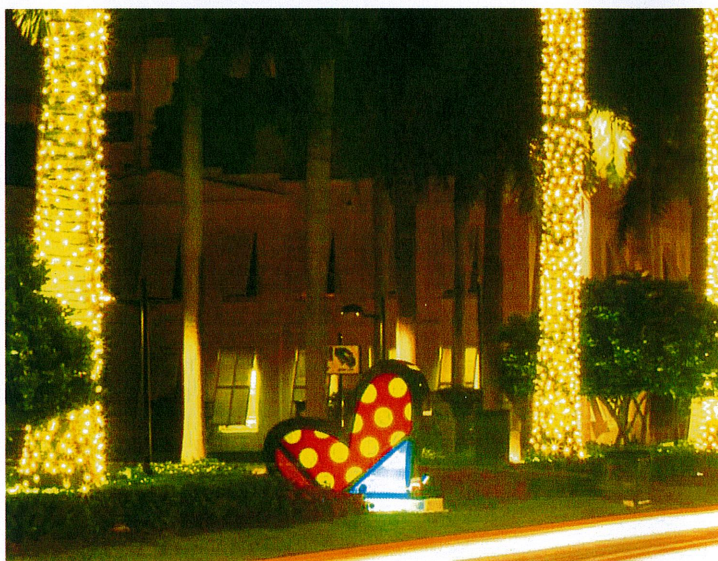




**THE TOWN OF
BAY HARBOR ISLANDS, FLORIDA**



**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

**FOR THE
YEAR
ENDED
SEPTEMBER 30, 2013**



TOWN OF BAY HARBOR ISLANDS, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

Prepared by the Finance Department

TOWN OF BAY HARBOR ISLANDS, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

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TOWN OF BAY HARBOR ISLANDS, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

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INTRODUCTORY SECTION



Town Council

Robert H. Yaffe
Mayor

Jordan W. Leonard
Vice-Mayor

Stephanie Bruder
Council Member

Joshua D. Fuller
Council Member

Kelly Reid
Council Member

Solange M. Rousselot
Council Member

Isaac Salver
Council Member

Town Officials

Ronald J. Wasson
Town Manager

Marlene Marante
Town Clerk

Craig B. Sherman
Town Attorney

March 25, 2014

To the Honorable Mayor Robert H. Yaffe, 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 year ended September 30, 2013 is presented for your consideration and review.

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

Marcum LLP, a licensed certified public accounting firm, has audited the Town's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Bay Harbor Islands for the year ended September 30, 2013, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon their audit, that there was a reasonable basis for rendering an unmodified opinion that the Town's financial statements for the year ended September 30, 2013 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 5,821 residents according to the latest available data from the U.S. Census Bureau. It is located in northeastern Miami-Dade County. As might be expected from the name, 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 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.

Factors Affecting 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.

Local Economy

The Town's location makes it a wonderful place in which to live and work. The Town is conveniently located 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.

Property values have continued to rebound with modest increases in taxable value on both the January 1, 2012 and 2013 tax rolls after three straight years of decline. A significant increase in building permit fees is evidence of increased redevelopment within the Town. Continuing improvement in property values and in the economy should positively impact the Town's sources of revenue.

Long-term Financial Planning

Since the Town of Bay Harbor Islands is almost completely built out, its primary focus related to economic growth continues to be the redevelopment of commercial and residential properties. Several redevelopment projects are currently underway or in varying stages of the approval process including commercial, single-family and multi-family residential construction. The sales of Town development rights show that higher-density and thus higher value projects are being planned and undertaken.

The Town realized and will continue to realize significant savings on refinancing activity completed in November and December of 2012, and secured new long-term funding for a comprehensive rehabilitation of the causeway corridor and bridges which began this year and will be completed over the next several years. Cost savings from conversion to open road tolling instead of manned toll booths will be available for debt service and to fund causeway corridor improvements.

Major Initiatives

Conversion of the causeway to open road tolling using the Sunpass program of the Florida Turnpike system has begun, and as noted above funding for causeway enhancements, including Sunpass, has been secured. Over the next several years there will be substantial improvements to the bridges and causeway corridor. It is expected that the conversion to Sunpass will enhance traffic flow, improve revenues, and generate substantial cost savings which can be used for debt service on the causeway borrowing and other causeway corridor projects.

Awards and Acknowledgements

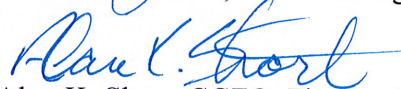
The Government Finance Officers' Association of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town for its comprehensive annual financial report for the year ended September 30, 2012. This was the seventeenth consecutive year the Town received 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 thank the staff of the Finance Department for their fine work throughout the year.

Respectfully submitted,



Ronald J. Wasson, Town Manager



Alan K. Short, CGFO, Finance Director

TOWN OF BAY HARBOR ISLANDS, FLORIDA

TOWN OFFICIALS

COUNCIL-MANAGER FORM OF GOVERNMENT

TOWN COUNCIL

Robert H. Yaffe, Mayor

Jordan W. Leonard, Vice Mayor

Stephanie Bruder

Joshua D. Fuller

Kelly Reid

Solange Rousselot

Isaac Salver

TOWN MANAGER

Ronald J. Wasson

TOWN CLERK

Marlene Marante

TOWN ATTORNEY

Sherman & Simone, PA
Craig B. Sherman, Esquire

TOWN FINANCE DIRECTOR

Alan K. Short, CGFO

INDEPENDENT AUDITORS

Marcum LLP



Government Finance Officers Association

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

Presented to

**Town of Bay Harbor Islands
Florida**

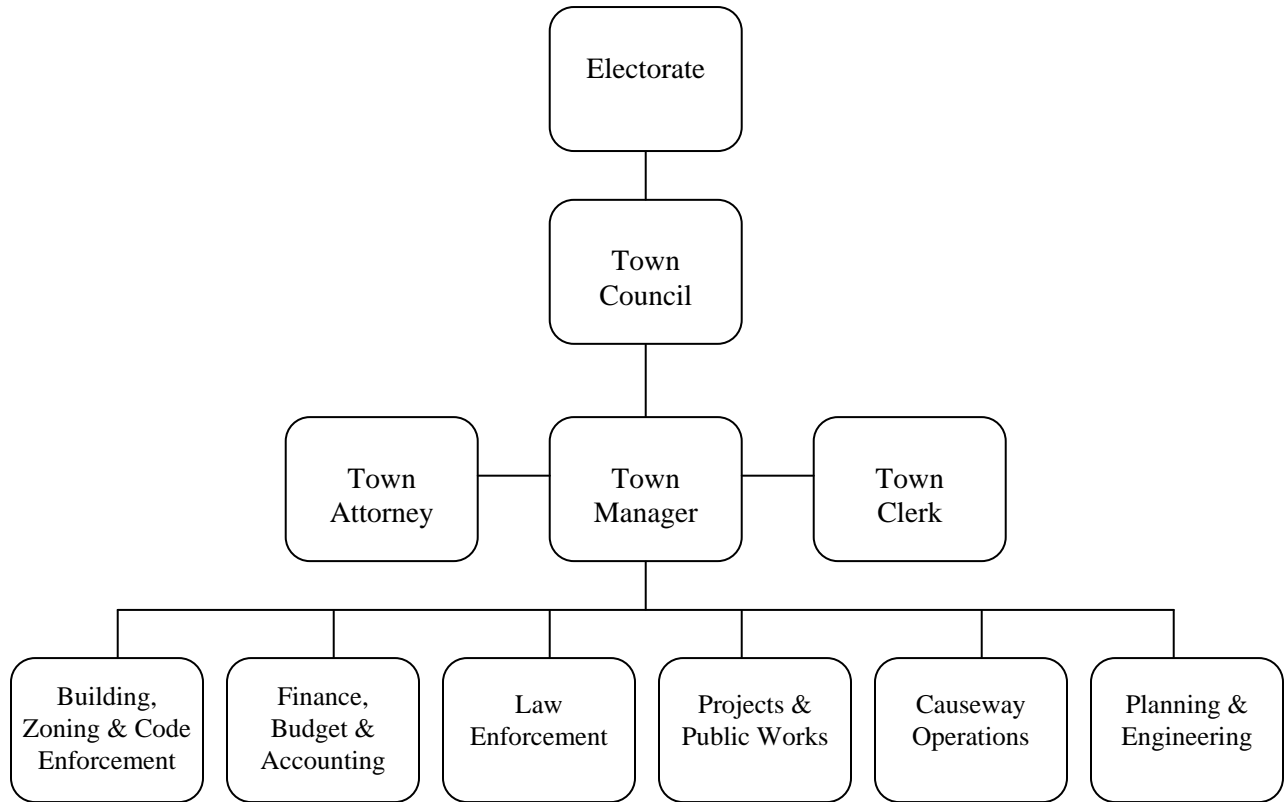
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2012

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, Florida (the Town), as of and for the fiscal year ended September 30, 2013, 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, 2013, 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.

Emphasis of a Matter

As discussed in Note 1 to the financial statements, the Town implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement No. 65, *Items Previously Reported as Assets and Liabilities* as of October 1, 2012. Our opinion is not modified with respect to this matter.

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 Schedules of Funding Progress on pages 55 and 57, and the Schedule of Employer Contributions on page 56 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

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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2014 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Marcum LLP

Miami, FL
March 25, 2014

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, 2013. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages i - iv of this report.

Financial Highlights

- The assets of the Town of Bay Harbor Islands exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$41,957,207 (net position). Of this amount, \$11,063,525 (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 \$625,861.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$4,220,635, an increase of \$264,675 in comparison with the prior year. Approximately 86%, or \$3,638,393, is available in the Town's general fund for spending at the government's discretion (unassigned fund balance). The \$519,958 assigned fund balance of the general capital projects fund is intended to provide resources for planned infrastructure capital projects and is not available for general discretionary spending.
- The Town's total debt increased by \$12,909,081 (90%) during the current fiscal year due primarily to new debt issued to secure funding for a comprehensive rehabilitation of the causeway corridor and its four bridges.

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 four 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 52).

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 27-52 of this report.

Other Information

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

Required supplementary information can be found on pages 53-57 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 exceeded liabilities and deferred inflows of resources by \$41,957,207 at the close of the most recent fiscal year.

Town of Bay Harbor Islands' Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 4,709,977	\$ 4,863,471	\$ 22,655,986	\$ 8,572,751	\$ 27,365,963	\$ 13,436,222
Capital assets	<u>20,331,898</u>	<u>20,574,089</u>	<u>24,041,846</u>	<u>24,392,538</u>	<u>44,373,744</u>	<u>44,966,627</u>
Total assets	<u>25,041,875</u>	<u>25,437,560</u>	<u>46,697,832</u>	<u>32,965,289</u>	<u>71,739,707</u>	<u>58,402,849</u>
Long-term liabilities	8,352,860	8,357,697	19,345,070	6,461,358	27,697,930	14,819,055
Other liabilities	<u>307,600</u>	<u>755,433</u>	<u>1,341,629</u>	<u>829,054</u>	<u>1,649,229</u>	<u>1,584,487</u>
Total liabilities	<u>8,660,460</u>	<u>9,113,130</u>	<u>20,686,699</u>	<u>7,290,412</u>	<u>29,347,159</u>	<u>16,403,542</u>
Total deferred inflows	<u>42,341</u>	<u>67,434</u>	<u>393,000</u>	<u>600,527</u>	<u>435,341</u>	<u>667,961</u>
Net position:						
Net investment in capital assets	12,195,723	12,424,702	18,077,105	18,112,144	30,272,828	30,536,846
Restricted	543,612	653,821	77,242	74,292	620,854	728,113
Unrestricted	<u>3,599,739</u>	<u>3,178,473</u>	<u>7,463,786</u>	<u>6,887,914</u>	<u>11,063,525</u>	<u>10,066,387</u>
Total net position	<u>\$ 16,339,074</u>	<u>\$ 16,256,996</u>	<u>\$ 25,618,133</u>	<u>\$ 25,074,350</u>	<u>\$ 41,957,207</u>	<u>\$ 41,331,346</u>

About 72% 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 1.5% of the Town's net position is subject to external restrictions on use.

26% of the Town's net position (\$11,063,525) 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.

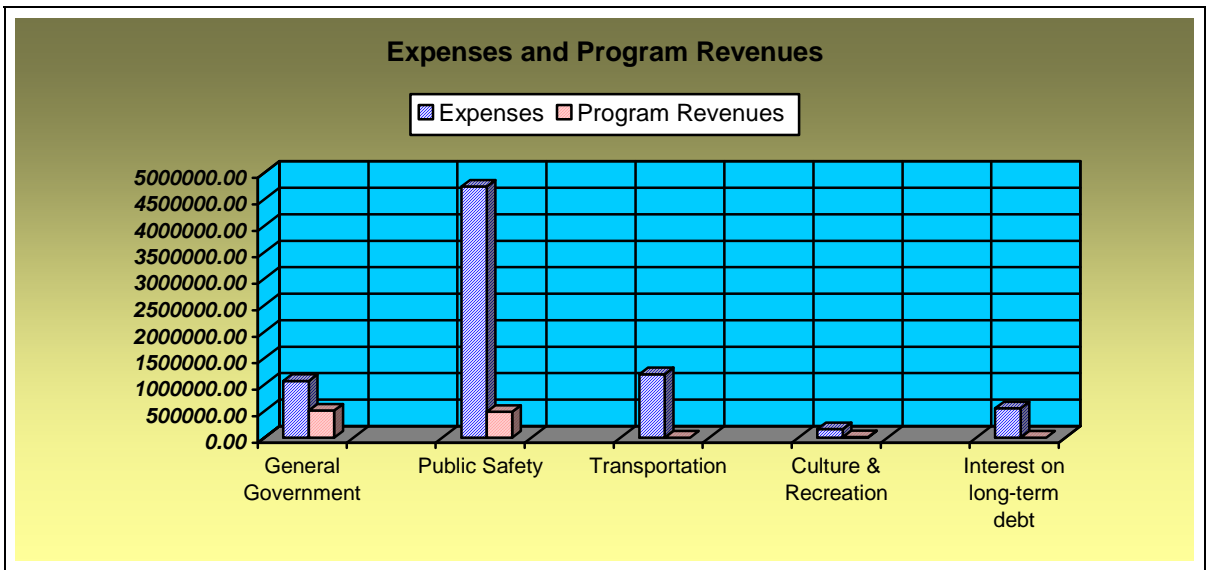
Changes in Net Position

Town of Bay Harbor Islands' Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program revenues:						
Charges for services	\$ 708,878	\$ 342,779	\$ 10,131,884	\$ 10,038,301	\$ 10,840,762	\$ 10,381,080
Operating grants and contributions	75,071	37,188	-	-	75,071	37,188
Capital grants and contributions	226,878	846,776	-	-	226,878	846,776
General revenues:						
Property taxes	3,001,002	2,992,245	-	-	3,001,002	2,992,245
Franchise fees & utility taxes	1,055,146	1,045,034	-	-	1,055,146	1,045,034
Asset sales (development rights)	310,000	-	-	-	310,000	-
Intergovernmental revenue	618,159	549,523	-	-	618,159	549,523
Investment earnings	(57,892)	87,275	(67,674)	96,954	(125,566)	184,229
Miscellaneous	103,964	64,179	278,681	203,701	382,645	267,880
Total revenues	<u>6,041,206</u>	<u>5,964,999</u>	<u>10,342,891</u>	<u>10,338,956</u>	<u>16,384,097</u>	<u>16,303,955</u>
Expenses:						
General government	1,069,286	1,172,787	-	-	1,069,286	1,172,787
Public safety	4,741,403	4,419,612	-	-	4,741,403	4,419,612
Transportation	1,198,230	1,087,658	-	-	1,198,230	1,087,658
Culture and recreation	162,244	124,506	-	-	162,244	124,506
Interest on long-term debt	552,546	407,945	-	-	552,546	407,945
Causeway	-	-	4,157,983	3,878,069	4,157,983	3,878,069
Sewer	-	-	1,334,271	1,284,691	1,334,271	1,284,691
Water	-	-	913,966	953,007	913,966	953,007
Parking	-	-	817,428	642,801	817,428	642,801
Solid Waste	-	-	690,765	668,603	690,765	668,603
Stormwater	-	-	120,114	94,893	120,114	94,893
Total expenses	<u>7,723,709</u>	<u>7,212,508</u>	<u>8,034,527</u>	<u>7,522,064</u>	<u>15,758,236</u>	<u>14,734,572</u>
Increase (decrease) in net assets before transfers	(1,682,503)	(1,247,509)	2,308,364	2,816,892	625,861	1,569,383
Transfers	<u>1,764,581</u>	<u>1,643,197</u>	<u>(1,764,581)</u>	<u>(1,643,197)</u>	<u>-</u>	<u>-</u>
Change in net position	82,078	395,688	543,783	1,173,695	625,861	1,569,383
Net position, beginning	<u>16,256,996</u>	<u>15,861,308</u>	<u>25,074,350</u>	<u>23,900,655</u>	<u>41,331,346</u>	<u>39,761,963</u>
Net position, ending	<u>\$ 16,339,074</u>	<u>\$ 16,256,996</u>	<u>\$ 25,618,133</u>	<u>\$ 25,074,350</u>	<u>\$ 41,957,207</u>	<u>\$ 41,331,346</u>

