839	6,300,092	6,381,453	6,484,960	6,558,408	6,850,451	7,429,828	7,286,214
Business-type activities										
Unrestricted interest earnings (losses)	237,420	343,424	144,682	53,696	96,954	(67,674)	13,737	45,508	94,084	(8,845)
Miscellaneous	88,744	87,470	82,840	126,856	203,701	278,681	269,424	254,094	355,331	318,991
Transfers	(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)	(1,787,613)
Total business-type activities	(1,000,039)	(826,316)	(625,830)	(1,446,200)	(1,342,542)	(1,553,574)	(1,389,789)	(1,393,053)	(1,205,435)	(1,477,467)
Change in net position										
Governmental activities	686,625	648,618	(394,268)	(103,614)	395,688	(227,922)	1,100,491	1,098,826	2,179,870	626,239
Business-type activities	1,502,538	1,292,922	945,450	582,003	1,173,695	543,783	347,990	2,379,434	2,716,315	4,636,068
Total change in net position	\$ 2,189,163	\$ 1,941,540	\$ 551,182	\$ 478,389	\$ 1,569,383	\$ 315,861	\$ 1,448,481	\$ 3,478,260	\$ 4,896,185	\$ 5,262,307

TOWN OF BAY HARBOR ISLANDS, FLORIDA

**SCHEDULE 3
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified accrual basis of accounting)**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General fund										
Reserved	\$ 270,964	\$ 261,652	\$ 273,821	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Unreserved	3,834,721	3,852,654	3,262,489	--	--	--	--	--	--	--
Non-spendable	--	--	--	121,095	56,482	38,630	30,104	28,493	25,450	78,554
Restricted	--	--	--	132,992	94,198	23,654	26	7,486	7,487	67,839
Unassigned	--	--	--	3,343,554	3,245,657	3,638,393	5,050,708	7,813,864	8,089,298	8,653,794
Total general fund	\$ 4,105,685	\$ 4,114,306	\$ 3,536,310	\$ 3,597,641	\$ 3,396,337	\$ 3,700,677	\$ 5,080,838	\$ 7,849,843	\$ 8,122,235	\$ 8,800,187
All other governmental funds										
Unreserved, reported in:										
Capital projects fund	\$ 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	160,690
Total capital projects fund	\$ 10,392,904	\$ 10,175,931	\$ 7,095,695	\$ 3,956,049	\$ 559,623	\$ 519,958	\$ 511,390	\$ 354,577	\$ 160,689	\$ 160,690

