



CABALLERO FIERMAN  
LLERENA + GARCIA LLP  
accountants | advisors

June 11, 2018

The Honorable Mayor and Members of the Town Council  
Town of Cutler Bay, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information of the Town of Cutler Bay, Florida, (the 'Town') for the fiscal year ended September 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 18, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2017. We noted no transactions entered into by the Town during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the Town's financial statements was:

Management's estimate of collectability of accounts receivable and postretirement obligations. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements were:

The disclosure of the deposits and investments in Note 3 to the financial statements.

The disclosure of risk management in Note 9 to the financial statements.

The disclosure of commitments and contingencies in Note 10 to the financial statements.

The financial Statements disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no corrected or uncorrected misstatements of the financial statements.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 11, 2018.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, like obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Town's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Town's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, the Budgetary Comparison Schedules and the GASB – required supplementary pension and OPEB information, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Combining Non-major Fund Financial Statements, which accompany the Town's financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the Introductory Section and the Statistical Section, which accompany the Town's financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### Restriction on Use

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

Very truly yours,

*Caballero Fierman Llerena & Garcia, LLP*

# TOWN OF CUTLER BAY, FLORIDA



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2017

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**OF THE**  
**TOWN OF CUTLER BAY, FLORIDA**  
**FOR THE FISCAL YEAR ENDED**  
**SEPTEMBER 30, 2017**

**Prepared By**  
**Robert Daddario, CPA**  
**Finance Director**

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## INTRODUCTORY SECTION

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## Office of the Town Manager

Rafael G. Casals, ICMA-CM, CFM  
Town Manager

June 11, 2018

To the Citizens of the Town of Cutler Bay:

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) for the Town of Cutler Bay, Florida, for the fiscal year ended September 30, 2017, pursuant to Section 218.39 of the Florida Statutes, Chapter 10.550 of the Rules of the Auditor General of the State of Florida, and the Town Charter. The financial statements included in this report conform to generally accepted accounting principles in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Town. Management of the Town believes it has established a strong internal control environment which enables it to produce financial statements free of material misstatement. While no system of internal control can provide absolute assurance that errors or irregularities do not occur, we believe the control environment established by the Town provides reasonable assurance that it can produce financial statements that are free of material misstatement.

In accordance with Florida Statutes Section 218.39, the Town has engaged the firm of Caballero Fierman Llerena & Garcia, LLP, to perform the independent audit of the Town's financial statements. The Independent Auditors' Report is included in the financial section of this Comprehensive Annual Financial Report. 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 auditors concluded, based on their audit, that there was a reasonable basis for rendering an unmodified opinion on the Town's financial statements for the fiscal year ended September 30, 2017 and that the financial statements are fairly presented in accordance with GAAP. The independent auditors found no deficiencies in internal control over financial reporting that would be considered material weaknesses, nor did they detect any instances of noncompliance or other matters that would be required to be reported under *Government Auditing Standards*.

The contents of the CAFR have been influenced by compliance with GASB pronouncements, including Statement 34 that has required the preparation of new government-wide financial statements on a full accrual basis of accounting for all funds as well as Management's Discussion and Analysis (MD&A). The MD&A can be found immediately following the independent auditors' report.







## **PROFILE OF THE GOVERNMENT**

The Town of Cutler Bay (the “Town”) is a political subdivision of the State of Florida located in Miami-Dade County (the “County”) and was incorporated in November 2005. The Town operates under a Council-Manager form of government in which the Town elects five council members, one of whom is elected as the Mayor and another of whom is elected as the Vice Mayor. Except for the initial election and terms of office as specified in the Town Charter, council members are elected for four-year terms. The Town Council determines the policies that guide the Town’s operations and hires a Town Manager to implement and administer these policies on a full-time basis. The Town of Cutler Bay provides a full range of municipal services including police protection, parks and recreation facilities, building and zoning services, community development and planning, code enforcement, and public works.

The annual budget serves as the foundation for the Town’s financial planning and control. All departments of the Town are required to submit proposed budgets to the Town Manager, who then makes any necessary revisions. The Town Manager then presents to the Town Council for their review a budget estimate of the expenditures and revenues of all the Town’s departments and divisions. Two (2) public hearings are then conducted to inform taxpayers of the proposed budget, to receive their comments, and respond to their questions on the proposed budget. The budget is legally enacted prior to October 1st by adoption of a Resolution with a vote that conforms to State guidelines. The Town’s budget is approved by the Council at the departmental level, therefore the Town Manager may amend the adopted budget for adjustments during the year within a department. The Town Council must approve all other budget adjustments as well as any supplemental appropriations. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the fund from which it was appropriated and is subject to future appropriations.

Budgets are monitored at varying levels of classification detail; however, budgetary control is legally maintained at the fund level except for the General Fund, which is maintained at the departmental level. Budget-to-actual comparisons are provided in this report for the General Fund and each major special revenue fund for which an appropriated annual budget has been adopted. For all other major and non-major governmental funds and for the Stormwater Fund (a proprietary fund) for which an appropriated annual budget has been adopted, this comparison is presented in the combining and individual fund section of this report.

## **INFORMATION USEFUL IN ASSESSING THE TOWN’S ECONOMIC CONDITION**

### **Local Economy**

The Town is located in southeast Florida, Miami-Dade County, and is primarily residential in nature. It comprises approximately 10 square miles with approximately 45,000 full-time residents. The western-most area of the Town, located along the South Dixie Highway (U.S.1) corridor, is commercial in nature with hotels, restaurants and office complexes.





The Town has been successful in providing a high quality of life for its residents by enhancing the level of services being offered. In addition to the increased efforts to enhance services, the Town has also provided competitive benefits to its employees, as recognition of the fact that, in order to continue to provide these valuable services, it must retain and reward its valuable employees.