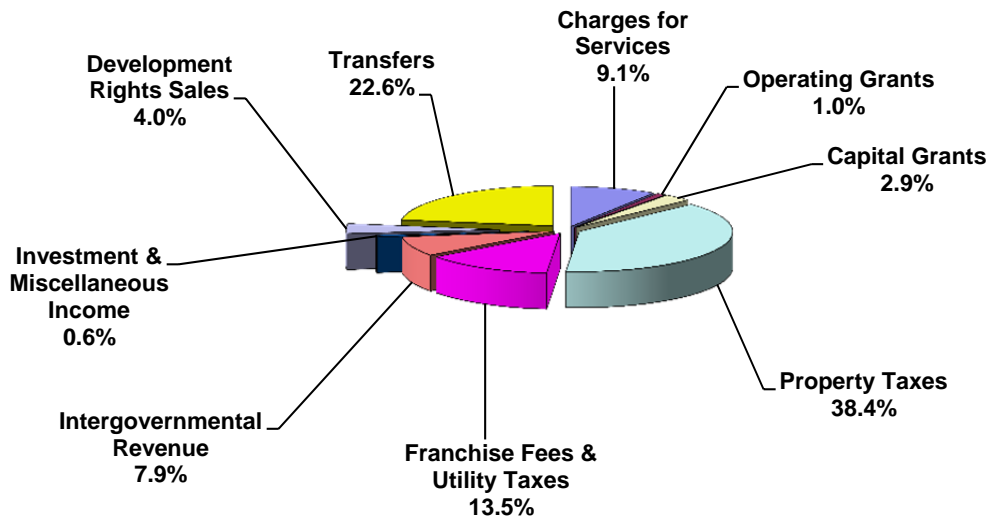
Governmental Activities

The Town's governmental activities net position increased by \$82,078 (0.5%), from \$16,256,996 at the beginning of the year to \$16,339,074 at the end. Significant increases in building permit fees and a new revenue source from sales of development rights were offset by the decline in grant revenues resulting in a modest increase in total revenues. The increase in expenses was caused by termination leave payouts and the write off of deferred charges related to debt.



- Program revenues, comprised of charges for services, operating grants and contributions, and capital grants and contributions, were 13% of total governmental activities revenues (including transfers). Property taxes, 38.4% of total revenues for governmental activities, are non-program specific and are used to fund all activities not covered by program revenues.

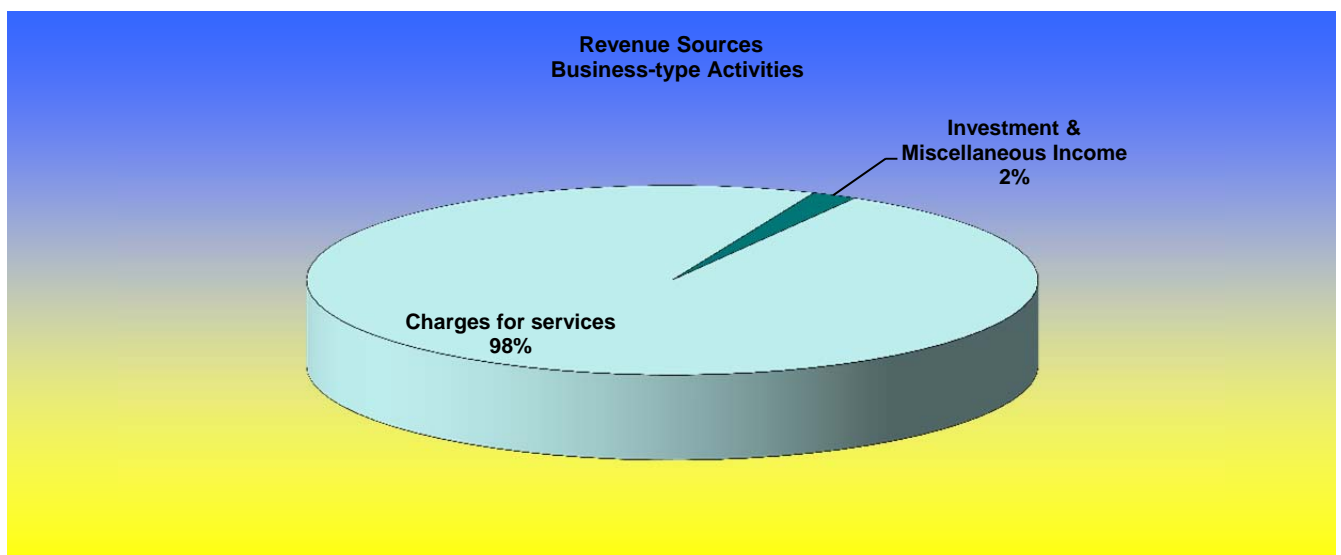
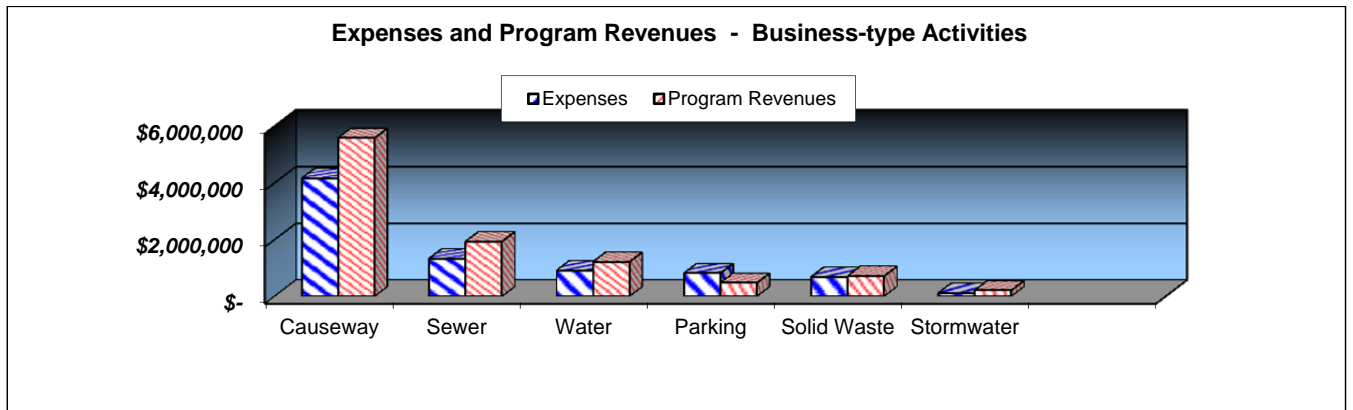
Revenue Sources - Governmental Activities



Business-type Activities

Business-type activities increased the Town of Bay Harbor Islands' net position by \$543,783. The causeway, sewer, water, solid waste, and stormwater funds generated substantial operating income, while the parking fund continues to operate at a loss, albeit smaller than in previous years. Including non-operating revenues and expenses, all enterprise funds except the parking fund generated income before transfers. Net transfers from the Town's business-type activities to its governmental activities increased by about 7.4% to \$1,764,581, including planned transfers to fund debt service on the bonds issued to fund the Community Enhancements Project.

- Causeway fund revenues grew almost 2%.
- Sewer fund and water fund revenues declined slightly while expenses were flat.
- The solid waste and stormwater funds generated significant operating income, while the parking fund produced an operating loss, though smaller than last year. Higher parking revenues were offset by high repair and maintenance costs for meters in the parking garage.



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 \$4,220,635, an increase of \$264,675 in comparison with the prior year. Revenues increased modestly, the net effect of increased building permit fees and a new revenue source, sales of transferable development rights, being offset by decreased grant revenues and poor investment returns. Transfers from the Town's proprietary funds increased by 7.4%; approximately \$1.8 million was transferred. General fund expenses increased for public safety, primarily due to some large termination leave payouts. Of total fund balance, 86%, or \$3,638,393, is general fund *unassigned fund balance*, which is available for spending at the Town's discretion. The remainder of fund balance is either *non-spendable* to indicate that it is not available for new spending because it is associated with inventories or prepaid items (\$38,630), *restricted* for specific uses by law or contract (\$23,654), or is *assigned* such as the fund balance of the general capital projects fund intended to fund capital projects (\$519,958).

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 \$3,638,393 while total fund balance was \$3,700,677. 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 48% of total general fund expenditures, while total fund balance represents 49% of that same amount.

Fund balance of the Town of Bay Harbor Islands' general fund increased by \$304,340 during the current fiscal year, the net effect of increased revenues (building department fees and sales of transferable development rights) and a smaller increase in expenditures (primarily due to public safety termination leave payouts).

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:

	2013	Percent	2012	Percent	Increase	Percent
	<u>Amount</u>	<u>of Total</u>	<u>Amount</u>	<u>of Total</u>	<u>(Decrease)</u>	<u>of Increase</u>
					<u>from 2012</u>	<u>(Decrease)</u>
Revenues:						
Property taxes	\$ 3,001,002	49.7%	\$ 2,992,245	55.8%	\$ 8,757	0.3%
Utility taxes	422,974	7.0%	399,923	7.5%	23,051	5.8%
Communications taxes	281,603	4.7%	305,124	5.6%	(23,521)	-7.7%
Franchise fees	350,569	5.8%	347,019	6.4%	3,550	1.0%
Licenses and permits	509,964	8.4%	191,628	3.6%	318,336	166.1%
Intergovernmental	876,689	14.5%	804,970	14.9%	71,719	8.9%
Transferable development rights sales	310,000	5.1%	-	0.0%	310,000	
Charges for services	11,435	0.2%	2,893	0.1%	8,542	295.3%
Fines and forfeitures	187,480	3.1%	148,308	2.8%	39,172	26.4%
Investment earnings	(57,892)	-0.9%	83,813	1.6%	(141,705)	-169.1%
Grants	43,418	0.7%	28,358	0.5%	15,060	53.1%
Miscellaneous	103,964	1.7%	62,145	1.2%	41,819	67.3%
Total revenues	<u>\$ 6,041,206</u>	<u>100.0%</u>	<u>\$ 5,366,426</u>	<u>100.0%</u>	<u>\$ 674,780</u>	<u>12.6%</u>

- Property tax receipts, which were based on the January 2012 tax roll, have stabilized after several years of weakness.
- Licenses and permits gained due to increased construction and remodeling activity.
- Development rights sales represent a sale of limited assets rather than a permanent income stream.

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

	2013	Percent	2012	Percent	Increase	Percent
	<u>Amount</u>	<u>of Total</u>	<u>Amount</u>	<u>of Total</u>	<u>(Decrease)</u>	<u>of Increase</u>
					<u>from 2012</u>	<u>(Decrease)</u>
Expenditures						
General government	\$ 1,059,846	14.0%	\$ 1,021,155	14.1%	\$ 38,691	3.8%
Public safety	4,718,586	62.5%	4,373,684	60.6%	344,902	7.9%
Transportation	847,193	11.2%	891,186	12.4%	(43,993)	-4.9%
Culture and recreation	88,961	1.3%	51,440	0.7%	37,521	72.9%
Capital outlay	248,404	3.3%	263,559	3.7%	(15,155)	-5.8%
Debt service	584,135	7.7%	609,903	8.5%	(25,768)	-4.2%
Total expenditures	<u>\$ 7,547,125</u>	<u>100.0%</u>	<u>\$ 7,210,927</u>	<u>100.0%</u>	<u>\$ 336,198</u>	<u>4.7%</u>

- Large termination leave payouts explain most of the increase in public safety.
- Culture and recreation expenditure increased (and will continue to increase) due to commencement of the 98th Street Park improvement project.

Capital Projects Fund

- Fund balance in the capital projects fund decreased by \$39,665 due to expenditures on community infrastructure rehabilitation and enhancement project. That project is substantially complete except for lighting and utility pole enhancements.

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 enterprise funds except the parking fund generated income before transfers. The parking fund's loss decreased due to increased parking revenues offset by a lesser increase in expenses. Significant repair expenses in the current year on parking garage meters are not expected to recur, which should improve the financial performance of the parking fund.

For the proprietary funds as a whole, net position increased by \$543,783.

General Fund Budgetary Highlights

During the past year, the budget was modified several times, increasing the total budget amount by \$672,212. The major elements of this increase are as follows:

- \$54,438 for updated Council Chambers equipment and agenda system.
- \$164,046 for police department retirement incentive program.
- \$175,822 for acquisition and installation of a license plate reader system.
- \$125,000 for corner landscaping for the East Island.
- \$42,000 appropriation of donated funds for the Police Athletic League.
- \$20,134 appropriation of grant funding for the police records management system.

For total revenues, there was a favorable budget variance of \$902,012, the major components of which were increased building permit fees due to redevelopment, higher than expected intergovernmental revenues, and sales of transferable development rights owned by the Town.

Total expenditures were \$675,430 less than budgeted due to unspent appropriations for improvements to one of the Town's parks.

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, 2012, amounts to \$44,373,744 (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 decreased \$592,882.

Additions to capital assets for governmental activities before depreciation and net of transfers from construction in progress were \$288,068, which was equal to net additions since there were no disposals.

Business-type activities' capital asset additions before depreciation and net of transfers from construction in progress totaled \$904,326, with no disposals, so net additions were also \$904,326.

	Governmental Activities		Business-type Activities		Total	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Capital assets:						
Land	\$ 3,806,254	\$ 3,806,254	\$ 671,273	\$ 671,273	\$ 4,477,527	\$ 4,477,527
Construction in progress	227,878	41,197	829,503	344,402	1,057,381	385,599
Buildings	507,599	559,728	-	-	507,599	559,728
Improvements other than buildings	15,699,041	16,104,370	8,395,151	8,907,531	24,094,192	25,011,901
Furniture and equipment	91,126	62,539	468,500	548,739	559,626	611,278
Causeway system	-	-	45,414	49,946	45,414	49,946
Toll collection system	-	-	208,099	284,886	208,099	284,886
Sewer system	-	-	3,070,223	2,983,749	3,070,223	2,983,749
Water system	-	-	1,018,238	1,063,740	1,018,238	1,063,740
Parking garage	-	-	9,335,445	9,538,272	9,335,445	9,538,272
Total	<u>\$ 20,331,898</u>	<u>\$ 20,574,088</u>	<u>\$ 24,041,846</u>	<u>\$ 24,392,538</u>	<u>\$ 44,373,744</u>	<u>\$ 44,966,626</u>

Additional information on the Town's capital assets can be found in Note 7 on pages 41-42 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 \$27,259,764.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenue Bonds, Series 2003B	\$ 3,427,175	\$ 8,084,897	\$ -	\$ -	\$ 3,427,175	\$ 8,084,897
Refunding Note, Series 2012	4,709,000	-			\$ 4,709,000	
Causeway Revenue Note, 2003A	-	-	-	102,065	-	102,065
Causeway Revenue Note, 2003B	-	-	-	830,458	-	830,458
Causeway Promissory Note, 2012			13,847,000		13,847,000	
Parking Promissory Note, 2008	-	-	-	4,745,000	-	4,745,000
Parking Refunding Note, 2012			4,746,000		4,746,000	
State Revolving Loan	-	-	530,589	588,263	530,589	588,263
Total	<u>\$ 8,136,175</u>	<u>\$ 8,084,897</u>	<u>\$ 19,123,589</u>	<u>\$ 6,265,786</u>	<u>\$ 27,259,764</u>	<u>\$ 14,350,683</u>

The Town of Bay Harbor Islands' total debt increased \$12,909,081, primarily as a result of substantial new borrowing to fund a comprehensive rehabilitation of the causeway corridor and its four bridges. Existing debt was also refunded. Additional information on the Town's long-term debt can be found in Note 8 on pages 43-47 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 2014 fiscal year.