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

**SCHEDULE 4
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified accrual basis of accounting)**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Taxes	\$ 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	\$ 4,429,571
Franchise fees	379,264	367,179	339,581	359,930	347,019	350,569	373,096	363,587	350,674	358,731
Licenses and permits	274,351	204,190	179,860	153,386	191,628	509,964	826,335	1,180,257	1,051,339	629,233
Intergovernmental	747,738	676,760	689,430	716,848	804,970	876,689	913,702	970,463	971,127	922,765
Transfer development right fees	--	--	--	--	--	310,000	637,500	2,186,000	1,484,250	1,253,750
Charges for services	8,484	4,905	2,422	2,783	2,893	11,435	119,252	188,524	191,929	224,723
Fines and forfeitures	181,678	200,756	162,031	143,529	148,308	187,480	118,454	119,988	109,149	110,992
Investment earnings (losses)	450,029	388,574	185,113	61,145	87,275	(57,892)	12,555	39,064	68,011	(7,719)
Grants	348,326	583,567	477,433	106,221	628,358	43,418	2,163	3,693	500,000	--
Miscellaneous	50,578	53,850	9,922	18,144	64,179	103,964	82,891	50,830	74,354	57,681
Total revenues	6,193,993	6,396,440	5,803,473	5,317,399	5,971,922	6,041,206	6,872,410	9,136,700	8,907,634	7,979,727
Expenditures										
General government	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	1,339,307
Public safety	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	4,684,294
Transportation	890,112	795,044	826,078	817,526	891,186	847,193	677,439	707,624	722,403	880,270
Culture and recreation	101,482	79,245	45,010	56,122	51,440	88,961	229,475	520,597	750,181	905,788
Capital outlay	347,305	1,062,140	3,633,259	3,272,090	4,265,481	288,069	516,991	743,909	2,643,918	842,941
Debt service:										
Principal payments	180,000	185,000	185,000	190,000	200,000	205,000	278,000	291,000	295,000	304,000
Interest and debt costs	428,950	426,293	421,531	415,924	409,903	379,135	259,950	250,611	344,248	137,538
Total expenditures	7,085,413	7,862,002	10,315,057	10,022,466	11,212,849	7,586,790	7,173,767	8,062,240	10,584,560	9,094,138
Excess of revenues over (under) expenditures	(891,420)	(1,465,562)	(4,511,584)	(4,705,067)	(5,240,927)	(1,545,584)	(301,357)	1,074,460	(1,676,926)	(1,114,411)
Other financing sources (uses)										
Transfers in	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	1,787,613
Sale of capital assets	--	--	--	--	--	--	--	1,890	1,145	4,750
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	1,326,203	1,257,210	1,453,352	1,626,752	1,643,197	1,810,259	1,672,950	1,694,545	1,755,430	1,792,363
Net change in fund balances	\$ 434,783	\$ (208,352)	\$ (3,058,232)	\$ (3,078,315)	\$ (3,597,730)	\$ 264,675	\$ 1,371,593	\$ 2,769,005	\$ 78,504	\$ 677,952
Debt service as a percentage of noncapital expenditures	9.0%	9.0%	9.0%	9.0%	8.8%	8.0%	8.1%	7.4%	8.1%	5.4%

TOWN OF BAY HARBOR ISLANDS, FLORIDA

**SCHEDULE 5
PROGRAM REVENUES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
General government	\$ 288,556	\$ 205,480	\$ 179,880	\$ 153,406	\$ 220,026	\$ 513,145	\$ 826,365	\$ 1,180,307	\$ 2,535,629	\$ 1,883,013
Public safety	220,550	235,724	372,082	368,757	404,229	486,956	405,162	168,898	153,543	158,368
Transportation	194,029	760,679	77,433	--	600,000	--	--	258,583	255,694	259,353
Culture and recreation	336,322	730	401,713	105,019	2,488	10,726	117,927	185,116	188,935	220,142
Total governmental activities	1,039,457	1,202,613	1,031,108	627,182	1,226,743	1,010,827	1,349,454	1,792,904	3,133,801	2,520,876
Business-type activities										
Causeway (1)	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	8,627,495
Sewer	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	2,253,963
Water	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	1,219,765
Parking	290,891	297,853	335,354	389,756	379,778	476,723	691,395	586,972	673,472	738,302
Solid waste	684,793	681,769	696,642	694,928	715,326	715,130	725,714	711,977	698,570	755,226
Stormwater	211,306	213,624	209,865	208,815	213,156	209,667	209,457	205,037	210,169	208,544
Total business-type activities	8,792,844	8,693,909	8,983,250	9,683,394	10,038,301	10,131,884	10,414,154	10,835,550	11,609,505	13,803,295
Total primary government	\$ 9,832,301	\$ 9,896,522	\$ 10,014,358	\$ 10,310,576	\$ 11,265,044	\$ 11,142,711	\$ 11,763,608	\$ 12,628,454	\$ 14,743,306	\$ 16,324,171