Shortly after the Town's incorporation, changes to property taxation laws were enacted that had a negative impact on the taxable base upon which property tax revenue of the Town is calculated. Additionally, Cutler Bay, like most communities across the state and nation, was negatively impacted by the financial crisis and economic downturn that gripped the United States during the 2008 to 2012 time period. The South Florida real estate market was especially hard hit with property values experiencing significant declines and foreclosure activity spiking. Property values within the Town saw significant declines from 2008 through 2012 (an approximate 40% decline from the 2008 valuation level). The decline in 2012, however, was mild (approximately 1.7%) which seemed to indicate a bottoming out in the market. Since 2012, property values within the Town have increased each year (from 2013 through 2017), reflecting a gain of approximately 39% from the 2012 bottom. The Town has seen encouraging signs in building activity and new development within the Town in recent years which are anticipated to extend into fiscal year 2018 with significant new planned projects in process. The Town anticipates property values to increase further in 2018.

The Town continues to operate in an extremely lean and efficient manner and has been very successful in obtaining grants and other funding sources to proceed with planned projects within the Town. Town administrators recognize the importance of increasing its commercial tax base for future economic health and to reduce the tax burden on the residents. To this end, the Town has adopted a growth management plan which smartly incorporates "mixed-use" residential and commercial development within the Town.

Presently, Miami-Dade County economy continues to diversify and expand at a moderate rate with great success. As a result, the County's labor market has recently experienced some of the lowest unemployment rates in the past few years. For instance, there are several sectors of the economy, including but not limiting to, construction, wholesale trade, retail trade, information technology and telecommunication, leisure and hospitality, and financial services that continue to post strong job growth in fiscal year 2017. The latest unemployment reports from the U.S. Bureau of Labor Statistics (March 2018), indicated that Miami-County unemployment rate decreased to 4.2% (preliminary), down from 4.4% (revised) in March 2017. Despite the improvement in the unemployment rate since March 2017, the County unemployment rate is 0.1% above the national unemployment rate of 4.1% as of March 2018.

Several commercial and residential projects in the Town have generated over 100 construction related jobs for the local economy in recent years. Upon completion, the redevelopment of the Point Royal Shopping Center will add approximately 100 new permanent jobs to the local economy. These jobs are mostly concentrated in the service, and retail sectors of the local economy. During the rest of the year and into most of the next fiscal

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year, the Town will continue to add construction and permanent jobs to the local economy as a result of the commercial and residential projects approved in fiscal years 2017 and 2018.

The Town's economic development mission has two (2) major components: (1) direct communication and marketing; and (2) availability of non-financial incentives. Direct communication and marketing is a joint outreach effort that includes the elected body, Town Manager and senior staff. The main objective of this effort is to identify and attract businesses to the Town that will provide added value to our economic base through the creation of new jobs, increase in the tax base, and services desired by Town residents and our existing business community. One of the ways of achieving this objective is through the Town's active participation in local and regional economic development organizations, forums and professional organizations whose mission is to promote the area's local economies. The non-financial incentives are divided into two (2) distinct programs:

- Expedited building permits, courtesy inspections, and accessibility to the building official and senior inspectors.
- In-house technical expertise and resources are made available to all development applicants during the planning and permitting process to ensure that approvals are completed within a reasonable timeframe and in a cost-effective manner.

This incentive starts with the project's pre-application conference and it ends with a project completion debriefing meeting. The intent of the project debriefing is to have a personal and candid dialogue with the applicants to assess the effectiveness of the Town development approval process. This dialogue allows the Town Manager and senior staff an opportunity to identify and prioritize those areas in the development approval process that needs improvement and/or immediate attention. The goal is to ensure that all projects in the Town are completed consistent with the Town Code, building permit requirements, industry standards, and within schedule and budget.

The Town's economic development also include a "green initiative" that continues to have much success. The green initiative success in past years include the LEED (Leadership in Energy, and Environmental Design) certification of several commercial buildings, close-out of an energy grant, and continued implementation of the PACE (Property Assessed Clean Energy) Program. Finally, the Town is still the lead municipality in the implementation of the "Green" Corridor and PACE Program. The intent of the PACE Program is to enable property owners to borrow money to finance energy efficient improvements, such as solar panels, wind generators, insulation, roofing, impact windows or shutters for their property. This initiative will provide market opportunities for local vendors, specializing in the development, distribution and installation of energy efficient technology that meets the requirement of the PACE Program.

The Town remains the lead municipality in the implementation of the "Green Corridor" PACE program. As of April 2018, the PACE program has financed 776 projects, totaling over \$15.8 million in improvements. The intent of the PACE program is to enable property owners to borrow money to make energy efficient improvements, or storm protection improvements (i.e., hurricane shutters, impact windows, etc.), to their facilities (residential homes and/or

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commercial property) and repay those amounts over time through their property tax bill. This initiative is providing market opportunities for local vendors specializing in the development, distribution and installation of energy efficient technology that meets the requirements of the PACE program. Additional information regarding the PACE program can be found at [https://ygrene.us/fl/green\\_corridor/about](https://ygrene.us/fl/green_corridor/about).

In addition, the Town continues to be Certified “Silver” by the Florida Green Building Coalition and has been awarded the Sustainability Award for the Town’s Green Master Plan by the Florida Planning and Zoning Association.

In fiscal year 2017 and 2018, the Town continued to work with developers to redevelop the Town’s Brownfield areas. A “Brownfield” area site is defined by the U.S. Environmental Protection Agency (EPA) as a contiguous area of one or more Brownfield sites, some of which may not be contaminated, and which has been designated by a local government by resolution. A “Brownfield” site is defined as real property for which its expansion, redevelopment, or reuse may be complicated by actual or perceived environmental contamination. At this time, the Town was the only community in south Miami-Dade with several brownfield projects under construction along the U.S. 1 commercial corridor.

The commercial Brownfield project for fiscal year 2017-2018 was the remodel of the Point Royal Shopping Center. Projects in prior years included (1) El Dorado Commercial-Mixed Use development (2) MD Now (commercial renovation), (3) Wendy’s (commercial renovation), and (4) Olive Garden Restaurant. The El Dorado project generated an estimated 75 -100 construction jobs, over 60 permanent jobs, and roughly 30-50 part-time jobs in the restaurant and retail sectors once the project was completed. The first brownfield project approved by the Town, Olive Garden Restaurant, which is located in the Perrine Brownfield Areas (ID-139911000), has been a total success story since its first year of operation. Presently, Olive Garden is receiving approximately \$2,000 in financial incentive for each employee from the State’s Brownfield Redevelopment Bonus Refund for a period of five (5) years, as long as, they generate 80 new jobs, contribute to the community more than \$4.5 million in new capital investment, and meet other agreed to terms with the State Department of Economic Opportunity. In fiscal year 2017, the restaurant employed between 90 and 120 employees.