- The Town's millage was reduced from 5.2971 to 5.25. Since taxable values increased slightly, a modest increase in tax revenues is anticipated.
- Water rates were held constant and it is expected wholesale water rates paid by the Town will remain flat throughout the year.
- Sewage rates were increased in anticipation of higher wholesale sewage rates being charged to the Town.

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, 2013

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 845,077	\$ 4,963,983	\$ 5,809,060
Investments	2,726,359	3,191,812	5,918,171
Receivables, net	179,498	828,485	1,007,983
Internal balances	461,889	(461,889)	-
Due from other governments	167,001	-	167,001
Inventory	32,715	217,457	250,172
Prepaid items	5,915	110,195	116,110
Net pension asset	226,072	178,149	404,221
Restricted assets:			
Cash and cash equivalents	65,451	13,550,552	13,616,003
Loan reserves	-	77,242	77,242
Capital assets not being depreciated	4,034,132	1,500,776	5,534,908
Capital assets being depreciated, net	<u>16,297,766</u>	<u>22,541,070</u>	<u>38,838,836</u>
Total assets	<u>25,041,875</u>	<u>46,697,832</u>	<u>71,739,707</u>
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	233,355	496,463	729,818
Due to other governments	-	235,719	235,719
Unearned revenue	-	236,232	236,232
Customer deposits	74,245	373,215	447,460
Noncurrent liabilities:			
Due within one year	294,324	76,153	370,477
Due in more than one year	8,005,086	19,214,367	27,219,453
Net OPEB Obligation	<u>53,450</u>	<u>54,550</u>	<u>108,000</u>
Total liabilities	<u>8,660,460</u>	<u>20,686,699</u>	<u>29,347,159</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unearned revenue - business tax licenses	42,341	-	42,341
Unearned revenue - annual pass sales	<u>-</u>	<u>393,000</u>	<u>393,000</u>
Total deferred inflows of resources	<u>42,341</u>	<u>393,000</u>	<u>435,341</u>
<u>NET POSITION</u>			
Net investment in capital assets	12,195,723	18,077,105	30,272,828
Restricted for:			
Law enforcement	206	-	206
Loan reserve	-	77,242	77,242
Capital projects	519,958	-	519,958
Transportation	23,448	-	23,448
Unrestricted	<u>3,599,739</u>	<u>7,463,786</u>	<u>11,063,525</u>
Total net position	<u>\$ 16,339,074</u>	<u>\$ 25,618,133</u>	<u>\$ 41,957,207</u>

See notes to basic financial statements.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Governmental activities:							
General government	\$ 1,069,286	\$ 509,994	\$ -	\$ 3,151	\$ (556,141)	\$ -	\$ (556,141)
Public safety	4,741,403	188,158	75,071	223,727	(4,254,447)	-	(4,254,447)
Transportation	1,198,230	-	-	-	(1,198,230)	-	(1,198,230)
Culture and recreation	162,244	10,726	-	-	(151,518)	-	(151,518)
Interest on long-term debt	552,546	-	-	-	(552,546)	-	(552,546)
Total governmental activities	<u>7,723,709</u>	<u>708,878</u>	<u>75,071</u>	<u>226,878</u>	<u>(6,712,882)</u>	<u>-</u>	<u>(6,712,882)</u>
Business-type activities:							
Causeway	4,157,983	5,582,204	-	-	-	1,424,221	1,424,221
Sewer	1,334,271	1,934,067	-	-	-	599,796	599,796
Water	913,966	1,214,093	-	-	-	300,127	300,127
Parking	817,428	476,723	-	-	-	(340,705)	(340,705)
Solid waste	690,765	715,130	-	-	-	24,365	24,365
Stormwater	120,114	209,667	-	-	-	89,553	89,553
Total business-type activities	<u>8,034,527</u>	<u>10,131,884</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,097,357</u>	<u>2,097,357</u>
Total	<u>\$ 15,758,236</u>	<u>\$ 10,840,762</u>	<u>\$ 75,071</u>	<u>\$ 226,878</u>	<u>(6,712,882)</u>	<u>2,097,357</u>	<u>(4,615,525)</u>
General revenues:							
Property taxes					3,001,002	-	3,001,002
Franchise fees based on gross receipts					350,569	-	350,569
Utility taxes					422,974	-	422,974
Communications services tax					281,603	-	281,603
Transfer development right fees					310,000	-	310,000
Unrestricted intergovernmental revenue					618,159	-	618,159
Unrestricted investment earnings					(57,892)	(67,674)	(125,566)
Miscellaneous					103,964	278,681	382,645
Transfers					1,764,581	(1,764,581)	-
Total general revenues and transfers					<u>6,794,960</u>	<u>(1,553,574)</u>	<u>5,241,386</u>
Change in net position					82,078	543,783	625,861
Net position, beginning					<u>16,256,996</u>	<u>25,074,350</u>	<u>41,331,346</u>
Net position, ending					<u>\$ 16,339,074</u>	<u>\$ 25,618,133</u>	<u>\$ 41,957,207</u>

See notes to basic financial statements.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

BALANCE SHEET GOVERNMENTAL FUNDS

SEPTEMBER 30, 2013

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 366,386	\$ 478,691	\$ 845,077
Investments	2,726,359	-	2,726,359
Receivables, net	163,443	-	163,443
Interest receivable	16,055	-	16,055
Due from other funds	485,446	88,992	574,438
Due from State of Florida	167,001	-	167,001
Inventory	32,715	-	32,715
Prepaid items	5,915	-	5,915
Restricted cash and cash equivalents	65,451	-	65,451
Total assets	<u>\$ 4,028,771</u>	<u>\$ 567,683</u>	<u>\$ 4,596,454</u>
<u>LIABILITIES</u>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 126,501	\$ 20,183	\$ 146,684
Due to other funds	85,007	27,542	112,549
Deposits	74,245	-	74,245
Total liabilities	<u>285,753</u>	<u>47,725</u>	<u>333,478</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenues - business tax licenses	42,341	-	42,341
<u>FUND BALANCES</u>			
Non-spendable:			
Inventory	32,715	-	32,715
Prepaid items	5,915	-	5,915
Restricted:			
Law enforcement	206	-	206
Transportation	23,448	-	23,448
Assigned:			
Capital projects fund	-	519,958	519,958
Unassigned	3,638,393	-	3,638,393
Total fund balances	<u>3,700,677</u>	<u>519,958</u>	4,220,635
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,028,771</u>	<u>\$ 567,683</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	20,331,898
A net pension asset is not considered to represent a financial asset and therefore is not reported in the governmental funds	226,072
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	<u>(8,439,531)</u>
Net position of governmental activities	<u>\$ 16,339,074</u>

See notes to basic financial statements.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues:			
Property taxes	\$ 3,001,002	\$ -	\$ 3,001,002
Utility taxes	422,974	-	422,974
Communications services tax	281,603	-	281,603
Franchise fees	350,569	-	350,569
Licenses and permits	509,964	-	509,964
Intergovernmental	876,689	-	876,689
Transfer development right fees	310,000	-	310,000
Charges for services	11,435	-	11,435
Fines and forfeitures	187,480	-	187,480
Investment earnings	(57,892)	-	(57,892)
Grants	43,418	-	43,418
Miscellaneous	103,964	-	103,964
Total revenues	6,041,206	-	6,041,206
Expenditures:			
Current:			
General government	1,059,846	-	1,059,846
Public safety	4,718,586	-	4,718,586
Transportation	847,193	-	847,193
Culture and recreation	88,961	-	88,961
Capital outlay	248,404	39,665	288,069
Debt service:			
Principal payments	205,000	-	205,000
Interest and fiscal charges	379,135	-	379,135
Total expenditures	7,547,125	39,665	7,586,790
Deficiency of revenues over expenditures	(1,505,919)	(39,665)	(1,545,584)
Other financing sources (uses):			
Transfers in	1,764,581	-	1,764,581
Refunding promissory note issued	4,709,000	-	4,709,000
Payment to refunded bond escrow agent	(4,663,322)	-	(4,663,322)
Total other financing sources (uses)	1,810,259	-	1,810,259
Net change in fund balances	304,340	(39,665)	264,675
Fund balances, beginning	3,396,337	559,623	3,955,960
Fund balances, ending	\$ 3,700,677	\$ 519,958	\$ 4,220,635

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, 2013

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

Net change in fund balances - total governmental funds (Page 19)	\$	264,675
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

The details of the difference are as follows:

Capital outlay	\$ 288,068	
Depreciation expense	<u>(530,259)</u>	(242,191)

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

The details of the difference are as follows:

2003B Bonds principal payment	205,000	
Issuance premium amortization	7,722	
Elimination of deferred charges	(139,046)	
Proceeds from refunding promissory note	(4,709,000)	
Principal payment to refunded bond escrow agent	<u>4,445,000</u>	(190,324)

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	44,912	
Compensated absences payable	61,590	
Net pension asset	148,892	
Net OPEB obligation	<u>(5,476)</u>	<u>249,918</u>

Change in net position of governmental activities (Page 17)	\$	<u>82,078</u>
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See notes to basic financial statements.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

STATEMENT OF NET POSITION PROPRIETARY FUNDS SEPTEMBER 30, 2013

Business-type Activities - Enterprise Funds

	<u>Causeway</u>	<u>Sewer</u>	<u>Water</u>	<u>Parking</u>	<u>Solid Waste</u>	<u>Stormwater (a Nonmajor Fund)</u>	<u>Totals</u>
<u>ASSETS</u>							
Current assets:							
Cash and cash equivalents	\$ 2,365,988	\$ 683,848	\$ 1,058,676	\$ 11,562	\$ 843,909	\$ -	\$ 4,963,983
Investments	1,543,277	-	1,648,535	-	-	-	3,191,812
Accounts receivable, net	-	-	809,768	-	-	-	809,768
Interest receivable	9,150	-	9,567	-	-	-	18,717
Due from other funds	269,331	248,037	303,824	85,007	450	1,123,258	2,029,907
Inventory	162,882	-	54,575	-	-	-	217,457
Prepaid items	102,265	-	-	7,930	-	-	110,195
Net pension asset	147,466	15,733	10,476	2,969	-	1,505	178,149
Restricted assets:							
Cash and cash equivalents	13,187,972	179,480	124,941	-	58,159	-	13,550,552
Loan reserve account	-	77,242	-	-	-	-	77,242
Total current assets	<u>17,788,331</u>	<u>1,204,340</u>	<u>4,020,362</u>	<u>107,468</u>	<u>902,518</u>	<u>1,124,763</u>	<u>25,147,782</u>
Noncurrent assets:							
Capital assets not being depreciated	829,503	-	-	671,273	-	-	1,500,776
Capital assets being depreciated, net	8,445,447	3,100,133	1,413,731	9,371,545	-	210,214	22,541,070
Total noncurrent assets	<u>9,274,950</u>	<u>3,100,133</u>	<u>1,413,731</u>	<u>10,042,818</u>	<u>-</u>	<u>210,214</u>	<u>24,041,846</u>
Total assets	<u>27,063,281</u>	<u>4,304,473</u>	<u>5,434,093</u>	<u>10,150,286</u>	<u>902,518</u>	<u>1,334,977</u>	<u>49,189,628</u>
<u>LIABILITIES</u>							
Current liabilities:							
Accounts payable and accrued liabilities	131,685	213,529	75,157	9,745	60,011	6,336	496,463
Due to other funds	58,248	101,536	1,534,495	100,000	276,431	421,086	2,491,796
Due to other governments	-	-	235,719	-	-	-	235,719
Unearned revenue	236,232	-	-	-	-	-	236,232
Customer deposits (payable from restricted assets)	10,635	179,480	124,941	-	58,159	-	373,215
Current portion of notes payable	-	59,461	-	-	-	-	59,461
Current portion of compensated absences	13,162	1,392	1,380	585	-	173	16,692
Total current liabilities	<u>449,962</u>	<u>555,398</u>	<u>1,971,692</u>	<u>110,330</u>	<u>394,601</u>	<u>427,595</u>	<u>3,909,578</u>
Noncurrent liabilities:							
Notes payable	13,847,000	471,128	-	4,746,000	-	-	19,064,128
Net OPEB obligation	41,839	5,145	5,127	2,056	-	383	54,550
Compensated absences	118,457	12,532	12,425	5,266	-	1,559	150,239
Total noncurrent liabilities	<u>14,007,296</u>	<u>488,805</u>	<u>17,552</u>	<u>4,753,322</u>	<u>-</u>	<u>1,942</u>	<u>19,268,917</u>
Total liabilities	<u>14,457,258</u>	<u>1,044,203</u>	<u>1,989,244</u>	<u>4,863,652</u>	<u>394,601</u>	<u>429,537</u>	<u>23,178,495</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>							
Unavailable revenue - annual pass sales	393,000	-	-	-	-	-	393,000
<u>NET POSITION</u>							
Net investment in capital assets	8,602,786	2,564,983	1,413,731	5,291,727	-	203,878	18,077,105
Restricted for loan reserve	-	77,242	-	-	-	-	77,242
Unrestricted	3,610,237	618,045	2,031,118	(5,093)	507,917	701,562	7,463,786
Total net position	<u>\$ 12,213,023</u>	<u>\$ 3,260,270</u>	<u>\$ 3,444,849</u>	<u>\$ 5,286,634</u>	<u>\$ 507,917</u>	<u>\$ 905,440</u>	<u>\$ 25,618,133</u>

See notes to basic financial statements.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	<u>Business-type Activities - Enterprise Funds</u>						<u>Totals</u>
	<u>Causeway</u>	<u>Sewer</u>	<u>Water</u>	<u>Parking</u>	<u>Solid Waste</u>	<u>Stormwater (a Nonmajor Fund)</u>	
Operating revenues:							
Charges for services	\$ 5,582,204	\$ 1,934,067	\$ 1,214,093	\$ 476,723	\$ 715,130	\$ 209,667	\$ 10,131,884
Operating expenses:							
Operation and maintenance	2,909,660	1,179,264	838,044	290,608	690,765	108,886	6,017,227
Depreciation expense	807,222	127,789	75,922	232,860	-	11,228	1,255,021
Total operating expenses	<u>3,716,882</u>	<u>1,307,053</u>	<u>913,966</u>	<u>523,468</u>	<u>690,765</u>	<u>120,114</u>	<u>7,272,248</u>
Operating income (loss)	<u>1,865,322</u>	<u>627,014</u>	<u>300,127</u>	<u>(46,745)</u>	<u>24,365</u>	<u>89,553</u>	<u>2,859,636</u>
Nonoperating revenues (expenses):							
Investment income	(31,851)	-	(35,823)	-	-	-	(67,674)
Rental income	73,646	-	-	120,400	-	-	194,046
Other income	1,618	38,000	43,153	-	1,864	-	84,635
Interest expense and other debt costs	<u>(441,101)</u>	<u>(27,218)</u>	<u>-</u>	<u>(293,960)</u>	<u>-</u>	<u>-</u>	<u>(762,279)</u>
Total nonoperating revenues (expenses)	<u>(397,688)</u>	<u>10,782</u>	<u>7,330</u>	<u>(173,560)</u>	<u>1,864</u>	<u>-</u>	<u>(551,272)</u>
Income (loss) before transfers	1,467,634	637,796	307,457	(220,305)	26,229	89,553	2,308,364
Transfers	<u>(1,143,116)</u>	<u>(472,592)</u>	<u>(101,465)</u>	<u>-</u>	<u>-</u>	<u>(47,408)</u>	<u>(1,764,581)</u>
Change in net position	324,518	165,204	205,992	(220,305)	26,229	42,145	543,783
Net position, beginning	<u>11,888,505</u>	<u>3,095,066</u>	<u>3,238,857</u>	<u>5,506,939</u>	<u>481,688</u>	<u>863,295</u>	<u>25,074,350</u>
Net position, ending	<u>\$ 12,213,023</u>	<u>\$ 3,260,270</u>	<u>\$ 3,444,849</u>	<u>\$ 5,286,634</u>	<u>\$ 507,917</u>	<u>\$ 905,440</u>	<u>\$ 25,618,133</u>