TOWN OF BAY HARBOR ISLANDS, FLORIDA

SCHEDULE 6

ASSESSED VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

Year*	Real Property	Personal Property	Total Assessed Value	Exemptions		Net Taxable Value	Direct Millage	Total Direct & Overlapping Millage
				Real	Personal			
2008	\$ 1,231,775,774	\$ 13,752,659	\$ 1,245,528,433	\$ 404,261,939	\$ 192,952	\$ 841,073,542	3.6565	19.7986
2009	1,235,947,508	14,727,388	1,250,674,896	387,574,044	2,811,084	860,289,768	3.9750	20.2017
2010	1,037,375,579	15,588,658	1,052,964,237	286,640,237	2,524,662	763,799,338	4.4120	20.9155
2011	786,125,345	15,066,967	801,192,312	193,998,319	2,548,463	604,645,530	5.2971	23.1724
2012	774,573,967	15,719,441	790,293,408	195,261,493	2,212,422	592,819,493	5.2971	21.8256
2013	749,459,838	15,472,810	764,932,648	182,892,469	2,174,864	579,865,315	5.2971	21.7097
2014	845,128,356	15,304,530	860,432,886	255,862,099	2,407,807	602,162,980	5.2971	21.7097
2015	1,063,287,591	15,600,448	1,078,888,039	377,286,535	2,674,099	698,927,405	4.9000	21.3417
2016	1,210,203,009	14,982,614	1,225,185,623	444,372,802	2,746,997	778,065,824	4.5500	20.5953
2017	1,444,251,699	14,698,252	1,458,949,951	576,225,941	2,612,688	880,111,322	4.4000	20.3638

*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

SCHEDULE 7

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**	State Special Districts Florida Inland Navigation	South Florida Water Management	
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
2017	4.4000	5.0669	7.3220	3.2122	0.0320	0.3307	20.3638

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

**SCHEDULE 8
PRINCIPAL PROPERTY TAXPAYERS
REAL ESTATE AD VALOREM TAXES
CURRENT AND NINE YEARS AGO**

Year: 2017

<u>Parcel Owner</u>	<u>Taxable Valuation</u>	<u>Percentage of Total Taxable Valuation*</u>
P3 Investments LLC	\$ 13,860,134	1.60%
CBS Realty Holding LLC	13,698,178	1.58%
NR Wharton Kane Concourse	8,963,500	1.03%
Congress Driftwood LLC	7,650,000	0.88%
1170 LLC	6,259,000	0.72%
Christophe Navarre	6,186,735	0.71%
Broadhouse Holdings LTD	6,024,366	0.69%
Sawmill LLC	5,865,472	0.68%
Matthew and Natalia Storm	5,306,453	0.61%
Jose Cojab	5,111,887	0.59%
	<u>\$ 78,925,725</u>	<u>9.09%</u>

*Based on Appraisers 2015 Municipal Tax Roll

Year: 2008

<u>Parcel Owner</u>	<u>Taxable Valuation</u>	<u>Percentage of Total Taxable Valuation**</u>
1170 LLC	\$ 5,768,639	0.68%
Island Club Towers LLC	4,885,087	0.57%
Ocean Cadillac Inc.	4,577,718	0.54%
Mark & Janice Revitz	4,535,950	0.53%
1108 Concourse LC	4,476,021	0.53%
Kingsley Arms Apartments Inc.	4,415,625	0.52%
Bruder Enterprises Inc.	4,405,153	0.52%
The Palms of Bay Harbor LLC	4,355,765	0.51%
Baytown Corporation	4,166,070	0.49%
Hernan DeCarli	3,909,224	0.46%
	<u>\$ 45,495,252</u>	<u>5.35%</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

**SCHEDULE 9
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		
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
2017	3,872,490		0.0%		--

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

TOWN OF BAY HARBOR ISLANDS, FLORIDA

**SCHEDULE 10
CAUSEWAY TOLL REVENUE
LAST TEN FISCAL YEARS**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total traffic	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	7,779,309
Toll Revenues										
Cash tolls	\$ 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	\$ 8,212,150
Commuter/annual pass	1,299,342	1,293,045	1,272,721	1,384,304	1,387,087	1,471,417	1,431,496	492,563	395,428	415,345
Total toll revenue	\$ 5,417,919	\$ 5,045,818	\$ 4,933,778	\$ 5,234,106	\$ 5,474,246	\$ 5,582,204	\$ 5,832,200	\$ 5,639,041	\$ 6,343,175	\$ 8,627,495
Average yield per vehicle	\$ 0.871	\$ 0.848	\$ 0.843	\$ 0.844	\$ 0.844	\$ 0.844	\$ 0.867	\$ 0.753	\$ 0.801	\$ 1.109
Toll rates										
Cash toll (Class 1)	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.50	\$ 1.50
Annual pass	\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00	\$ 300.00