In fiscal year 2017, there was no major changes to the current land use distribution, in comparison, to prior years. A significant percentage of the Town’s land (54%) is classified in the broad categories of residential and mixed land use. Currently, there is no acreage in the Town that are classified as “Industrial.” This land use profile is similar to that of nearby municipalities in that, the land uses are mostly comprised of residential properties relative to commercial, office and institutional uses. In fiscal year 2017, the South Miami-Dade Performing Arts Center, continued to be a major attraction for residents and visitors to the south Dade region, and a corner stone of the Town’s cultural venue. This state-of-the-art building, designed to seat nearly 1,000 people, has hosted cultural events and musical performances that have attracted local, national and international talent to Cutler Bay and the South Dade community. This facility is located on six acres next to the South Miami-Dade







Government Center. Both Town and County planners feel that the Arts Center will work as a catalyst for the continuing redevelopment of this important area.

The recently adopted Town Land Development Regulations provide a proactive approach to review and approval of development projects, and cooperation with local and regional partners on economic development projects have made the Town one of the desirable communities in Miami-Dade County for both residential and commercial development. The Town's progressive planning process is slowly transforming the Town's development vision from a conceptual plan into actual sustainable development projects capable of accommodating the Town growing population and economic base.

The new residential developments are attracting a diverse population that includes young families and seniors that will continue to enrich the quality of life of the Town. This diverse population with different needs and customs will help promote a sustainable economic base capable of meeting their respective needs and the needs of other residents living in the surrounding areas.

#### *Long-term Financial Planning and Major Initiatives*

The Town continues to pursue grant and other funding opportunities to provide needed improvements to the Town, including funding for park land acquisition and improvements, road improvements and other public works projects. Over the past several years, the Town, pursuant to a "Joint Project Agreement" (i.e., the "JPA") with Miami-Dade County (the "County"), in which the County provided funding of approximately \$18 million, successfully completed two specified road improvement projects within the Town's boundaries.

The JPA project was divided into two (2) roadway projects, one for Old Cutler Road (a State designated historic road) and one for Caribbean Boulevard, which is a main roadway that runs through the heart of town. The Old Cutler Road roadway improvement project was essentially completed in January 2014 while the Caribbean Boulevard project was completed in July 2017. Both projects were completed ahead of schedule and within budget, and both received numerous accolades and awards.

These roadway projects are a continuing example of a Complete Streets Model. This Complete Streets Model strives to improve public safety, ease traffic congestion, calm traffic, enhance pedestrian mobility, improve function and flow of mass transit and beautify the neighborhood with streetscape improvements. It will do so by reconstructing the two (2) lane road, and adding continuous storm drainage, curb and gutter, enhanced lighting, traffic signalization and native landscaping. Pedestrian mobility and safety will be enhanced by adding sidewalks, tightening the corner radii and shortening the pedestrians crossing route. Bicycle mobility will be enhanced by the provision of bike lanes adjacent to the travel lanes. Transit will be enhanced through the implementation of bus pullout bays. Traffic flow will be aided by the installation, where appropriate, of left turn lanes at specific intersections. This project is also consistent with the results of the Cutler Ridge Charrette, adopted by Miami Dade County prior to incorporation of Cutler Bay.





In fiscal year 2016, the Town was awarded a Florida Department of Transportation (FDOT) Safe Routes to School grant to develop and construct a sidewalk expansion project in a local neighborhood near Cutler Bay Middle School, along Gulfstream Road. This project, construction of which was completed in fiscal year 2017, was funded by an FDOT Safe Routes to School grant received and with a Town contribution using The People's Transportation Plan ("PTP") surtax funds transferred from the Citizens' Independent Transportation Trust ("CITT") Fund.

In fiscal year 2018, the Town also budgeted to extend that sidewalk project around Cutler Bay Middle School. The Town budgeted approximately \$420,000 to complete the design and construction of this new perimeter sidewalk project, funded with approximately \$281,000 of road impact fees and approximately \$139,000 of PTP surtax funds transferred from the CITT Fund.

The Town also received a FDOT Transportation Alternatives Program ("TAP") grant for another sidewalk project in Town (known as the Manta Drive Sidewalk Project). In fiscal year 2018, the Town budgeted \$461,000 for this project, funded with a TAP grant of approximately \$344,000 and approximately \$117,000 of PTP surtax funds transferred from the CITT Fund.

In February 2012, the Town entered into an Interlocal agreement with the County to allow the Town to receive funds from the PTP surtax. This PTP surtax was authorized in 2002 and is shared by the County (80%) and the incorporated municipalities (20%). Since the Town was incorporated after enactment of the PTP surtax, the County had not previously included the Town in the distribution of the funds raised by the PTP surtax. On an annual basis, at least 20% of the PTP surtax proceeds must be spent on transit related items. The remaining portion may be spent on transportation related items. Based on recent PTP surtax history, the Town anticipates receiving approximately \$1.4 million to \$1.7 million in PTP surtax funds annually.

Upon award of these funds, the Town immediately began using these PTP surtax funds to provide enhancements in the Town. From the transportation portion of the PTP surtax funds, the Town completed several roadway resurfacing projects on Town owned roads totaling approximately \$2.7 million through fiscal year 2017. Approximately \$577,000 of resurfacing projects are budgeted for fiscal year 2018.

In fiscal year 2018, the Town will be completing traffic calming projects and has set aside \$175,000 of transportation portion PTP surtax funds for this purpose. Additionally, the Town uses a portion of these transportation PTP surtax funds to provide for the Town's share of costs on the previously noted two JPA roadway projects, as well as on other transportation eligible projects as discussed above.

In September 2012, the Town commenced operation of a municipal circulator bus service within the Town's boundaries using the transit portion of the PTP surtax. Pursuant to an Interlocal agreement with the County, the County acquired a dedicated circulator bus on the Town's behalf using Federal stimulus funds and the County is operating and maintaining the



circulator bus on the Town's behalf on a contractual basis. The charge by the County is being paid with the transit portion of the PTP surtax.