See notes to basic financial statements.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	<u>Business-type Activities - Enterprise Funds</u>						<u>Totals</u>
	<u>Causeway</u>	<u>Sewer</u>	<u>Water</u>	<u>Parking</u>	<u>Solid Waste</u>	<u>Stormwater (a Nonmajor Fund)</u>	
Cash flows from operating activities:							
Cash received from customers	\$ 5,680,454	\$ 1,815,623	\$ 1,137,247	\$ 429,188	\$ 717,018	\$ 109,394	\$ 9,888,924
Cash payments to employees for services	(2,114,650)	(298,549)	(294,169)	(131,133)	-	(56,814)	(2,895,315)
Cash payments to suppliers for goods and services	(677,567)	(769,762)	(348,221)	(168,339)	(703,972)	(53,123)	(2,720,984)
Rental income received	73,646	-	-	120,400	-	-	194,046
Other income received	1,618	38,000	43,153	-	1,864	-	84,635
Net cash provided (used) by operating activities	<u>2,963,501</u>	<u>785,312</u>	<u>538,010</u>	<u>250,116</u>	<u>14,910</u>	<u>(543)</u>	<u>4,551,306</u>
Cash flows from noncapital financing activities:							
Transfers out	(1,143,116)	(472,592)	(101,465)	-	-	(47,408)	(1,764,581)
Net cash provided (used) by noncapital financing activities	<u>(1,143,116)</u>	<u>(472,592)</u>	<u>(101,465)</u>	<u>-</u>	<u>-</u>	<u>(47,408)</u>	<u>(1,764,581)</u>
Cash flows from capital and related financing activities:							
Due to other funds	-	-	-	-	-	47,951	47,951
Acquisition of capital assets	(690,576)	(203,643)	-	(10,109)	-	-	(904,328)
Proceeds from capital debt	14,642,000	-	-	4,923,000	-	-	19,565,000
Principal paid on capital debt	(1,790,758)	(47,732)	-	(4,922,000)	-	-	(6,760,490)
Interest paid on capital debt	(441,101)	(27,588)	-	(269,684)	-	-	(738,373)
Net cash provided (used) by capital and related financing activities	<u>11,719,565</u>	<u>(278,963)</u>	<u>-</u>	<u>(278,793)</u>	<u>-</u>	<u>47,951</u>	<u>11,209,760</u>
Cash flows from investing activities:							
Sales and maturities of investments	591,789	-	629,582	-	-	-	1,221,371
Purchases of investments	(615,386)	-	(667,970)	-	-	-	(1,283,356)
Investment earnings received	24,850	-	26,183	-	-	-	51,033
Net cash provided (used) by investing activities	<u>1,253</u>	<u>-</u>	<u>(12,205)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,952)</u>
Net increase (decrease) in cash and cash equivalents	13,541,203	33,757	424,340	(28,677)	14,910	-	13,985,533
Cash and cash equivalents, beginning (including restricted assets)	<u>2,012,757</u>	<u>906,813</u>	<u>759,277</u>	<u>40,239</u>	<u>887,158</u>	<u>-</u>	<u>4,606,244</u>
Cash and cash equivalents, ending (including restricted assets)	<u>\$ 15,553,960</u>	<u>\$ 940,570</u>	<u>\$ 1,183,617</u>	<u>\$ 11,562</u>	<u>\$ 902,068</u>	<u>\$ -</u>	<u>\$ 18,591,777</u>

(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, 2013

	Business-type Activities - Enterprise Funds						Stormwater (a Nonmajor Fund)	Totals
	Causeway	Sewer	Water	Parking	Solid Waste			
Reconciliation of cash and cash equivalents to the statement of net assets:								
Cash and cash equivalents	\$ 2,365,988	\$ 683,848	\$ 1,058,676	\$ 11,562	\$ 843,909	\$ -	\$ 4,963,983	
Restricted cash and cash equivalents	13,187,972	256,722	124,941	-	58,159	-	13,627,794	
	\$ 15,553,960	\$ 940,570	\$ 1,183,617	\$ 11,562	\$ 902,068	\$ -	\$ 18,591,777	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:								
Operating income (loss)	\$ 1,865,322	\$ 627,014	\$ 300,127	\$ (46,745)	\$ 24,365	\$ 89,553	\$ 2,859,636	
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Depreciation	807,222	127,789	75,922	232,860	-	11,227	1,255,020	
Rental income	73,646	-	-	120,400	-	-	194,046	
Other income	1,618	38,000	43,153	-	1,864	-	84,635	
Changes in assets, liabilities and deferred inflows:								
(Increase) decrease in:								
Accounts receivable	-	-	(103,459)	-	-	-	(103,459)	
Due from other funds	-	(125,164)	19,130	(47,535)	(450)	(100,273)	(254,292)	
Inventory	8,320	-	(29,458)	-	-	-	(21,138)	
Prepaid items	30,445	-	-	(7,930)	-	-	22,515	
Net pension asset	(37,460)	(5,734)	(5,976)	(2,727)	-	(1,344)	(53,241)	
Increase (decrease) in:								
Accounts payable and accrued liabilities	93,192	135,175	28,268	(178)	5,984	1	262,442	
Due to other governments	-	-	(2,272)	-	-	-	(2,272)	
Due to other funds	(97)	(16,207)	202,209	-	(19,191)	-	166,714	
Customer deposits	2	6,720	7,483	-	2,338	-	16,543	
Deferred revenue	83,998	-	-	-	-	-	83,998	
Net OPEB liability	5,124	402	617	340	-	42	6,525	
Compensated absences	17,919	(2,683)	2,266	1,631	-	251	19,384	
Deferred inflows	14,250	-	-	-	-	-	14,250	
Total adjustments	1,098,179	158,298	237,883	296,861	(9,455)	(90,096)	1,691,670	
Net cash provided (used) by operating activities	\$ 2,963,501	\$ 785,312	\$ 538,010	\$ 250,116	\$ 14,910	\$ (543)	\$ 4,551,306	
Noncash investing and financing activities:								
Decrease in fair value of investments	\$ (57,907)	\$ -	\$ (65,087)	\$ -	\$ -	\$ -	\$ (122,994)	

See notes to basic financial statements.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

STATEMENT OF FIDUCIARY NET POSITION PENSION TRUST FUND

SEPTEMBER 30, 2013

ASSETS

Cash and cash equivalents	\$ 281,863
Investments:	
U.S. Government and agencies bonds and notes	2,377,927
Corporate bonds	2,891,455
Common stock and equity funds	<u>7,728,136</u>
Total investments	<u>12,997,518</u>
Receivables:	
Employer contributions	94,194
Employee contributions	19,466
Accrued interest and dividends	<u>43,196</u>
Total receivables	<u>156,856</u>
Prepaid expenses	<u>3,463</u>
Total assets	13,439,700

LIABILITIES

Accounts payable	10,202
Due to Town	<u>5,535</u>
	<u>15,737</u>

NET POSITION

Net position restricted for pension benefits	<u>\$ 13,423,963</u>
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See notes to basic financial statements.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

ADDITIONS

Contributions:

Town (including State)	\$ 1,163,807
Employees	<u>286,628</u>
Total contributions	<u>1,450,435</u>

Investment income:

Net appreciation in fair value of investments	1,043,205
Interest	308,875
Dividends	<u>107,161</u>
	1,459,241
Less investment expense	<u>39,704</u>
Net investment income	<u>1,419,537</u>
Total additions	<u>2,869,972</u>

DEDUCTIONS

Benefits paid and refunds	4,089,463
Administrative expenses	<u>29,229</u>
Total deductions	<u>4,118,692</u>

Change in net position	(1,248,720)
Net position, beginning	<u>14,672,683</u>
Net position, ending	<u>\$13,423,963</u>

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, 2013

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. Based upon the application of these criteria, there were no organizations that met the criteria described above.

B. Government-wide and Fund Financial Statements

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

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

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The Town reports only one nonmajor proprietary fund (the Stormwater Fund).

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

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

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

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

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The Town reports the following major governmental funds:

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

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

The Town reports the following major proprietary funds:

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

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

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

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

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

The Town also reports the following nonmajor proprietary fund:

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

Additionally, the Town reports the following fund type:

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

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

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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

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

The Town implemented the following GASB Statements during the fiscal year ended September 30, 2012:

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

This statement classifies all sources of generally accepted accounting principles for state and local governments so that the authoritative accounting and financial reporting literature will be together in a single source, with that guidance modified as necessary to appropriately recognize the governmental environment and the needs of governmental financial statement users. The Town elected to include all pre-November 30, 1989 FASB pronouncements which are now codified in GASB 62.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*

This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. It further identifies net position as the residual of all other elements presented in a statement of net position. Implementation did have a significant impact on the financial statements.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*

This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources of deferred inflows of resources, certain items that were previously reported as assets and liabilities. Implementation did not have a significant on the financial statements.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments

The Town's cash and cash equivalents include cash on hand, time and demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Short-term investments are reported at cost, which approximates fair value. All other investments are carried at fair value as determined by quoted market prices.

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 estimated fair value at the date of donation. The Town has not retroactively reported infrastructure assets acquired prior to the implementation of GASB Statement No. 34. The Town did not retroactively record their intangible assets with the implementation of GASB Statement No. 51, with the exception of computer software which was capitalized when purchased. The Town's capitalization threshold for intangible assets is \$25,000.

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

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

3. Capital Assets (Continued)

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

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

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 in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. 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 an other financing source. Premiums received on debt issuances are reported as an other financing source while discounts on debt issuances are reported as an other financing use. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Town did not have any deferred outflows.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two items that qualify for reporting in this category. The governmental funds balance sheet includes deferred license fees, representing business tax license fees for next fiscal year collected in advance. The proprietary funds statement of net position includes deferred Causeway annual pass sales. These amounts are deferred and recognized as an inflow of resources in the period that they are earned.

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/Resolution which are equally binding) 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/Resolution) that imposed the constraint originally. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

Assigned fund balance. Assigned fund balances are amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. Intent is established by management of the Town to which the 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,

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

7. Fund Equity (Continued)

and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue fund are assigned for the purposes in accordance with the nature of their fund type. Assignment within the General Fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the Town itself. A formal policy has not been established by the Town, however, the only unassigned fund balance as of September 30, 2013 is in the Capital Project Fund.

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

8. Net Position

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

Restricted net position is that portion of net position that has been restricted for general use by external parties (creditors, grantors, contributors, or laws or regulations of other governments) or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position consists of all net assets that do 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

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

10. Use of Estimates

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

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

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of the \$8,439,531 difference are as follows:

Bonds payable	\$ 7,974,000
Issuance premium	162,175
Compensated absences	163,235
Net OPEB obligation	53,451
Accrued interest payable	86,670
	<u>\$ 8,439,531</u>

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits

In addition to insurance provided by the Federal Depository Insurance Corporation, all deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Deposits include cash on hand. Under Florida Statutes Chapter 280, *Florida Security for Public Deposits Act*, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or another banking institution

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

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, a Master Custodian Agreement is maintained whereby the investment securities are held in the Plan's name by a financial institution acting as the Plan's agent except for its shares in several pooled domestic equity index funds from Rhumblin Advisors.

Investments – Town

The Town's investment policy limits the maturity of fixed-income holdings to ten years. As of September 30, 2013, the Town had the following investments and its corresponding maturities in its portfolio:

<u>Investments</u>	Investment Maturities (In Years)			
	<u>Fair Value</u>	<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>
U.S. agency securities	\$ 97,381	\$ 97,381	\$ -	\$ -
U.S. Treasury Notes	3,456,794	428,507	2,639,903	388,384
Local Government Bonds	138,397	-	90,846	47,551
Corporate bonds	<u>2,225,599</u>	<u>199,575</u>	<u>1,465,393</u>	<u>560,631</u>
	<u>\$ 5,918,171</u>	<u>\$ 725,463</u>	<u>\$ 4,196,142</u>	<u>\$ 996,566</u>

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

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, 2013, the value of each position held in the Town's portfolio comprised less than 5% of the Town's investment assets.

Investments – Pension Plan

As of September 30, 2013, the Plan had the following debt securities and its corresponding maturities in its portfolio:

<u>Investments</u>	<u>Investment Maturities (In Years)</u>				
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Over 10</u>
U.S. Treasury Notes	\$ 530,502	\$ -	\$ -	\$ -	\$ 530,502
U.S. agency securities	1,847,425	80,006	140,206	1,376,901	250,312
Corporate bonds	<u>2,891,455</u>	<u>-</u>	<u>215,256</u>	<u>2,676,199</u>	<u>-</u>
	<u>\$5,269,382</u>	<u>\$80,006</u>	<u>\$355,462</u>	<u>\$4,053,100</u>	<u>\$ 780,814</u>

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.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments – Pension Plan (Continued)

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, 2013, the value of each position held in the Plan's portfolio comprised less than 5% of Plan net position.