TOWN OF BAY HARBOR ISLANDS, FLORIDA

SCHEDULE 11

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	Revenue Bonds Series 2003B	Refunding Note Series 2012	Revenue Bonds Series 2016			
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	\$ 3,218,081	23,151,704	2.98%	3,836
2017	14,431,000	281,462		3,751,000	3,210,253	21,673,715	2.46%	3,627

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.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

SCHEDULE 12

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

SEPTEMBER 30, 2017

Jurisdiction	Debt Outstanding	Estimated Percentage Applicable to Town of Bay Harbor Islands (1)	Estimated Share of Direct & Overlapping Debt
Direct			
Bay Harbor Islands	\$ 6,956,253	100.00%	\$ 6,956,253
Overlapping			
Miami-Dade Board of County Commissioners (2)	1,899,477,000	0.22%	4,209,158
Miami-Dade County School Board (3)	920,008,000	0.22%	2,038,697
Total Overlapping	<u>2,819,485,000</u>		<u>6,247,855</u>
Total Direct and Overlapping	<u>\$ 2,826,441,253</u>		<u>\$ 13,204,108</u>

Notes:

(1) The percentage of overlapping debt payable is estimated by dividing the Town's population of 5,975 by the County's population of 2,696,353 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, 2017.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

**SCHEDULE 13
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Assessed values (1)										
Taxable value of real property	\$ 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	\$ 868,025,758
Add: Exempt real property	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	576,225,941
Total assessed value of real property	\$ 1,231,775,774	\$ 1,235,947,508	\$ 1,037,375,579	\$ 786,125,345	\$ 774,573,967	\$ 749,459,838	\$ 845,128,356	\$ 1,063,287,591	\$ 1,210,203,009	\$ 1,444,251,699
Legal debt margin										
Debt limitation (25% of assessed real property)	\$ 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	\$ 361,062,925
Total bonded debt	8,675,000	8,490,000	8,305,000	8,115,000	7,915,000	7,974,000	7,696,000	7,551,730	7,273,081	6,956,253
Legal debt margin	\$ 299,268,944	\$ 300,496,877	\$ 251,038,895	\$ 188,416,336	\$ 185,728,492	\$ 179,390,960	\$ 203,586,089	\$ 258,270,168	\$ 295,277,671	\$ 354,106,672
Total net debt applicable to the limit as a percentage of debt limit	2.82%	2.75%	3.20%	4.13%	4.09%	4.26%	3.64%	2.84%	2.40%	1.93%

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

**SCHEDULE 14
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	
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	3,975,301	1,120,836	3.55	
2017	8,729,606	2,345,852	6,383,754	1,121,343	5.69	

Sewer Fund State Revolving Loan						
Fiscal Year	Gross Revenues	Operating Expenses	Net Available Revenue	Debt Service Amount	Coverage	
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	
2017	2,266,313	1,389,039	877,274	75,320	11.65	

Revenue Bonds and Refunding Note							
Fiscal Year	Sales Tax	Franchise Fees	Utility Tax	Total Revenues	Debt Service Amount	Coverage	
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	
2017	421,028	358,731	465,565	1,245,324	437,094	2.85	

TOWN OF BAY HARBOR ISLANDS, FLORIDA

SCHEDULE 15 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
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	116,553,169	43,917	6.2%	1,321,033	40
2016	5,975	N/A	N/A	5.8%	1,334,404	N/A
2017	N/A	N/A	N/A	N/A	1,360,607	N/A

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

* Source for 2007 to 2009: University of Florida, Bureau of Economic and Business Research (BEBR)
Source for 2010 to 2017: 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 this report.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