Through fiscal year 2013, the municipal circulator bus operated on a fixed route three (3) days per week. Ridership levels have increased steadily as word about the circulator bus spread around Town. As a result, in fiscal year 2014, the Town, pursuant to its agreement with the County, revised the circulator bus schedule such that it now operates five (5) days a week with extended hours of operation. In fiscal year 2015, the Town added Saturday service as well. As a result of adding two (2) additional days and extending the operating hours, monthly ridership has exceeded 5,000 riders.

Additionally, in fiscal year 2018, the Town is budgeting "transit" related PTP surtax funds for the design and construction of decorative bus shelters (approximately \$690,000). It is anticipated that these decorative shelters will be constructed throughout the Town, replacing older existing bus shelters with advertisement panels, during fiscal years 2018 and 2019. The Town will also be participating in a County coordinated South Dade "transit corridor" study with other municipalities located in the South Dade transit corridor and has set aside approximately \$50,000 in transit related PTP surtax funds for the Town's contribution to the study.

During fiscal year 2008, the Town commenced its stormwater utility operation after assuming that function from the County in the final quarter of that fiscal year. Since then, the Town has completed approximately \$2.2 million of stormwater drainage improvement projects. These drainage projects, which were funded by a combination of grants and Town match funds and private contributions, will benefit the local area homeowners as they will help alleviate some of the known flood drainage issues in the area.

In fiscal year 2017, the Town was awarded a State of Florida Department of Environmental Protection (FDEP) grant in the amount of \$374,000 for a major stormwater drainage project along SW 100<sup>th</sup> Avenue known as the "Point Royale Stormwater Retrofit" project, an approximate \$950,000 project. Additionally, the Town received a State appropriation, also through FDEP, in the amount of \$165,000 for the Saga Bay 1.2 Sub-basin stormwater project, an approximate \$538,000 project. In addition to the aforementioned grant and State appropriation, the Town will utilize PTP surtax funds transferred from the CITT Fund (see above) as well as accumulated earnings in the Stormwater Fund to complete these projects. It is anticipated that construction for these drainage improvement projects will commence in fiscal year 2018 and may extend into fiscal year 2019.

The Town's recreation infrastructure and facilities that it received from the County are aging and need renovation and/or replacement. Following its Parks Master Plan, the Town completed approximately \$3.3 million in park improvements since incorporation, excluding the Lakes by the Bay Park project discussed below. These improvements were funded by a combination of sources, including grants, impact fees and other general fund sources. These improvements significantly upgraded the utility, functionality and appearance of the park facilities. Additional park improvement projects, funded with park impact fees, have been approved for fiscal year 2018 bringing additional functionality to the Town's park system.



In fiscal year 2010, the County transferred an additional parcel of land to the Town to be used as park land. This parcel, known as Lakes by the Bay Park, encompasses approximately 49.3 acres, has been recorded by the Town at the County's historical cost (approximately \$345,000). This park was developed at a quicker pace than anticipated and opened to the public in December 2011 at a cost of approximately \$9 million (including the cost of the aforementioned land parcel). This park, the largest in Town, provides both active and passive activities for Town residents. It is nestled near protected wetland areas and it is anticipated that nature trails will be included as part of the park build out in the future. The development project was funded primarily with County provided funds. Since initial development, the Town added playground equipment for children at this park which included safety surfacing, a shade structure, and additional sidewalk capacity, a lightning detection system, and, in fiscal year 2016, two (2) sand volleyball courts. The Town has also been awarded a \$200,000 grant from FDEP, which the Town will match dollar for dollar with park impact fees, for the construction of a \$400,000 canoe/kayak launch at the Lakes by the Bay Park. Construction of this project is anticipated for fiscal year 2018. Additional improvements to this park, utilizing park impact fees, and grants if obtained, are under consideration for fiscal years 2018 and 2019.

In October 2013, the Town accepted transfer of an additional, smaller, park land parcel known as Blue Heron Park. This parcel is a passive park providing walking trails along a lakeside area. In fiscal year 2017, the Town installed outdoor exercise equipment stations along the walking trails.

In June 2010, the Town acquired the office building in which it was operating. This building continues to serve as the Town's "Town Hall" building, housing all of its operations except for the Parks Department operational staff, as well as continues to be used for commercial office space with tenant rentals. The rentals generated from the commercial leasing help defray some of the costs of owning and operating the building.

The acquisition of the Town Hall Building property noted above was financed with a combination of taxable and tax-free financing (totaling \$8.8 million). Additionally, the lender provided additional funds (totaling \$2 million) for improvements to the building, which the Town spent primarily on building out its space and the Council Chambers. Other significant upgrades to the Town Hall building have been made or are in process.

The Town Hall property also includes an adjacent land parcel that was separately acquired in December 2010 for approximately \$1.9 million. This acquisition was financed by the same lender which provided the financing for the Town Hall building acquisition and improvements. It currently serves as a parking lot, but, in the future, it may serve another purpose. A Town Plaza project at this location is one possibility currently under consideration by the Town Council.

In fiscal year 2015, the Town commenced discussions with its lenders to consolidate and refinance the aforementioned debt related to Town Hall and, on May 26, 2015, successfully closed on the refinancing transaction. The terms of the refinanced loans bring significant





financial savings to the Town, much lower interest rates, certainty (in the form of fixed rate loans), and flexibility going forward (no prepayment penalty ever on both the new tax-exempt and taxable loans).

In May 2012, the Town entered into an Interlocal agreement with the Miami-Dade County School Board (the “School Board”) to provide for the establishment of three choice academies of study at existing Town schools which brought to the Town its first ever high school level curriculum. The programs are based on the Cambridge program and focus on an existing Environmental Sciences magnet program (COAST) that will be expanded through grade 12, an iPrep Academy program, and a Liberal Arts program.

The Town's contribution to the establishment of these programs was to provide funding to the School Board to assist in their creation and/or expansion. The upfront cost to the Town in fiscal year 2012 was \$2.75 million, \$2 million of which was a one-time initial capital investment for construction of facilities, \$450,000 was for the initial iPrep Academy cost, and \$300,000 was the initial investment for the Cambridge Curriculum.