Risks and Uncertainties

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

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 4. RECEIVABLES

Receivables as of September 30, 2013 for the Town's individual major funds and fiduciary funds including the allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Causeway</u>	<u>Water</u>	<u>Pension Trust Fund</u>	<u>Total</u>
Customers billed	\$ -	\$ -	\$ 943,546	\$ -	\$ 943,546
Property taxes	18,810	-	-	-	18,810
Franchise fees	68,452	-	-	-	68,452
Utility taxes	43,848	-	-	-	43,848
Rental income	10,033	-	-	-	10,033
Interest	16,055	9,150	9,567	43,196	77,968
Other	22,300	-	-	-	22,300
Gross receivables	<u>179,498</u>	<u>9,150</u>	<u>953,113</u>	<u>43,196</u>	<u>1,184,957</u>
Less allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>(133,778)</u>	<u>-</u>	<u>(133,778)</u>
Net total receivables	<u>\$ 179,498</u>	<u>\$ 9,150</u>	<u>\$ 819,335</u>	<u>\$ 43,196</u>	<u>\$ 1,051,179</u>

NOTE 5. PROPERTY TAXES

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

Property taxes levied each November 1, by the Town and all other taxing authorities within the County, are centrally billed and collected by Miami-Dade County, with remittances to the Town of their proportionate share of collected taxes. Taxes for the fiscal year beginning October 1 are billed in the month of November, subject to a 1% per month discount for the period November through February, and are due no later than March 31. On April 1, unpaid amounts become delinquent with interest and penalties added thereafter. Beginning June 1, tax certificates representing delinquent taxes with interest and penalties are sold by Miami-Dade County, with remittance to the Town for its share of those receipts. At September 30, 2013, there were no material delinquent taxes.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of September 30, 2013 is as follows:

Due from/to Other Funds

	Receivable Fund			Payable Fund				Nonmajor Business- type	Total
	General	Capital Projects	Causeway	Sewer	Water	Parking	Solid Waste		
General	\$ -	\$ -	\$ 58,248	\$ 5,405	\$ 558	\$ -	\$ 149	\$ 421,086	\$ 485,446
Capital Projects	-	-	-	88,992	-	-	-	-	88,992
Causeway	-	-	-	4,331	165,000	100,000	-	-	269,331
Sewer	-	-	-	-	248,037	-	-	-	248,037
Water	-	27,542	-	-	-	-	276,282	-	303,824
Parking	85,007	-	-	-	-	-	-	-	85,007
Solid waste	-	-	-	450	-	-	-	-	450
Nonmajor:									
Stormwater	-	-	-	2,358	1,120,900	-	-	-	1,123,258
	<u>\$ 85,007</u>	<u>\$ 27,542</u>	<u>\$ 58,248</u>	<u>\$ 101,536</u>	<u>\$ 1,534,495</u>	<u>\$ 100,000</u>	<u>\$ 276,431</u>	<u>\$ 421,086</u>	<u>\$ 2,604,345</u>

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

Interfund Transfers

	<u>Transfers In</u>
	<u>General</u>
	<u>Fund</u>
Transfers out:	
Causeway Fund	\$ 1,143,116
Sewer Fund	472,592
Water Fund	101,465
Stormwater Fund	47,408
	<u>\$ 1,764,581</u>

Interfund Transfers (Continued)

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

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 7. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,806,254	\$ -	\$ -	\$ 3,806,254
Construction in progress	<u>41,198</u>	<u>227,877</u>	<u>(41,197)</u>	<u>227,878</u>
Total capital assets, not being depreciated	<u>3,847,452</u>	<u>227,877</u>	<u>(41,197)</u>	<u>4,034,132</u>
Capital assets, being depreciated:				
Buildings	1,986,927	14,563	-	2,001,490
Improvements other than buildings	19,097,675	25,982	-	19,123,657
Furniture, fixtures and equipment	<u>1,603,123</u>	<u>60,843</u>	<u>-</u>	<u>1,663,966</u>
Total capital assets, being depreciated	<u>22,687,725</u>	<u>101,388</u>	<u>-</u>	<u>22,789,113</u>
Less accumulated depreciation for:				
Buildings	(1,427,199)	(66,692)	-	(1,493,891)
Improvements other than buildings	(2,993,305)	(431,311)	-	(3,424,616)
Furniture, fixtures and equipment	<u>(1,540,584)</u>	<u>(32,256)</u>	<u>-</u>	<u>(1,572,840)</u>
Total accumulated depreciation	<u>(5,961,088)</u>	<u>(530,259)</u>	<u>-</u>	<u>(6,491,347)</u>
Total capital assets, being depreciated, net	<u>16,726,637</u>	<u>(428,871)</u>	<u>-</u>	<u>16,297,766</u>
Governmental activities capital assets, net	<u>\$20,574,089</u>	<u>\$ (200,994)</u>	<u>\$ (41,197)</u>	<u>\$20,331,898</u>

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 7. CAPITAL ASSETS (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 671,273	\$ -	\$ -	\$ 671,273
Construction in progress	<u>344,402</u>	<u>621,221</u>	<u>(136,120)</u>	<u>829,503</u>
Total capital assets, not being depreciated	<u>1,015,675</u>	<u>621,221</u>	<u>(136,120)</u>	<u>1,500,776</u>
Capital assets, being depreciated:				
Causeway system	2,670,731	-	-	2,670,731
Toll collection system	2,351,601	-	-	2,351,601
Sewer system	4,944,679	203,642	-	5,148,321
Water system	2,247,104	-	-	2,247,104
Parking garage	10,141,279	-	-	10,141,279
Improvements other than buildings	15,258,910	205,474	-	15,464,384
Equipment	<u>1,419,717</u>	<u>10,109</u>	<u>-</u>	<u>1,429,826</u>
Total capital assets, being depreciated	<u>39,034,021</u>	<u>419,225</u>	<u>-</u>	<u>39,453,246</u>
Less accumulated depreciation for:				
Causeway system	(2,620,783)	(4,534)	-	(2,625,317)
Toll collection system	(2,066,714)	(76,787)	-	(2,143,501)
Sewer system	(1,960,930)	(117,168)	-	(2,078,098)
Water system	(1,183,367)	(45,500)	-	(1,228,867)
Parking garage	(603,008)	(202,826)	-	(805,834)
Improvements other than buildings	(6,351,375)	(717,858)	-	(7,069,233)
Equipment	<u>(870,978)</u>	<u>(90,348)</u>	<u>-</u>	<u>(961,326)</u>
Total accumulated depreciation	<u>(15,657,155)</u>	<u>(1,255,021)</u>	<u>-</u>	<u>(16,912,176)</u>
Total capital assets, being depreciated, net	<u>23,376,866</u>	<u>(835,796)</u>	<u>-</u>	<u>22,541,070</u>
Business-type activities capital assets, net	<u>\$24,392,541</u>	<u>\$ (214,575)</u>	<u>\$ (136,120)</u>	<u>\$24,041,846</u>

Depreciation expense was charged as functions/programs as follows:

Governmental activities:	
General government	\$ 83,122
Public safety	22,816
Transportation	351,038
Culture and recreation	<u>73,283</u>
Total depreciation expense - governmental activities	<u>\$ 530,259</u>
Business-type activities:	
Causeway	\$ 807,222
Sewer	127,789
Water	75,922
Parking	232,860
Stormwater	<u>11,228</u>
Total depreciation expense - business-type activities	<u>\$1,255,021</u>

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 8. LONG-TERM DEBT

The following is a summary of changes in long-term liabilities of the Town for governmental activities for the year ended September 30, 2013:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities					
Bonds payable:					
Revenue bonds, Series 2003B	\$ 7,915,000	\$ -	\$ (4,650,000)	\$ 3,265,000	\$ 210,000
Refunding Note, Series 2012	-	4,709,000	-	4,709,000	68,000
Add deferred amounts:					
Issuance premium	<u>169,897</u>	<u>-</u>	<u>(7,722)</u>	<u>162,175</u>	<u>-</u>
Total bonds payable	8,084,897	4,709,000	(4,657,722)	8,136,175	278,000
Compensated absences	224,825	266,326	(327,916)	163,235	16,324
Net OPEB obligation	<u>47,975</u>	<u>5,475</u>	<u>-</u>	<u>53,450</u>	<u>-</u>
Governmental activities					
Long-term liabilities	<u>\$ 8,357,697</u>	<u>\$ 4,980,801</u>	<u>\$ (4,985,638)</u>	<u>\$ 8,352,860</u>	<u>\$ 294,324</u>

All long-term obligations of governmental activities are generally liquidated through the general fund.

Revenue Bonds – Series 2003B

On December 17, 2003, the Town issued \$9,360,000 of bonds to finance various capital expenditures that comprise a portion of a program of community enhancements to include roads, drainage, lighting, landscaping and improvements to the Town's business district and causeway corridor. The bonds are collateralized by a pledge of the Town's half-cent sales tax, franchise fees, and utility taxes. On December 3, 2012, the Town advance refunded \$4,445,000 of the bonds with proceeds of the Promissory Refunding Note, Series 2012 (Sales Tax), as described below. The total principal and interest remaining on the Series 2003B bonds is \$6,041,888. For the current year, debt service and pledged revenues were \$492,309 and \$1,162,149, respectively. The interest rates on the remaining bonds range from 5% to 5.25% and the final maturity date is December 1, 2033.

Debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2014	\$ 210,000	\$ 158,263	\$ 368,263
2015	-	152,750	152,750
2016	-	152,750	152,750
2017	-	152,750	152,750
2018	-	152,750	152,750
2019-2023	-	763,750	763,750
2024-2028	-	763,750	763,750
2029-2033	2,480,000	465,750	2,945,750
2034	<u>575,000</u>	<u>14,375</u>	<u>589,375</u>
	<u>\$ 3,265,000</u>	<u>\$ 2,776,888</u>	<u>\$ 6,041,888</u>

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

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. 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 \$5,517,130. For the current year, pledged revenues were \$1,162,149 and debt service on the note was \$48,662. The economic gain related to this refunding on a present value basis, totals \$816,858 and a cash flow savings of \$964,795. Issuance costs totaled \$45,679. 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:			
2014	\$ 68,000	\$ 97,707	\$ 165,707
2015	291,000	93,956	384,956
2016	295,000	87,832	382,832
2017	304,000	81,573	385,573
2018	307,000	75,188	382,188
2019-2023	1,636,000	275,734	1,911,734
2024-2028	<u>1,808,000</u>	<u>96,140</u>	<u>1,904,140</u>
	<u>\$4,709,000</u>	<u>\$ 808,130</u>	<u>\$ 5,517,130</u>

The following is a summary of changes in long-term liabilities of the Town for business-type activities for the year ended September 30, 2013:

	<u>Beginning Balance*</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type Activities					
Notes and loan payable:					
Broad Causeway Revenue Note, Series 2003A	\$ 102,065	\$ -	\$ (102,065)	\$ -	\$ -
Broad Causeway Revenue Note, Series 2003B	900,000	-	(900,000)	-	-
Broad Causeway Promissory Note, Series 2012	-	14,642,000	(795,000)	13,847,000	-
State Revolving Fund Loan	588,263	-	(57,674)	530,589	59,461
Parking Promissory Note, Series 2008	4,745,000	-	(4,745,000)	-	-
Parking Refunding Note, Series 2012	<u>-</u>	<u>4,923,000</u>	<u>(177,000)</u>	<u>4,746,000</u>	<u>-</u>
Total notes and loan payable	6,335,328	19,565,000	(6,776,739)	19,123,589	59,461
Compensated absences	147,547	272,357	(252,972)	166,932	16,692
Net OPEB obligation	<u>48,025</u>	<u>6,525</u>	<u>-</u>	<u>54,550</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$6,530,900</u>	<u>\$19,843,882</u>	<u>\$ (7,029,711)</u>	<u>\$ 19,345,071</u>	<u>\$ 76,153</u>

*The deferred amount on refunding (\$69,542) on October 1, 2012 was reclassified in accordance in GASB 65 and eliminated as a result on the current year refunding.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 8. LONG-TERM DEBT (Continued)

Broad Causeway Revenue Note, Series 2003A and 2003B

On May 13, 2003, the Town borrowed \$2,017,500 (Broad Causeway Revenue Note, Series 2003A) from a financial institution, for the funding of the reconstruction of the Causeway's west bridge.

On July 15, 2003, the Town borrowed \$2,267,668 (Broad Causeway Revenue Note, Series 2003B) from the same financial institution and used the proceeds, along with available debt service funds, to refund the 1993 Bonds which amounted to \$2,510,000 (face value) at the date of refunding. In accordance with the offering terms of the 1993 Bonds, the redemption price was 102% of face value.

The excess of the amount required to retire the 1993 bonds over the book value of the bonds (face value less unamortized costs and discount) amounted to \$179,653, which was deferred and was eliminated in fiscal 2013 with the issuance of the Series 2012 promissory note.

On November 14, 2012 both the Series 2003A and Series 2003B notes were paid off with a portion of the proceeds from the issuance of the Broad Causeway Promissory Note, Series 2012 as described below.

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 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 \$16,812,464. For the current year, pledged revenues were \$5,595,731 and debt service on the note was \$1,121,195. The economic gain related to this refunding on a present value basis, totals approximately \$27,263 and a cash flow savings of \$73,989. The note bears interest at 2.53%, with annual principal payments and semi-annual interest payments due through December 1, 2028.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2014	\$ -	\$ 175,165	\$ 175,165
2015	771,000	340,576	1,111,576
2016	790,000	320,829	1,110,829
2017	810,000	300,589	1,110,589
2018	831,000	279,831	1,110,831
2019-2023	4,478,000	1,069,052	5,547,052
2024-2028	5,074,000	465,596	5,539,596
2029	1,093,000	13,826	1,106,826
	<u>\$ 13,847,000</u>	<u>\$ 2,965,464</u>	<u>\$ 16,812,464</u>

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 8. LONG-TERM DEBT (Continued)

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, 2013, the Town has borrowed \$1,105,855 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 \$602,559. For the current year, pledged revenues were \$792,803 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.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2014	\$ 59,461	\$ 15,859	\$ 75,320
2015	61,303	14,017	75,320
2016	63,202	12,118	75,320
2017	65,160	10,160	75,320
2018	67,179	8,141	75,320
2019-2021	<u>214,284</u>	<u>11,676</u>	<u>225,959</u>
	<u>\$ 530,589</u>	<u>\$ 71,970</u>	<u>\$ 602,559</u>

Parking Promissory Note, Series 2008

In June 2008, the Town borrowed \$4,935,000 under a promissory note with a bank to finance the construction of a new municipal parking garage. On November 14, 2012, the Town issued its Parking Promissory Refunding Note, Series 2012 to refinance this note.

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 \$5,607,230. The economic gain related to this refunding on a present value basis, totals \$636,255 and a cash flow savings of \$866,388. The note bears interest at 2.17%, with annual principal payments and semi-annual interest payments due through December 1, 2027.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 8. LONG-TERM DEBT (Continued)

Parking Promissory Refunding Note, Series 2012 (Continued)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2014	\$ -	\$ 51,494	\$ 51,494
2015	179,000	101,046	280,046
2016	249,000	96,402	345,402
2017	262,000	90,858	352,858
2018	270,000	85,086	355,086
2019-2023	1,713,000	321,952	2,034,952
2024-2028	<u>2,073,000</u>	<u>114,392</u>	<u>2,187,392</u>
	<u>\$4,746,000</u>	<u>\$ 861,230</u>	<u>\$5,607,230</u>

NOTE 9. COMMITMENTS AND CONTINGENCIES

Litigation

At times during the year, the Town is 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.

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 Town issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by contacting the Town's Finance Director.

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, 2012 (beginning year of valuation

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

Plan Description (Continued)

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.

Membership in the Plan as of October 1, 2012, was as follows:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	<u>27</u>
Current employees:	
Vested	40
Non-vested	<u>37</u>
Total	<u>77</u>
Total Plan Members	<u>104</u>

Pension Benefits

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.

Normal retirement is for:

- 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.

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.

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

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

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, 2013 and 2012 were 29.14% and 26.94%, respectively, of covered payroll. The contribution requirements of the Town for the year ended September 30, 2013 were determined by the October 1, 2011 actuarial valuation. Pursuant to Chapter 185 of the Florida Statutes, a premium tax on certain property and casualty insurance contracts, written on Town of Bay Harbor Islands properties, is collected by the state and is remitted to the Town. The State of Florida also distributes money to local governments meeting certain eligibility requirements which is intended to purchase supplemental pension benefits for police officers.

In the fiscal year 2013, \$34,804 was received by the Town from the State and recorded in the general fund as revenue and as a contribution (expenditure) to the Plan. Of that amount received from the State, \$16,746 goes towards funding the actuarially determined annual required contribution for the plan and \$18,058 goes towards the purchased supplemental benefits.

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 aggregate actuarial cost method. The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial accrued liabilities. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 25, when the aggregate actuarial cost method is used, a schedule of funding progress is not required, however, in accordance with GASB Statement No. 50 a schedule of funding progress is prepared utilizing the entry age normal cost method.

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. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Net depreciation in fair value of investments includes realized and unrealized gains and losses. Interest and dividends are reported as investment earnings. Realized gains and losses are determined on the basis of specific cost. Purchases and sales are recorded on the trade-date basis.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 10. DEFINED BENEFIT PENSION PLAN (Continued)

Annual Pension Cost and Net Pension Obligation

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

Annual required contribution	\$ 929,982
Interest on net pension obligation (asset)	(12,288)
Adjustment to annual required contribution	<u>25,922</u>
Annual pension cost	943,616
Contributions made	<u>1,145,749</u>
Decrease in net pension obligation (asset)	(202,133)
Net pension obligation (asset), beginning of year	<u>(202,088)</u>
Net pension obligation (asset), end of year	<u>\$ (404,221)</u>

Fiscal Year Ended	Trend Information		Net Pension Obligation (Asset)
	Annual Pension Cost (APC)	Percentage of APC Contributed	
9/30/2011	\$ 1,153,905	99.7%	\$ (254,404)
9/30/2012	1,161,194	95.5%	(202,088)
9/30/2013	943,616	121.4%	(404,221)

Funded Status and Funding Progress

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)
10/1/2012*	\$14,517,911	\$16,410,375	\$1,892,464	88.5%	\$4,161,089	45.5%

*Actuarial accrued liability is calculated using the entry age normal cost method/or this purpose.