SCHEDULE 16

FULL TIME TOWN EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
General government	14	14	14	15	15	16	18	18	18	18
Public safety	35	35	35	39	39	35	36	26	28	28
Transportation	11	11	12	12	10	8	7	7	5	5
Culture and recreation							6	4	4	6
Total governmental activities	60	60	61	66	64	59	67	55	55	57
Business-type activities										
Causeway	31	29	30	28	27	32	25	5	6	6
Sewer	2	3	3	2	2	1	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	36	35	36	33	32	36	29	9	10	10
Total primary government	96	95	97	99	96	95	96	64	65	67

Source: Town Finance Department

TOWN OF BAY HARBOR ISLANDS, FLORIDA

SCHEDULE 17

OPERATING INDICATORS BY FUNCTION

LAST TEN FISCAL YEARS

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
General government										
Elections Held	2	1	1	--	2	1	1	2	2	1
Newsletters Issued	12	12	12	12	12	12	12	12	12	12
Town Council meetings	12	12	12	12	11	11	10	10	11	11
Planning & Zoning board meetings	19	14	13	12	10	17	13	17	19	12
Public safety										
Case numbers issued	1,006	943	688	647	870	584	626	831	843	739
Arrests	86	164	189	192	171	121	84	73	83	72
Calls for service	7,024	13,884	13,396	13,798	17,782	14,366	17,900	16,813	17,223	21,985
Business-type activities										
Causeway										
Traffic Count (vehicles)	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	7,779,309
Sewer										
Average monthly sewage volume (thousands of gallons)	19,725	22,514	19,356	19,200	24,066	21,397	20,242	19,676	19,836	20,008
Water										
Average monthly gallons purchased (thousands)	29,829	27,387	26,387	25,130	25,863	25,763	26,534	26,576	24,221	26,600
Average monthly gallons sold (thousands)	22,200	22,621	21,263	21,761	23,974	23,617	23,534	23,618	21,884	22,474
Parking										
Parking citations	3,752	4,425	3,322	2,031	1,635	2,431	1,465	2,592	2,626	2,307

Source: Town Finance Department

TOWN OF BAY HARBOR ISLANDS, FLORIDA

SCHEDULE 18

CAPITAL ASSET STATISTICS BY FUNCTION

LAST TEN FISCAL YEARS

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Public safety										
Patrol Cars/SUV	18	18	18	18	18	18	18	18	25	26
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	2	2	2	2	3	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

REPORTING SECTION

**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, 2017, 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 30, 2018.

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. 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 no instances of noncompliance or other matters that are required to be reported under

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 30, 2018

TOWN OF BAY HARBOR ISLANDS, FLORIDA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

I – PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND STATUS

Noncompliance

2016-001 Noncompliance with procurement policy was remediated in the current year.

II – PRIOR YEAR STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

Significant Deficiency in Internal Control Over Compliance

2016-002 CSFA 55.032 - Economic Development Transportation Projects

Current Year's Status

Marcum noted that the Town designated the Assistant Town Manager with responsibility for compliance with all grant requirements.

**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, 2017, and have issued our report thereon dated March 30, 2018.

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 Reporting Requirements

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*; Summary Schedule of Prior Audit Findings and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated March 30, 2018, 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. Corrective actions have been taken to address findings and recommendations made in the preceding 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 and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we to apply appropriate procedures and communicate 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 to identify the specific condition(s) met. In connection with our audit, we determined that the Town did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Town. 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 review of financial information provided by same. This assessment was done as of fiscal year end.

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

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the Town for the fiscal year ended September 30, 2017, 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, 2017. In connection with our audit, we determined that these two reports were in agreement.

Additional Matters.

Section 10.554(1)(i)3., Rules of the Auditor General, requires 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 warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

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 30, 2018

**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, Local Government Investment Policies for the fiscal year ended September 30, 2017. Management of the Town is responsible for the Town's compliance with the specified 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Town complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Town complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Town's compliance with the specified requirements.

In our opinion, the Town complied, in all material respects, with Section 218.415 Florida Statutes for the fiscal year ended September 30, 2017.

This report is intended solely to describe our testing of compliance with Section 218.415, Florida Statutes, and it is not suitable for any other purpose.

Marcum LLP

Miami, FL
March 30, 2018