The costs of the Cambridge Curriculum are subject to annual renewal and could exceed the \$300,000 initial cost if requested by the School Board and approved by the Town Council. In fiscal year 2017, the School Board requested, and the Town Council approved, \$270,154 for continuation of the program in the 2017-18 school year.

The iPrep Academy contribution noted above is the Town's maximum contribution for the first three years of the program. After the third year, contributions of up to \$150,000 a year may be requested for replacement of equipment, subject to approval by the Town Council. Under this agreement, in fiscal year 2017 the School Board requested, and the Town Council approved, \$27,275 for the fiscal year 2017-18 school year.

The Town is required to pay the County its pro rata share for the Public Service Tax Revenue Bonds (i.e., the QNIP bonds) issued or authorized prior to the Town's incorporation. The payments for the fiscal year ended September 30, 2017 and 2016 were approximately \$347,516 and \$348,266, respectively. The Town's pro rata share of the debt was calculated and recorded in fiscal year 2010.

As a condition of incorporation, the Town agreed that, until the bonds have been paid or provision made for their payment pursuant to the ordinance enacted by the County, the County shall have the right to receive and apply to debt service on the bonds all of the public service taxes, as defined, collected on behalf of the Town with respect to bonds outstanding at the time of the municipal incorporation. The Town's debt service obligations as to the bonds in each fiscal year shall be its pro rata share of such debt service obligation. The Town's pro rata share will be equal to that percentage of the total debt service accruing on the bonds in such fiscal year calculated by multiplying such total debt service by a fraction, the numerator of which will be the total amount of public service taxes collected within the boundaries of the unincorporated area comprising the boundaries of the Town during the fiscal year in which the Town incorporated and the denominator of which will be the total amount of public service taxes collected in the entire unincorporated area of the County. The balance of the

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public service taxes collected within the boundaries of the Town are remitted to the Town after the County satisfies the debt service requirements for the bonds.

The Town Council and Town Manager are fully charged with the security of the Town's funds and assets with the goal of maximizing return on surplus or idle cash. Cash management policies are clearly identified in the adopted budget documents and conform to regulations defined by the laws of the State of Florida. The Town's excess funds are invested primarily in interest bearing deposits in qualified public depositories. The principal focus of cash management is to ensure the safety of the Town's cash while maximizing its return on investment. During fiscal year 2017 and 2016, the Town earned approximately \$73,170 and \$52,800, respectively, in investment income. While interest rates are improving, the relatively low interest rate environment is expected to continue into fiscal year 2018.

The Town Council and Town Management closely monitor the resources available to the Town and its use. At September 30, 2017, the total fund balance of the General Fund is approximately \$18.75 million, a decrease of approximately \$1.78 million from September 30, 2016. This total fund balance represents approximately 94% of total fiscal year 2017 general fund expenditures (and represents approximately 106% of fiscal year 2017 general fund expenditures excluding debt service and capital outlay).

Approximately \$16.3 million of the General Fund's total fund balance of \$18.75 million is classified as "unassigned" fund balance which is available for future appropriation by the Town Council for purposes it deems appropriate. This unassigned fund balance level represents approximately 82% of total fiscal year 2017 general fund expenditures (and represents approximately 92% of fiscal year 2017 general fund expenditures excluding debt service and capital outlay). Approximately \$2 million, or 10.7%, of the General Fund's total fund balance is classified as "assigned" fund balance as it is intended to be used for specified purposes. The remainder of the General Fund's fund balance is classified as "non-spendable" (approximately \$427,000) to indicate that it is not available for new spending because it has already been committed for prepaid expenses and as "restricted" (approximately \$63,000) because it can only be spent for specific purposes due to constitutional provisions or enabling legislation.

Hurricane Irma impacted the South Florida region, including the Town, in September 2017. As of this date, the Town remains, to some extent, in recovery mode. While much progress has already been made, and much activity around town is back to normal, some significant repair/replacement projects are pending, primarily to Franjo Park.

The fiscal year 2017 results reflected approximately \$700,000 of storm related costs, primarily for police services, clearing of roadway debris, and some repair projects completed before September 30, 2017. During the first half of fiscal year 2018, approximately \$253,000 of additional storm related repair/replacement costs were incurred. Significant repairs and replacements are pending for Franjo Park, which are estimated to be in the range of approximately \$500,000 to \$700,000. To date in 2018, the Town received insurance proceeds from its insurance carrier of approximately \$300,000, including approximately \$233,000 related to lighting repairs/replacements at the aforementioned Franjo Park.



While Town Staff will make every effort to seek reimbursement for the Town's storm related costs, some of the costs may ultimately be denied by the Federal Emergency Management Agency ("FEMA") or the insurer or may be not eligible for reimbursement. Even if certain of the additional expenditures are reimbursable, it has(will) required(require) the Town to expend the funds upfront and then wait, possibly for a significant period of time, before reimbursement is received. During this time of recovery, we are fortunate to have the level of financial reserves in place to successfully guide the Town through this event.

On March 21, 2018, the Town Council voted, via Resolution #18-16, to call for a referendum, in accordance with State law, regarding the issuance of General Obligation Bonds ("GO Bonds") by the Town in an amount not to exceed \$40 million, in one or more series, as tax-exempt and/or taxable bonds, for the purpose of financing the costs of acquiring and improving property for parks, open space, public facilities and economic development. The referendum was conducted by an all-mail ballot with a special election date of June 5, 2018 and it did not pass.

### Financial Policies

It is the Town's policy to annually adopt balanced budgets. The Town's accounting system is organized on a fund basis. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. The types of funds used are generally determined by the Town Council upon the recommendations of the Town Manager and the Finance Director which are based upon established and accepted accounting policies and procedures as well as the number of funds required.

Town management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Town are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of Federal, State and Local financial assistance, the Town is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by management. In addition, the Town maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Town Council. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is legally maintained at the fund level except for the General Fund, which is maintained at the departmental level.