Additional information as of the date indicated is as follows:

Valuation date	October 1, 2012
Actuarial cost method	Entry age normal
Amortization method	Level dollar, open
Remaining amortization period	10 years
Asset valuation method	Market Value
Actuarial assumptions:	
Discount rate (includes 3% inflation rate)	6.0%
Salary increase rate	4.0%

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

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. There are currently 77 active members who may become eligible for benefits upon retirement, and two retirees currently benefiting from the plan. The plan allows its employees and their beneficiaries, at their own cost, to continue to obtain health, dental and other insurance benefits upon retirement. The benefits of the plan conform to Florida Statutes, which are the legal authority for the plan. The plan has no assets and does not issue a separate financial report.

Funding Policy and Annual OPEB Cost

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

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:

Required contribution rates:

Employer	Pay-as-you-go
Plan members	N/A
Normal cost	\$ 8,000
Interest on net OPEB obligation	4,000
Adjustment to ARC	(21,000)
Amortization	39,000
Annual OPEB cost	30,000
Contributions made	(18,000)
Interest on contributions	-
Increase in net OPEB obligation	12,000
Net OPEB obligation, beginning of year	96,000
Net OPEB obligation, end of year	\$ 108,000

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

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:

	Fiscal Year Ended		
	9/30/2013	9/30/2012	9/30/2011
Annual OPEB cost	\$ 30,000	\$ 33,000	\$ 65,000
Percentage of OPEB cost contributed	60%	45%	49%
Net OPEB obligation	108,000	96,000	78,000

Funded Status and Funding Progress

The funded status of the plan as of October 1, 2011, the date of the latest actuarial valuation, was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL)* (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) ÷ (b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a) ÷ c)
10/1/2011	\$ -	\$173,000	\$173,000	0.0%	\$4,008,000	4.3%

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

Actuarial Methods and Assumptions

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

Valuation date	October 1, 2011
Actuarial cost method	Project unit credit
Amortization method	5-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):	<u>Insurance Premiums</u>
Select rates	8.0% for 2011/12 graded to 5.50% for 2016/17
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, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget-Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 2,918,024	\$ 2,918,024	\$ 3,001,002	\$ 82,978
Utility taxes	375,000	375,000	422,974	47,974
Communications services tax	320,000	320,000	281,603	(38,397)
Franchise fees	351,000	351,000	350,569	(431)
Licenses and permits	182,000	182,000	509,964	327,964
Intergovernmental	747,000	747,000	876,689	129,689
Transfer development right fees	-	-	310,000	310,000
Charges for services	2,670	2,670	11,435	8,765
Fines and forfeitures	134,500	140,500	187,480	46,980
Investment earnings	65,000	65,000	(57,892)	(122,892)
Grants	-	-	43,418	43,418
Miscellaneous	38,000	38,000	103,964	65,964
Total revenues	<u>5,133,194</u>	<u>5,139,194</u>	<u>6,041,206</u>	<u>902,012</u>
Expenditures:				
General government:				
Legislative	70,658	130,096	107,900	22,196
Executive	301,638	308,860	326,287	(17,427)
Clerk	174,543	174,543	138,999	35,544
Finance and administration	168,854	172,354	148,122	24,232
Information technology	92,484	92,484	96,775	(4,291)
Legal	110,200	130,200	192,300	(62,100)
Total general government	<u>918,377</u>	<u>1,008,537</u>	<u>1,010,383</u>	<u>(1,846)</u>
Public buildings	<u>108,722</u>	<u>124,222</u>	<u>103,796</u>	<u>20,426</u>
Public safety:				
Law enforcement	3,722,560	4,211,042	4,216,964	(5,922)
Protective inspections	401,613	463,613	463,135	478
Code enforcement	175,183	154,183	151,414	2,769
Other public safety	51,368	43,368	43,382	(14)
Total public safety	<u>4,350,724</u>	<u>4,872,206</u>	<u>4,874,895</u>	<u>(2,689)</u>
Transportation:				
Streets and parkways	659,304	763,304	759,557	3,747
Public transit	90,500	90,500	87,636	2,864
Total transportation	<u>749,804</u>	<u>853,804</u>	<u>847,193</u>	<u>6,611</u>
Culture and recreation:				
Public library	20,000	20,000	100	19,900
Parks and recreation	795,300	804,370	126,623	677,747
Total culture and recreation	<u>815,300</u>	<u>824,370</u>	<u>126,723</u>	<u>697,647</u>
Debt service:				
Principal, interest and fiscal charges	607,416	539,416	584,135	(44,719)
Total expenditures	<u>7,550,343</u>	<u>8,222,555</u>	<u>7,547,125</u>	<u>675,430</u>
Deficiency of revenues over expenditures	<u>(2,417,149)</u>	<u>(3,083,361)</u>	<u>(1,505,919)</u>	<u>1,577,442</u>
Other financing sources (uses):				
Appropriation of prior year fund balance	740,500	1,406,712	-	(1,406,712)
Transfers in	1,676,649	1,676,649	1,764,581	87,932
Refunding promissory note issued	-	-	4,709,000	4,709,000
Payment to refunded bond escrow agent	-	-	(4,663,322)	(4,663,322)
Total other financing sources (uses)	<u>2,417,149</u>	<u>3,083,361</u>	<u>1,810,259</u>	<u>(1,273,102)</u>
Net financing sources and uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 304,340</u>	<u>\$ 304,340</u>

See note to budgetary comparison schedule

TOWN OF BAY HARBOR ISLANDS, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

NOTE TO BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

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, 2013, there were supplemental appropriations of approximately \$672,200.
- (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 PENSION TRUST FUND SCHEDULE OF FUNDING PROGRESS*

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, 2007	\$8,084,407	\$11,822,157	\$3,737,750	68.4%	\$2,778,255	134.5%
October 1, 2008	8,399,271	12,303,121	3,903,850	68.3%	2,787,281	140.1%
<u>General Employees</u>						
October 1, 2009	4,616,541	6,683,455	2,066,914	69.1%	1,953,049	105.8%
October 1, 2010	5,454,127	7,075,213	1,621,086	77.1%	2,788,721	58.1%
October 1, 2011	5,329,264	6,676,875	1,347,611	79.8%	2,519,332	53.5%
October 1, 2012	6,654,404	7,165,138	510,734	92.9%	2,523,359	20.2%
<u>Police Officers</u>						
October 1, 2009	4,467,097	6,581,836	2,114,739	67.9%	1,066,431	198.3%
October 1, 2010	5,491,467	7,841,748	2,350,281	70.0%	1,549,004	151.7%
October 1, 2011	6,066,531	8,568,343	2,501,812	70.8%	1,489,049	168.0%
October 1, 2012	7,863,507	9,245,237	1,381,730	85.1%	1,637,730	84.4%

*Actuarial accrued liability is calculated using the entry age normal cost method in accordance with GASB Statement No. 50.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION PENSION TRUST FUND SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended <u>September 30,</u>	Annual Required <u>Contribution</u>	Percentage <u>Contributed</u>
2008	\$ 799,915	101%
<u>General Employees</u>		
2009	507,195	100%
2010	562,292	96%
2011	486,540	116%
2012	465,704	101%
2013	349,591	133%
<u>Police Officers</u>		
2009	505,718	100%
2010	582,119	86%
2011	649,673	90%
2012	677,991	94%
2013	580,391	117%

Note: The accounting cost was not separately determined for the general and police portions of the plan prior to October 1, 2009.

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, 2009	\$ -	\$260,000	\$260,000	0.0%	\$3,019,000	8.6%
October 1, 2011	-	173,000	173,000	0.0%	4,008,000	4.3%

*GASB Statement No. 45, Other Post Employment Benefits, was implemented for the fiscal year ended September 30, 2010. The latest actuarial valuation is dated October 1, 2011.

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)
Financial Trends	58-63
These schedules contain information to help the reader understand how the Town's financial performance and well-being have changed over time.	
Revenue Capacity	64-68
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	69-71
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	72
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	73-75
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. The Town implemented GASB Statement No. 34 in 2004; schedules presenting government-wide information include information beginning that year.

Town of Bay Harbor Islands, Florida

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities:										
Net investment in capital assets	\$ 5,583,716	\$ 5,089,767	\$ 5,276,276	\$ 9,364,365	\$ 9,298,331	\$ 9,257,952	\$ 9,434,221	\$ 9,064,893	\$ 12,424,702	\$ 12,195,723
Restricted	84,679	999,982	1,496,105	2,057,254	2,406,945	3,139,500	3,225,411	3,191,089	653,821	543,612
Unrestricted	6,131,498	6,550,385	6,764,378	3,602,328	4,005,296	3,961,738	3,305,290	3,605,326	3,178,473	3,599,739
Total governmental activities net position	\$ 11,799,893	\$ 12,640,134	\$ 13,536,759	\$ 15,023,947	\$ 15,710,572	\$ 16,359,190	\$ 15,964,922	\$ 15,861,308	\$ 16,256,996	\$ 16,339,074
Business-type activities:										
Net investment in capital assets	\$ 3,995,959	\$ 5,587,061	\$ 8,389,274	\$ 11,015,959	\$ 12,900,256	\$ 17,151,887	\$ 17,659,866	\$ 17,836,883	\$ 18,112,144	\$ 18,077,105
Restricted	-	48,682	52,278	57,923	62,432	65,441	68,391	71,341	74,292	77,242
Unrestricted	11,845,266	10,503,301	7,905,191	8,503,860	8,117,592	5,155,875	5,590,395	5,992,431	6,887,914	7,463,786
Total business-type activities net position	\$ 15,841,225	\$ 16,139,044	\$ 16,346,743	\$ 19,577,742	\$ 21,080,280	\$ 22,373,203	\$ 23,318,652	\$ 23,900,655	\$ 25,074,350	\$ 25,618,133
Primary government										
Net investment in capital assets	\$ 9,579,675	\$ 10,676,828	\$ 13,665,550	\$ 20,380,324	\$ 22,198,587	\$ 26,409,839	\$ 27,094,087	\$ 26,901,776	\$ 30,536,846	\$ 30,272,828
Restricted	84,679	1,048,664	1,548,383	2,115,177	2,469,377	3,204,941	3,293,802	3,262,430	728,113	620,854
Unrestricted	17,976,764	17,053,686	14,669,569	12,106,188	12,122,888	9,117,613	8,895,685	9,597,757	10,066,387	11,063,525
Total primary government net position	\$ 27,641,118	\$ 28,779,178	\$ 29,883,502	\$ 34,601,689	\$ 36,790,852	\$ 38,732,393	\$ 39,283,574	\$ 39,761,963	\$ 41,331,346	\$ 41,957,207

Note: GASB Statement No. 63 was implemented for FY 2013. Terminology was revised in the preparation of this schedule to all years presented.

Town of Bay Harbor Islands, Florida

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses:										
Governmental activities:										
General government	\$ 909,390	\$ 1,384,696	\$ 1,262,388	\$ 1,329,838	\$ 1,258,955	\$ 1,231,103	\$ 1,388,924	\$ 1,221,722	\$ 1,172,787	\$ 1,069,286
Public safety	3,249,801	3,430,252	3,764,913	4,063,764	4,132,307	4,278,231	4,197,284	4,261,046	4,419,612	4,741,403
Transportation	834,999	940,737	1,075,628	955,569	986,410	891,109	935,471	1,011,529	1,087,658	1,198,230
Culture and recreation	124,901	130,253	219,037	77,593	135,373	113,496	92,717	124,264	124,506	162,244
Interest on long-term debt	346,869	438,831	437,175	431,951	427,641	424,764	419,819	412,328	407,945	552,546
Total governmental activities expenses	<u>5,465,960</u>	<u>6,324,769</u>	<u>6,759,141</u>	<u>6,858,715</u>	<u>6,940,686</u>	<u>6,938,703</u>	<u>7,034,215</u>	<u>7,030,889</u>	<u>7,212,508</u>	<u>7,723,709</u>
Business-type activities:										
Causeway	2,619,838	3,000,413	3,022,314	3,135,780	3,339,312	3,647,587	3,787,489	4,011,938	3,878,069	4,157,983
Sewer	1,135,445	1,258,159	1,330,245	1,313,851	1,125,393	1,067,918	1,210,764	1,245,975	1,284,691	1,334,271
Water	690,930	679,793	837,798	822,979	848,993	938,061	1,067,501	933,301	953,007	913,966
Parking	120,209	151,650	142,734	146,790	231,733	183,760	576,340	679,315	642,801	817,428
Solid waste	632,834	649,034	683,264	677,231	652,640	625,189	655,092	670,688	668,603	690,765
Stormwater	58,539	61,345	88,528	156,347	92,196	112,155	114,784	113,974	94,893	120,114
Total business-type activities expenses	<u>5,257,795</u>	<u>5,800,394</u>	<u>6,104,883</u>	<u>6,252,978</u>	<u>6,290,267</u>	<u>6,574,670</u>	<u>7,411,970</u>	<u>7,655,191</u>	<u>7,522,064</u>	<u>8,034,527</u>
Total primary government expenses	<u>10,723,755</u>	<u>12,125,163</u>	<u>12,864,024</u>	<u>13,111,693</u>	<u>13,230,953</u>	<u>13,513,373</u>	<u>14,446,185</u>	<u>14,686,080</u>	<u>14,734,572</u>	<u>15,758,236</u>
Program revenues:										
Governmental activities:										
Charges for services:										
General government	78,600	320,003	399,245	345,182	275,841	205,480	179,880	153,406	191,668	509,994
Public safety	368,655	301,669	191,220	196,192	187,961	203,641	162,720	144,116	148,623	188,158
Transportation	2,497	-	-	-	-	-	-	-	-	-
Culture and recreation	29	308	-	498	711	730	1,713	2,019	2,488	10,726
Operating grants and contributions	139,471	54,273	-	357,166	380,915	32,083	33,156	36,584	37,187	75,071
Capital grants and contributions	-	600,000	226,624	199,661	194,029	760,679	653,639	291,057	846,776	226,878
Total governmental activities program revenues	<u>589,252</u>	<u>1,276,253</u>	<u>817,089</u>	<u>1,098,699</u>	<u>1,039,457</u>	<u>1,202,613</u>	<u>1,031,108</u>	<u>627,182</u>	<u>1,226,742</u>	<u>1,010,827</u>
Business-type activities:										
Charges for services:										
Causeway	3,490,789	3,693,755	3,598,426	5,842,942	5,417,919	5,045,818	4,933,778	5,234,106	5,474,246	5,582,204
Sewer	1,389,045	1,387,349	1,366,147	1,275,797	1,418,561	1,527,512	1,724,939	1,747,443	2,001,681	1,934,067
Water	821,964	795,866	862,689	789,223	769,374	927,333	1,082,672	1,092,097	1,254,114	1,214,093
Parking	345,997	320,843	302,921	281,962	290,891	297,852	335,354	389,756	379,778	476,723
Solid waste	710,542	716,614	706,952	678,635	684,793	681,769	696,642	694,928	715,326	715,130
Stormwater	212,735	212,050	208,770	211,151	211,306	213,624	209,865	208,815	213,156	209,667
Capital grants and contributions	-	-	-	1,200,000	-	-	-	316,249	-	-
Total business-type activities program revenues	<u>6,971,072</u>	<u>7,126,477</u>	<u>7,045,905</u>	<u>10,279,710</u>	<u>8,792,844</u>	<u>8,693,908</u>	<u>8,983,250</u>	<u>9,683,394</u>	<u>10,038,301</u>	<u>10,131,884</u>
Total primary government program revenues	<u>\$ 7,560,324</u>	<u>\$ 8,402,730</u>	<u>\$ 7,862,994</u>	<u>\$ 11,378,409</u>	<u>\$ 9,832,301</u>	<u>\$ 9,896,521</u>	<u>\$ 10,014,358</u>	<u>\$ 10,310,576</u>	<u>\$ 11,265,043</u>	<u>\$ 11,142,711</u>