Other financial policies implemented by the Town include the development of policies and procedures manual, the establishment of guidelines for the recording of capital assets, the establishment a formal fund balance policy, and the use of the Town's web site to disseminate budget documents and financial reports, including quarterly budget versus actual reports, to its citizens.

### **AWARDS AND ACKNOWLEDGEMENTS**

This year the Town has applied for the Certificate of Achievement for Excellence in Financial Reporting awarded by the Governmental Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Cutler Bay for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2016. A Certificate of Achievement is valid for a period of one year only. We believe that our current report for the fiscal year ended September 30, 2017 conforms to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for the certificate.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department and the Town's audit firm, Caballero Fierman Llerena & Garcia, LLP. We wish to express our appreciation to the Town staff for their interest and support in planning and conducting the financial operations of the Town in a responsible and progressive manner. Finally, we would also like to thank the various operating departments for their timely contributions in the writing of this report.

In closing, without the leadership and support of the Mayor and Town Council, the accomplishments and anticipated future successes noted in this report would not have been possible.

Respectfully submitted,

Rafael G. Casals, Town Manager

Robert Daddario, Finance Director





Government Finance Officers Association

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

Presented to

**Town of Cutler Bay  
Florida**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2016**

*Christopher P. Morill*

Executive Director/CEO

**TOWN OF CUTLER BAY, FLORIDA**

**List of Elected Town Officials**

**September 30, 2017**

**Council-Manager Form of Government**

**TOWN COUNCIL**

**Peggy R. Bell, Mayor**

**Sue Ellen Loyzelle, Vice Mayor**

**Mary Ann Mixon, Councilmember, Seat 1**

**Michael P. Callahan, Councilmember, Seat 2**

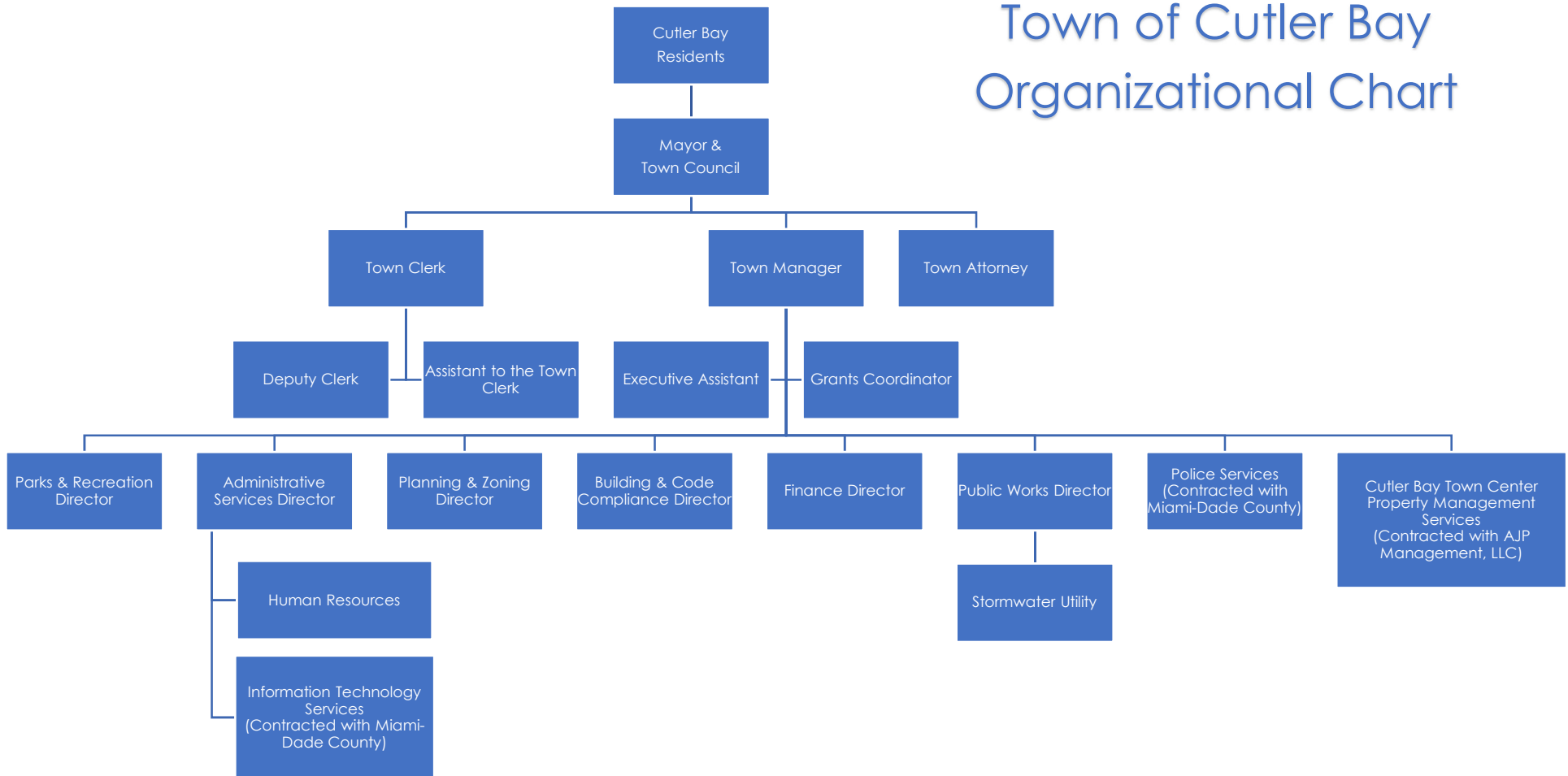
**Roger Coriat, Councilmember, Seat 3**

Prepared by:

Finance Department and Administration



## Town of Cutler Bay Organizational Chart



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## FINANCIAL SECTION

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## **INDEPENDENT AUDITORS' REPORT**

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## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the Town Council  
Town of Cutler Bay, 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 Cutler Bay, Florida, (the "Town") as of and for the fiscal year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Cutler Bay, Florida, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule and the Schedules of Net Pension Liabilities and Contributions on pages 4-21 and 60-65, respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Cutler Bay, Florida's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2018, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

*Caballero Fierman Llerena & Garcia, LLP*

Caballero Fierman Llerena & Garcia, LLP  
Coral Gables, Florida  
June 11, 2018

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Required Supplementary Information)**

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## **TOWN OF CUTLER BAY, FLORIDA**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Town of Cutler Bay (the "Town"), we offer in conjunction with the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2017 with a comparative analysis with the prior fiscal year.