Continued

Town of Bay Harbor Islands, Florida

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net (expense) revenue:										
Governmental activities	\$ (4,876,708)	\$ (5,048,516)	\$ (5,942,052)	\$ (5,760,016)	\$ (5,901,229)	\$ (5,736,090)	\$ (6,003,107)	\$ (6,403,706)	\$ (5,985,765)	\$ (6,712,882)
Business-type activities	1,713,277	1,326,083	941,022	4,026,732	2,502,577	2,119,238	1,571,280	2,028,203	2,516,237	2,097,357
	<u>\$ (3,163,431)</u>	<u>\$ (3,722,433)</u>	<u>\$ (5,001,030)</u>	<u>\$ (1,733,284)</u>	<u>\$ (3,398,652)</u>	<u>\$ (3,616,852)</u>	<u>\$ (4,431,827)</u>	<u>\$ (4,375,503)</u>	<u>\$ (3,469,528)</u>	<u>\$ (4,615,525)</u>
General revenues and other changes in net position:										
Governmental activities:										
Property taxes	\$ 2,036,560	\$ 2,466,523	\$ 2,912,485	\$ 3,416,045	\$ 3,048,334	\$ 3,150,090	\$ 3,004,968	\$ 3,040,733	\$ 2,992,245	\$ 3,001,002
Franchise fees based on gross receipts	358,248	313,832	353,728	379,221	379,264	367,179	339,581	359,930	347,019	350,569
Utility taxes	638,057	354,371	355,245	344,613	359,065	351,358	387,399	390,796	399,923	422,974
Communications services tax	-	295,960	315,741	321,843	453,261	348,882	348,436	307,006	298,092	281,603
Transfer development right fees	-	-	-	-	-	-	-	-	-	310,000
Unrestricted intergovernmental revenue	511,021	754,439	784,853	547,324	521,120	467,565	480,068	495,586	549,523	618,159
Unrestricted investment earnings	158,864	321,776	708,405	823,131	450,029	388,574	185,113	61,145	87,275	(57,892)
Miscellaneous	39,515	46,727	100,320	90,914	50,578	53,850	9,922	18,144	64,179	103,964
Transfers	866,712	1,335,129	1,307,900	1,324,113	1,326,203	1,257,210	853,352	1,626,752	1,643,197	1,764,581
Total governmental activities	<u>4,608,977</u>	<u>5,888,757</u>	<u>6,838,677</u>	<u>7,247,204</u>	<u>6,587,854</u>	<u>6,384,708</u>	<u>5,608,839</u>	<u>6,300,092</u>	<u>6,381,453</u>	<u>6,794,960</u>
Business-type activities:										
Unrestricted interest earnings	110,508	191,642	354,760	423,611	237,420	343,424	144,682	53,696	96,954	(67,674)
Miscellaneous	71,143	115,223	219,817	104,769	88,744	87,470	82,840	126,856	203,701	278,681
Transfers	(866,712)	(3,135,129)	(1,307,900)	(1,324,113)	(1,326,203)	(1,257,210)	(853,352)	(1,626,752)	(1,643,197)	(1,764,581)
Total business-type activities	<u>(685,061)</u>	<u>(2,828,264)</u>	<u>(733,323)</u>	<u>(795,733)</u>	<u>(1,000,039)</u>	<u>(826,316)</u>	<u>(625,830)</u>	<u>(1,446,200)</u>	<u>(1,342,542)</u>	<u>(1,553,574)</u>
Change in net position:										
Governmental activities	(267,731)	840,241	896,625	1,487,188	686,625	648,618	(394,268)	(103,614)	395,688	82,078
Business-type activities	1,028,216	(1,502,181)	207,699	3,230,999	1,502,538	1,292,922	945,450	582,003	1,173,695	543,783
	<u>\$ 760,485</u>	<u>\$ (661,940)</u>	<u>\$ 1,104,324</u>	<u>\$ 4,718,187</u>	<u>\$ 2,189,163</u>	<u>\$ 1,941,540</u>	<u>\$ 551,182</u>	<u>\$ 478,389</u>	<u>\$ 1,569,383</u>	<u>\$ 625,861</u>

Note: GASB Statement No. 63 was implemented for FY 2013. Terminology was revised in the preparation of this schedule to all years presented.

Town of Bay Harbor Islands, Florida
 FUND BALANCES, GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (Modified accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund:										
Reserved	\$ 95,656	\$ 247,127	\$ 277,316	\$ 252,661	\$ 270,964	\$ 261,652	\$ 273,821	\$ -	\$ -	\$ -
Unreserved	6,035,182	6,598,020	6,855,275	3,498,414	3,834,721	3,852,654	3,262,489	-	-	-
Non-spendable	-	-	-	-	-	-	-	121,095	56,482	38,630
Restricted	-	-	-	-	-	-	-	132,992	94,198	23,654
Unassigned	-	-	-	-	-	-	-	3,343,554	3,245,657	3,638,393
Total General Fund	<u>\$ 6,130,838</u>	<u>\$ 6,845,147</u>	<u>\$ 7,132,591</u>	<u>\$ 3,751,075</u>	<u>\$ 4,105,685</u>	<u>\$ 4,114,306</u>	<u>\$ 3,536,310</u>	<u>\$ 3,597,641</u>	<u>\$ 3,396,337</u>	<u>\$ 3,700,677</u>
All other governmental funds:										
Unreserved, reported in:										
Capital Projects Fund	\$ 9,507,651	\$ 9,661,184	\$ 9,780,477	\$ 10,312,731	\$ 10,392,904	\$ 10,175,931	\$ 7,095,695	\$ -	\$ -	\$ -
Assigned to:										
Capital Projects Fund	-	-	-	-	-	-	-	3,956,049	559,623	519,958
Total Capital Projects Fund	<u>\$ 9,507,651</u>	<u>\$ 9,661,184</u>	<u>\$ 9,780,477</u>	<u>\$ 10,312,731</u>	<u>\$ 10,392,904</u>	<u>\$ 10,175,931</u>	<u>\$ 7,095,695</u>	<u>\$ 3,956,049</u>	<u>\$ 559,623</u>	<u>\$ 519,958</u>

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

Town of Bay Harbor Islands, Florida

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues:										
Taxes	\$ 2,674,617	\$ 3,116,854	\$ 3,583,471	\$ 4,082,501	\$ 3,753,545	\$ 3,916,659	\$ 3,757,681	\$ 3,755,413	\$ 3,697,292	\$ 3,705,579
Franchise fees	358,248	313,832	353,728	379,221	379,264	367,179	339,581	359,930	347,019	350,569
Licenses and permits	342,004	318,733	398,535	344,317	274,351	204,190	179,860	153,386	191,628	509,964
Intergovernmental	645,923	754,439	784,853	779,574	747,738	676,760	689,430	716,848	804,970	876,689
Transfer development right fees	-	-	-	-	-	-	-	-	-	310,000
Charges for services	7,126	3,196	2,406	2,986	8,484	4,905	2,422	2,783	2,893	11,435
Fines and forfeitures	100,651	300,051	189,527	194,570	181,678	200,756	162,031	143,529	148,308	187,480
Investment earnings	158,864	321,776	708,405	823,131	450,029	388,574	185,113	61,145	87,275	(57,892)
Grants	4,569	654,273	226,624	324,576	348,326	583,567	477,433	106,221	628,358	43,418
Miscellaneous	39,515	46,727	100,320	90,915	50,578	53,850	9,922	18,144	64,179	103,964
Total revenues	<u>4,331,517</u>	<u>5,829,881</u>	<u>6,347,869</u>	<u>7,021,791</u>	<u>6,193,993</u>	<u>6,396,440</u>	<u>5,803,473</u>	<u>5,317,399</u>	<u>5,971,922</u>	<u>6,041,206</u>
Expenditures:										
General government	912,379	1,182,645	1,109,025	1,298,557	1,103,603	1,136,123	1,095,584	1,074,286	1,021,155	1,059,846
Public safety	3,175,502	3,356,330	3,679,144	3,967,712	4,033,961	4,178,157	4,108,595	4,196,518	4,373,684	4,718,586
Transportation	766,659	838,274	973,868	858,482	890,112	795,044	826,078	817,526	891,186	847,193
Culture and recreation	119,722	125,299	174,884	60,679	101,482	79,245	45,010	56,122	51,440	88,961
Capital outlay	684,179	194,722	703,803	4,400,441	347,305	1,062,140	3,633,259	3,272,090	4,265,481	288,069
Debt service:										
Principal payments		160,000	170,000	175,000	180,000	185,000	185,000	190,000	200,000	205,000
Interest and fiscal charges	391,851	439,898	438,308	434,295	428,950	426,293	421,531	415,924	409,903	379,135
Total expenditures	<u>6,050,292</u>	<u>6,297,168</u>	<u>7,249,032</u>	<u>11,195,166</u>	<u>7,085,413</u>	<u>7,862,002</u>	<u>10,315,057</u>	<u>10,022,466</u>	<u>11,212,849</u>	<u>7,586,790</u>
Excess of revenues over (under) expenditures	<u>(1,718,775)</u>	<u>(467,287)</u>	<u>(901,163)</u>	<u>(4,173,375)</u>	<u>(891,420)</u>	<u>(1,465,562)</u>	<u>(4,511,584)</u>	<u>(4,705,067)</u>	<u>(5,240,927)</u>	<u>(1,545,584)</u>
Other financing sources (uses):										
Transfers in	866,712	1,335,129	1,307,900	1,324,113	1,326,203	1,257,210	1,453,352	1,626,752	1,643,197	1,764,581
Bonds and notes issued	9,360,000	-	-	-	-	-	-	-	-	4,709,000
Bond premium	231,678	-	-	-	-	-	-	-	-	-
Payment to bond escrow agent	-	-	-	-	-	-	-	-	-	(4,663,322)
Total other financing sources	<u>10,458,390</u>	<u>1,335,129</u>	<u>1,307,900</u>	<u>1,324,113</u>	<u>1,326,203</u>	<u>1,257,210</u>	<u>1,453,352</u>	<u>1,626,752</u>	<u>1,643,197</u>	<u>1,810,259</u>
Net change in fund balances	<u>\$ 8,739,615</u>	<u>\$ 867,842</u>	<u>\$ 406,737</u>	<u>\$ (2,849,262)</u>	<u>\$ 434,783</u>	<u>\$ (208,352)</u>	<u>\$ (3,058,232)</u>	<u>\$ (3,078,315)</u>	<u>\$ (3,597,730)</u>	<u>\$ 264,675</u>
Debt service as a percentage of noncapital expenditures	7.3%	9.8%	9.3%	9.0%	9.0%	9.0%	9.0%	9.0%	8.8%	8.0%

Town of Bay Harbor Islands, Florida
PROGRAM REVENUES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities:										
General government	\$ 78,600	\$ 965,563	\$ 596,922	\$ 370,108	\$ 288,556	\$ 205,480	\$ 179,880	\$ 153,406	\$ 220,026	\$ 513,145
Public safety	373,224	310,382	207,167	236,432	220,550	235,724	372,082	368,757	404,229	486,956
Transportation	137,399	-	-	199,661	194,029	760,679	77,433	-	600,000	-
Culture and recreation	29	308	13,000	292,498	336,322	730	401,713	105,019	2,488	10,726
Total governmental activities	<u>589,252</u>	<u>1,276,253</u>	<u>817,089</u>	<u>1,098,699</u>	<u>1,039,457</u>	<u>1,202,613</u>	<u>1,031,108</u>	<u>627,182</u>	<u>1,226,743</u>	<u>1,010,827</u>
Business-type activities:										
Causeway (1)	3,490,789	3,693,755	3,598,426	7,042,942	5,417,919	5,045,818	4,933,778	5,350,355	5,474,246	5,582,204
Sewer	1,389,045	1,387,349	1,366,147	1,275,797	1,418,561	1,527,512	1,724,939	1,747,443	2,001,681	1,934,067
Water	821,964	795,866	862,689	789,223	769,374	927,333	1,082,672	1,292,097	1,254,114	1,214,093
Parking	345,997	320,843	302,921	281,962	290,891	297,853	335,354	389,756	379,778	476,723
Solid waste	710,542	716,614	706,952	678,635	684,793	681,769	696,642	694,928	715,326	715,130
Stormwater	212,735	212,050	208,770	211,151	211,306	213,624	209,865	208,815	213,156	209,667
Total business-type activities	<u>6,971,072</u>	<u>7,126,477</u>	<u>7,045,905</u>	<u>10,279,710</u>	<u>8,792,844</u>	<u>8,693,909</u>	<u>8,983,250</u>	<u>9,683,394</u>	<u>10,038,301</u>	<u>10,131,884</u>
Total primary government	<u>\$ 7,560,324</u>	<u>\$ 8,402,730</u>	<u>\$ 7,862,994</u>	<u>\$ 11,378,409</u>	<u>\$ 9,832,301</u>	<u>\$ 9,896,522</u>	<u>\$ 10,014,358</u>	<u>\$ 10,310,576</u>	<u>\$ 11,265,044</u>	<u>\$ 11,142,711</u>

(1) In fiscal 2007, a grant in the amount of \$1,200,000 was received in connection with the replacement of the West Relief Bridge.

Town of Bay Harbor Islands, Florida

ASSESSED VALUE OF TAXABLE PROPERTY LAST TEN FISCAL YEARS

Year*	Real Property	Personal Property	Exemptions		Net Taxable Value	Direct Millage	Total Direct & Overlapping Millage
			Real	Personal			
2004	\$ 550,057,127	\$ 11,926,358	\$ 140,478,349	\$ 468,124	\$ 421,037,012	5.0000	24.2505
2005	684,776,607	14,994,979	188,685,972	391,775	510,693,839	5.0000	23.7477
2006	826,689,570	12,869,688	231,020,158	352,981	608,186,119	4.9000	23.2833
2007	1,070,971,539	13,992,732	339,303,966	318,441	745,341,864	4.7500	22.5638
2008	1,231,775,774	13,752,659	404,261,939	192,952	841,073,542	3.6565	19.7986
2009	1,235,947,508	14,727,388	387,574,044	2,811,084	860,289,768	3.9750	20.2017
2010	1,037,375,579	15,588,658	286,640,237	2,524,662	763,799,338	4.4120	20.9155
2011	786,125,345	15,066,967	193,998,319	2,548,463	604,645,530	5.2971	23.1724
2012	774,573,967	15,719,441	195,261,493	2,212,422	592,819,493	5.2971	21.8256
2013	764,932,648	15,472,810	182,892,469	2,174,864	595,338,125	5.2971	21.7097

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

SOURCE: Miami-Dade County Property Appraiser's Office

Town of Bay Harbor Islands, Florida

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

Year*	Direct Rate	Overlapping Rates					Total
	Bay Harbor Islands Operating	Dade County	Dade County Schools	County Districts**	State Special Districts		
					Florida Inland Navigation	South Florida Water Management	
2004	5.0000	6.2540	9.1000	3.1610	0.0385	0.6970	24.2505
2005	5.0000	6.2200	8.6870	3.1052	0.0385	0.6970	23.7477
2006	4.9000	6.1200	8.4380	3.0898	0.0385	0.6970	23.2833
2007	4.7500	5.9000	8.1050	3.0733	0.0385	0.6970	22.5638
2008	3.6565	4.8646	7.9480	2.6710	0.0345	0.6240	19.7986
2009	3.9750	5.1229	7.7970	2.6483	0.0345	0.6240	20.2017
2010	4.4120	5.1229	7.9950	2.7271	0.0345	0.6240	20.9155
2011	5.2971	5.8725	8.2490	3.0953	0.0345	0.6240	23.1724
2012	5.2971	5.0900	8.0050	2.9627	0.0345	0.4363	21.8256
2013	5.2971	4.9885	7.9980	2.9627	0.0345	0.4289	21.7097

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 since 2004, includes Children's Trust.