#### **Financial Highlights**

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at September 30, 2017 by approximately \$55.2 million (net position). Of this amount, approximately \$15.8 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net position decreased by approximately \$3 million from the total net position balance at September 30, 2016. The net decrease results primarily from the Town's fiscal year 2017 operations.
- As of September 30, 2017, the Town's governmental funds reported combined ending fund balances of approximately \$24 million, a decrease of approximately \$1.4 million from the September 30, 2016 balances, due primarily to the Town's current operations during the fiscal year offset by capital expenditures and debt service. This combined fund balance represents 118% of combined governmental fund operating expenditures (excluding debt service and capital outlay).
- At September 30, 2017, unassigned fund balance for the General Fund was approximately \$16.26 million, or 82% of total General Fund expenditures, versus \$18 million and 96%, respectively, at September 30, 2016. The approximate \$1.8 million decrease in unassigned fund balance results primarily from fiscal year 2017 operations. However, the Town's unassigned fund balance at September 30, 2017 remains strong and is a positive indicator of the Town's financial health.
- The Town records the activity of its stormwater utility (a business type activity) in the Stormwater Fund, an enterprise fund. In fiscal year 2017, the stormwater utility's net position decreased by approximately \$58,400. This decrease resulted primarily from an operating income of approximately \$8,900 which was generated from approximately \$1,040,500 in charges for services and approximately \$1,031,600 in operating expenses, including approximately \$182,050 in depreciation. Operating loss was increased by net non-operating expenses of approximately \$67,300, comprised of interest income of approximately \$2,600, reduced by interest expense of approximately \$69,900.
- At September 30, 2017, the General Fund's fund balance of approximately \$18.75 million is comprised of approximately \$427,000 classified as "Nonspendable", approximately \$63,000 classified as "Restricted", approximately \$2 million classified as "Assigned", and approximately \$16.26 million classified as "Unassigned".

#### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Town of Cutler Bay's basic financial statements. The basic financial statements are comprised of (a) government-wide financial statements, (b) fund financial statements, and (c) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

##### 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 of the Town's assets, deferred outflows of resources and liabilities, and deferred inflows of resources with the difference among these components 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.

## **TOWN OF CUTLER BAY, FLORIDA**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **Overview of the Financial Statements (Continued)**

##### Government-wide financial statements (Continued)

The statement of activities presents information showing how the government'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 transactions that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements of the Town are principally supported by taxes and intergovernmental revenues (governmental activities), and also reflect the transfer of infrastructure assets to the Town from the County (park lands and related assets, roadways and sidewalks, and in the case of the stormwater utility fund, a business-type activity, stormwater system assets), as well as by user fees and charges which are intended to recover all or a significant part of the cost of providing services to residents (business-type activities). The governmental activities of the Town include general government, public safety, public works, parks and recreation, and community development. The Town has one business-type activity, the Stormwater Fund. The government-wide financial statements report on only the Town of Cutler Bay.

##### 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 Cutler Bay, like other state and local governments, uses fund accounting to ensure and demonstrate accountability for the collection and use of public resources. The use of funds is an important tool for governments to demonstrate their compliance with the lawfully permitted use of resources. All of the funds of the Town can be divided into two categories, governmental funds and proprietary 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 government'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 reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town of Cutler Bay maintains various governmental funds, some of which meet the criteria of major 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 CITT Fund. These funds are considered major funds. The Town also maintains several other special revenue funds and a capital projects fund, none of which meet the criteria of major funds. The totals of these funds are presented in the aforementioned governmental fund statements in a separate column entitled "Other Governmental Funds", with the detail provided in supplemental combining financial statements.

The Town of Cutler Bay adopted an annual appropriated budget for its General Fund and its CITT Fund. Budgetary comparison schedules have been provided for the General Fund and the CITT Fund to demonstrate compliance with their respective budgets.

##### Proprietary funds

The Town maintains one proprietary fund for which the Town adopts an annual appropriated budget. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for its stormwater operations.

## **TOWN OF CUTLER BAY, FLORIDA**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **Overview of the Financial Statements (Continued)**

##### Notes to the 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.

##### Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Also, the combining statements referred to earlier in connection with non-major governmental funds is presented immediately following the required supplementary information.

#### **Government-Wide Financial Analysis**

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 Cutler Bay, the Town's net position decreased approximately \$3 million during fiscal year 2017, resulting in assets and deferred outflows of resources in excess of liabilities and deferred inflows of resources of approximately \$55.2 million and \$58.3 million, respectively, at September 30, 2017 and 2016. See the table below.

The largest portion of the Town's assets at September 30, 2017 consists of capital assets (approximately \$48.1 million (net of accumulated depreciation), primarily roadways, sidewalks, park lands and related assets transferred to the Town by the County, park improvements made by the Town, stormwater assets transferred to the Town by the County, additional infrastructure developed by the Town, as well as a building and related land and ancillary assets related to the Town Hall site. The primary contributors to the increase in capital assets in fiscal year 2017 include improvements made to various Town parks (playground and outdoor fitness equipment infrastructure improvements), as well as for Town Hall building improvements and other equipment purchases, and increased construction in progress related to on-going roadway, park and stormwater drainage improvement projects.

Other significant assets at September 30, 2017 and 2016 include cash and receivables due from the County, the State of Florida (the "State"), and from various grants. Cash, totaling approximately \$26.5 million at September 30, 2017, decreased approximately \$800,000 from the fiscal 2016 total primarily resulting from fiscal year 2017 operating activities, adjusted for changes in the timing of the liquidation of assets and liabilities. Receivables increased approximately \$313,000 primarily as a result of the timing of reimbursements due from others for Town projects.