Town of Bay Harbor Islands, Florida

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

Year: 2013

Parcel Owner	Taxable Valuation	Percentage of Total Taxable Valuation*
1170 LLC	5,495,582	0.93%
Spencer Merinoff	4,159,675	0.71%
Isle of Wight Limited	3,609,375	0.61%
1108 Concourse LC	3,528,951	0.60%
Jose Cojab	3,512,008	0.60%
Uzi and Tova Zohar	3,338,050	0.57%
Baytown Corporation	3,230,085	0.55%
Ocean Cadillac Inc.	3,126,767	0.53%
Annette Samson Eichen Trust	3,088,811	0.52%
Evergreen Fin Ltd.	2,945,781	0.50%
	36,035,085	6.12%

*Based on Appraisers 2013 Municipal Tax Roll

Year: 2004

Parcel Owner	Taxable Valuation	Percentage of Total Taxable Valuation**
Collor DeMello	2,467,167	0.64%
Merinoff	2,234,991	0.58%
1108 Concourse LLC	2,196,021	0.57%
Kingsley Arms Apartments Inc.	2,160,000	0.56%
Chaban	2,061,753	0.54%
Ocean Cadillac	1,964,643	0.51%
Taylor	1,933,634	0.50%
Glaser	1,913,467	0.50%
Rexleigh Apartments, Inc.	1,800,000	0.47%
Baytown Corporation	1,741,370	0.45%
	20,473,046	5.32%

**Based on January 1, 2003 Appraiser's certification of taxable value.

SOURCE: Miami-Dade County Property Appraiser's Office

Town of Bay Harbor Islands, Florida

Property Tax Levies and Collections Last Ten Fiscal Years

Fiscal Year Ended September 30,	Taxes Levied	Collected within the Fiscal Year of the Levy		Collections of Previous Years' Levies	Total Collections
		Amount	Percentage of Levy		
2004	\$ 2,147,454	\$ 2,036,560	94.8%		\$ 2,036,560
2005	2,597,458	2,466,523	95.0%		2,466,523
2006	3,038,353	2,817,893	92.7%	\$ 94,592	2,912,485
2007	3,723,914	3,250,427	87.3%	165,618	3,416,045
2008	3,220,214	2,831,311	87.9%	217,023	3,048,334
2009	3,413,429	3,074,594	90.1%	75,496	3,150,090
2010	3,365,035	2,895,470	86.0%	109,498	3,004,968
2011	3,213,462	2,835,472	88.2%	205,261	3,040,733
2012	3,056,957	2,886,789	94.4%	105,456	2,992,245
2013	3,071,604	2,805,412	91.3%	195,590	3,001,002

Note: The data necessary to segregate collections of delinquent taxes for years prior to 2006 is not available. Delinquent taxes are remitted to the Town by Miami-Dade County and their year of levy is not identified so total collections to date for each year cannot be computed.

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

Town of Bay Harbor Islands, Florida

CAUSEWAY TOLL REVENUE
LAST TEN FISCAL YEARS

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Total traffic	<u>7,361,089</u>	<u>7,610,014</u>	<u>7,473,895</u>	<u>6,686,886</u>	<u>6,221,429</u>	<u>5,950,509</u>	<u>5,853,952</u>	<u>6,204,622</u>	<u>6,484,193</u>	<u>6,611,424</u>
Toll revenues:										
Cash tolls	\$ 2,892,702	\$ 3,075,798	\$ 2,960,564	\$ 4,574,780	\$ 4,118,577	\$ 3,752,773	\$ 3,661,057	\$ 3,849,802	\$ 4,087,159	\$ 4,110,787
Commuter/annual pass	<u>579,528</u>	<u>603,985</u>	<u>609,782</u>	<u>1,227,816</u>	<u>1,299,342</u>	<u>1,293,045</u>	<u>1,272,721</u>	<u>1,384,304</u>	<u>1,387,087</u>	<u>1,471,417</u>
Total toll revenue	<u>\$ 3,472,230</u>	<u>\$ 3,679,783</u>	<u>\$ 3,570,346</u>	<u>\$ 5,802,596</u>	<u>\$ 5,417,919</u>	<u>\$ 5,045,818</u>	<u>\$ 4,933,778</u>	<u>\$ 5,234,106</u>	<u>\$ 5,474,246</u>	<u>\$ 5,582,204</u>
Average yield per vehicle	\$ 0.472	\$ 0.484	\$ 0.478	\$ 0.868	\$ 0.871	\$ 0.848	\$ 0.843	\$ 0.844	\$ 0.844	\$ 0.844
Toll rates:										
Cash toll (Class 1)	\$ 0.50	\$ 0.50	\$ 0.50	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Commuter pass, per trip	\$ 0.40	\$ 0.40	\$ 0.40	\$ 0.80	\$ 0.80	\$ 0.80	\$ 0.80	\$ 0.80	\$ 0.80	\$ 0.80
Annual pass	\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00

Town of Bay Harbor Islands, Florida

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Business-Type Activities			Governmental Activities		Total Primary Government	Percentage of Actual Property Value (1)	Per Capita (2)
	Promissory Notes	State Revolving Loan	Capital Lease	Revenue Bonds Series 2003B	Refunding Note Series 2012			
2004	\$ 4,012,185	\$ 995,738	\$ 970,094	\$ 9,360,000		\$ 15,338,017	3.64%	\$ 2,949
2005	3,480,987	947,712	656,650	9,200,000		14,285,349	2.80%	2,741
2006	3,126,855	899,681	398,840	9,030,000		13,455,376	2.21%	2,584
2007	2,772,723	851,655	134,590	8,855,000		12,613,968	1.69%	2,422
2008	7,353,591	802,141		8,675,000		16,830,732	2.00%	3,232
2009	6,974,460	751,093		8,490,000		16,215,553	1.88%	3,158
2010	6,605,329	698,464		8,305,000		15,608,793	2.04%	3,064
2011	6,181,197	644,204		8,115,000		14,940,401	2.47%	2,655
2012	5,747,065	588,263		7,915,000		14,250,328	2.40%	2,473
2013	18,593,000	530,589		3,265,000	\$ 4,709,000	22,388,589	3.76%	3,846

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

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Assessed values (1):										
Taxable value of real property	\$ 409,578,778	\$ 496,090,635	\$ 595,669,412	\$ 731,667,573	\$ 827,513,835	\$ 848,373,464	\$ 750,735,342	\$ 592,127,026	\$ 579,312,474	\$ 582,040,179
Add: Exempt real property	140,478,349	188,685,972	231,020,158	339,303,966	404,261,939	387,574,044	286,640,237	193,998,319	195,261,493	182,892,469
Total assessed value of real property	<u>\$ 550,057,127</u>	<u>\$ 684,776,607</u>	<u>\$ 826,689,570</u>	<u>\$ 1,070,971,539</u>	<u>\$ 1,231,775,774</u>	<u>\$ 1,235,947,508</u>	<u>\$ 1,037,375,579</u>	<u>\$ 786,125,345</u>	<u>\$ 774,573,967</u>	<u>\$ 764,932,648</u>
Legal debt margin:										
Debt limitation (25% of assessed real property)	\$ 137,514,282	\$ 171,194,152	\$ 206,672,393	\$ 267,742,885	\$ 307,943,944	\$ 308,986,877	\$ 259,343,895	\$ 196,531,336	\$ 193,643,492	\$ 191,233,162
Total bonded debt	9,360,000	9,200,000	9,030,000	8,855,000	8,675,000	8,490,000	8,305,000	8,115,000	7,915,000	7,974,000
Legal debt margin	<u>\$ 128,154,282</u>	<u>\$ 161,994,152</u>	<u>\$ 197,642,393</u>	<u>\$ 258,887,885</u>	<u>\$ 299,268,944</u>	<u>\$ 300,496,877</u>	<u>\$ 251,038,895</u>	<u>\$ 188,416,336</u>	<u>\$ 185,728,492</u>	<u>\$ 183,259,162</u>
Total net debt applicable to the limit as a percentage of debt limit	6.81%	5.37%	4.37%	3.31%	2.82%	2.75%	3.20%	4.13%	4.09%	4.17%

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

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

Town of Bay Harbor Islands, Florida

PLEDGED-REVENUE COVERAGE LAST TEN FISCAL YEARS

Fiscal Year	Broad Causeway Revenue Bonds and Notes				Coverage
	Gross Revenues	Operating Expenses	Net Available Revenue	Debt Service Amount	
2004	\$ 3,603,848	\$ 1,991,805	\$ 1,612,043	\$ 430,795	3.74
2005	3,896,289	2,379,404	1,516,885	430,795	3.52
2006	3,887,365	2,408,770	1,478,595	430,795	3.43
2007	6,020,754	2,458,490	3,562,264	430,795	8.27
2008	5,551,909	2,569,856	2,982,053	430,795	6.92
2009	5,249,367	2,630,811	2,618,556	430,795	6.08
2010	5,076,927	2,764,852	2,312,075	430,795	5.37
2011	5,337,434	3,033,597	2,303,837	430,795	5.35
2012	5,595,731	3,019,397	2,576,334	430,795	5.98
2013	5,625,617	2,909,660	2,715,957	1,125,563	2.41

Fiscal Year	Sewer Fund State Revolving Loan				Coverage
	Gross Revenues	Operating Expenses	Net Available Revenue	Debt Service Amount	
2004	\$ 1,390,795	\$ 1,002,800	\$ 387,995	\$ 78,270	4.96
2005	1,402,444	1,112,324	290,120	78,270	3.71
2006	1,461,835	1,191,588	270,247	76,795	3.52
2007	1,359,036	1,176,777	182,259	75,320	2.42
2008	1,455,384	988,822	466,562	75,320	6.19
2009	1,528,157	932,829	595,328	75,320	7.90
2010	1,725,139	1,065,022	660,117	75,320	8.76
2011	1,747,443	1,103,346	644,097	75,320	8.55
2012	2,001,681	1,144,369	857,312	75,320	11.38
2013	1,972,067	1,179,264	792,803	75,320	10.53

Fiscal Year	Revenue Bonds and Refunding Note				Debt Service Amount	Coverage
	Sales Tax	Franchise Fees	Utility Tax	Total Revenues		
2004	\$ 308,680	\$ 304,682	\$ 350,899	\$ 964,261	\$ 202,243	4.77
2005	321,318	313,833	354,371	989,522	599,898	1.65
2006	348,212	353,728	355,245	1,057,185	608,308	1.74
2007	345,574	379,221	344,613	1,069,408	609,295	1.76
2008	330,552	343,972	359,065	1,033,589	608,950	1.70
2009	292,861	367,179	351,358	1,011,398	611,293	1.65
2010	305,951	339,581	387,399	1,032,931	606,531	1.70
2011	319,564	359,930	390,796	1,070,290	605,924	1.77
2012	336,947	347,020	399,923	1,083,890	609,903	1.78
2013	388,606	350,569	422,974	1,162,149	540,971	2.15

Town of Bay Harbor Islands, Florida
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN FISCAL YEARS

Year	Bay Harbor Islands Population *	Miami- Dade County **				
		Personal Income	Per Capita Personal Income	Unemployment Rate	Civilian Labor Force	Median Age
2004	5,201	\$ 69,724,010	\$ 29,817	5.4%	1,097,454	37
2005	5,212	75,464,029	32,025	4.3%	1,113,560	37
2006	5,208	80,112,340	33,712	3.8%	1,158,801	37
2007	5,148	85,978,571	35,791	3.6%	1,192,231	38
2008	5,135	88,954,732	37,264	5.3%	1,205,913	39
2009	5,095	90,915,774	37,909	8.9%	1,218,871	39
2010	5,628	92,227,399	36,846	12.0%	1,257,324	38
2011	5,762	96,657,710	37,834	12.7%	1,300,030	38
2012	5,821	N/A	N/A	9.7%	1,290,751	39
2013	N/A	N/A	N/A	N/A	1,276,099	N/A

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

* Source for 2004 to 2009: University of Florida, Bureau of Economic and Business Research (BEBR)
 Source for 2010 to 2012: 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.
 U.S. Census Bureau, 2009 Population Estimates and 2009 American Community Survey.
 Miami-Dade County, Department of Planning and Zoning, Research Section.
 University of Florida Bureau of Economic and Business Research

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

Town of Bay Harbor Islands, Florida
 FULL TIME TOWN EMPLOYEES BY FUNCTION

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Governmental activities:								
General government	14	14	14	14	14	15	15	16
Public safety	35	36	35	35	35	39	39	35
Transportation	12	12	11	11	12	12	10	8
Culture and recreation								
Total governmental activities	<u>61</u>	<u>62</u>	<u>60</u>	<u>60</u>	<u>61</u>	<u>66</u>	<u>64</u>	<u>59</u>
Business-type activities:								
Causeway	31	32	31	29	30	28	27	32
Sewer	3	3	2	3	3	2	2	1
Water	2	2	2	2	2	2	2	2
Parking	1	1	1	1	1	1	1	1
Solid waste								
Stormwater								
Total business-type activities	<u>37</u>	<u>38</u>	<u>36</u>	<u>35</u>	<u>36</u>	<u>33</u>	<u>32</u>	<u>36</u>
Total primary government	<u>98</u>	<u>100</u>	<u>96</u>	<u>95</u>	<u>97</u>	<u>99</u>	<u>96</u>	<u>95</u>

Note: Data not available prior to 2006.

Source: Town Finance Department

Town of Bay Harbor Islands, Florida
OPERATING INDICATORS BY FUNCTION

	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities:								
General government								
Elections Held	1	1	2	1	1	-	2	1
Newsletters Issued	12	12	12	12	12	12	12	12
Town Council Meetings	12	12	12	12	12	12	11	11
Planning & Zoning Board Meetings	23	23	19	14	13	12	10	17
Public safety								
Case numbers issued	2,671	2,579	1,006	943	688	647	870	584
Arrests	126	141	86	164	189	192	171	121
Calls for service	-	-	7,024	13,884	13,396	13,798	17,782	14,366
Business-type activities:								
Causeway								
Traffic Count (vehicles)	7,473,895	6,686,886	6,221,429	5,950,509	5,853,952	6,204,622	6,484,193	6,611,424
Sewer								
Average Monthly Sewage Volume (thousands of gallons)	27,747	27,680	19,725	22,514	19,356	19,200	24,066	21,397
Water								
Average Monthly Gallons Purchased (thousands)	32,832	30,466	29,829	27,387	26,387	25,130	25,863	25,763
Average Monthly Gallons Sold (thousands)	28,641	23,859	22,200	22,621	21,263	21,761	23,974	23,617
Parking								
Parking Citations	3,628	2,179	3,752	4,425	3,322	2,031	1,635	2,431

Source: Town Finance Department

Note: Indicators are not available for the Transportation, Culture & recreation, Solid waste, and Stormwater functions, or prior to 2006.

Town of Bay Harbor Islands, Florida
CAPITAL ASSET STATISTICS BY FUNCTION

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Governmental activities:								
Public safety								
Patrol Cars/SUV	8	8	18	18	18	18	18	18
Police Boat	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
Culture and recreation								
Parks	1	1	1	1	2	2	2	2
Business-type activities:								
Causeway								
Bascule Bridges	1	1	1	1	1	1	1	1
Fixed Span Bridges	3	3	3	3	3	3	3	3
Sewer								
Pump Stations	1	1	1	1	1	1	1	1
Lift Stations	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
Water								
Water Mains (feet)	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
Outfalls	53	53	53	53	53	53	53	53

Note: Capital asset indicators not available for general government, parking, solid waste, or prior to 2006.

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 (the Town), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated March 25, 2014.

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 *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 25, 2014

**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

We have audited the financial statements of the Town of Bay Harbor Islands, Florida (the Town) as of and for the year ended September 30, 2013, and have issued our report thereon dated March 25, 2014.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Florida Auditor General. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated March 25, 2014, should be considered in conjunction with this management letter.

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

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding annual financial audit report.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Town complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Town of Bay Harbor Islands was incorporated by the Laws of Florida Chapter 2889. There are no component units related to the Town.
- Section 10.554(1)(i)6.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Town did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)6.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Town for the fiscal year ended September 30, 2013, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2013. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)6.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Town's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. This assessment was done as of the fiscal year end.

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 and other granting agencies, 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 25, 2014