Of this \$313,000 increase in receivables, approximately \$268,000 relates to the Safe Routes to School project. At the end of fiscal year 2017, the receivable due from the grant for this project was much more substantial as construction was peaking during the current fiscal year. Additionally, the receivables related to The Children's Trust program were approximately \$91,000 higher at the end of fiscal year 2017 due to the award of additional grant funding for a fiscal year 2017 summer camp program. This program was not present in the prior year. The Town also experienced approximately \$25,000 more receivables at the end of fiscal year 2017 in its CITT Fund. This primarily resulted from higher revenues derived from the CITT program overall in fiscal year 2017. At the end of fiscal year 2017, the Town had an approximate \$9,000 receivable from the County for a transportation grant that is being accounted for in the Transportation Fund. There was no such grant in the 2016 period. The General Fund reflected an approximate \$293,000 increase in receivable balances at the end of fiscal year 2017 versus the 2016 period, primarily due to the timing of utility taxes received from the County. These increases were offset by a decrease in receivables of approximately \$383,000 in the JPA (Caribbean Blvd) Fund. This roadway project was completed in July 2017 and, as a result, there were less receivables due from the County at the end of fiscal year 2017 versus the 2016 period. The balance of the change in government-wide receivables is comprised of minor increases and decreases from different sources.

Receivables at September 30, 2017 and 2016 consist primarily of amounts due from the County (\$1,104,900 and \$797,500, respectively) as well as intergovernmental receivables due from the State (\$521,000 and \$513,000, respectively), and receivables from various grants (\$606,500 versus \$577,000, respectively). The remainder of the governmental activities receivables balance is comprised of balances from other miscellaneous sources (\$41,300 and \$76,500, respectively at September 30, 2017 and 2016). Stormwater Fund receivables were approximately \$213,000 at September 30, 2017 versus \$209,000 at September 30, 2016.



## **TOWN OF CUTLER BAY, FLORIDA**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **Government-Wide Financial Analysis (Continued)**

The receivables due from the County at September 30, 2017 and 2016 related primarily to property and utility taxes, CITT transportation surtaxes, and clerk of the court remittances due the Town at those dates. The increase in the fiscal year 2017 balance relative to the fiscal year 2016 balance relates primarily to the fact that the outstanding utility taxes due the Town at September 30, 2017 were approximately \$305,000 more than the respective amounts outstanding at September 30, 2016 (due to the timing of the payments received from the County, two months were owed the Town at the end of fiscal year 2017 versus only one month due the Town at the end of fiscal year 2016). The balance of the change is the result of small, miscellaneous increases and decreases in various categories.

The receivables due from the State at September 30, 2017 and 2016 related primarily to sales taxes, local option gas taxes and communication services taxes due the Town at those dates. There was no material change in the fiscal year 2017 balance relative to the fiscal year 2016 balance.

The increase in grant receivables at September 30, 2017 over the September 30, 2016 balance is due to a combination of factors related to Town grants. There was an increase in grants receivable related to the Safe Routes to School Fund of approximately \$268,000, primarily due to construction activity during the 2017 period. Likewise, there was an increase of approximately \$91,000 in grant receivables in The Children's Trust Fund, primarily as a result of a new summer camp grant awarded for the summer of 2017 (no such program was in place in the 2016 period). The Town was also the recipient of a grant from the County for a Complete Streets study which was accounted for in the Transportation Fund in fiscal year 2017. At the end of fiscal year 2017, there was an approximate \$9,000 grant receivable related to this project (no such program was in place in the 2016 period). The Department of Juvenile Justice awarded the Town a grant to provide specified programs for at-risk youths. This grant is accounted for in the DJJ Fund and, at the end of fiscal year 2017 the Town has an approximate \$5,000 receivable from this grant (no such receivable was reflected in the 2016 period as all grant amounts were collected before the end of fiscal year 2016). The Town receives various small, miscellaneous grants during the year. In fiscal year 2017 the Town received an unusually high number of these grants and, as a result, receivables from these small, miscellaneous grants were approximately \$40,000 higher at the end of fiscal year 2017 than the corresponding amount at the end of fiscal year 2016. These increases were offset by a decrease in grant receivables of approximately \$383,000 in the JPA (Caribbean Blvd) Fund. This roadway project was completed in July 2017 and, as a result, there were less receivables due from the County at the end of fiscal year 2017 versus the 2016 period.

The decrease in other miscellaneous receivables at September 30, 2017 versus the September 30, 2016 balance is due primarily to decreased receivables at year-end fiscal 2017 from a Town vendor that disposed of certain vehicles on the Town's behalf (approximately \$19,000) and decreased receivables related to developer deposits (approximately \$11,700) and property foreclosure registration fees (approximately \$9,000), offset by increased receivables related to solid waste franchise fees (approximately \$2,700) due at the end of the fiscal year 2017 period. The balance of the difference is comprised of minor increases and decreases from different revenue sources.

Deferred outflows of resources increased approximately \$101,000 at September 30, 2017 versus the balance at September 30, 2016. This results primarily from the changes required by the current year GASB 68 valuation (approximately \$105,000), offset by adjustment of the Town's pro-rata share of the loss on the County's refunding of the Stormwater Utility Revenue Bonds (approximately \$4,000).

Long-term debt decreased approximately \$1.61 million in fiscal year 2017 primarily resulting from scheduled debt service payments and from the increase in reclassification of current portion of debt at September 30, 2016 due primarily on the Town's existing debt. The approximate \$1.53 million increase in other liabilities primarily reflects an increase in net pension liability of approximately \$544,000 pursuant to GASB 68, an approximate \$41,000 increase in the current portion of debt based on the Town's loan repayment schedules, and an approximate \$966,000 increase in accounts payable, offset by an approximate \$15,000 decrease in other miscellaneous liabilities. The increase in accounts payable relates primarily to the timing of vendor payments, as well as to payables for costs incurred related to Hurricane Irma in September 2017 for police emergency services and for debris clearing and emergency repairs.

Deferred inflows of resources at September 30, 2017 reflects a decrease of approximately \$35,000 versus the balance at September 30, 2016 primarily as a result of an approximate \$29,000 decrease pursuant to the current year GASB 68 valuation and an approximate \$6,000 decrease in recorded local business license tax received in advance during the fiscal year 2017 period versus the prior year.

**TOWN OF CUTLER BAY, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Government-Wide Financial Analysis (Continued)**

Town of Cutler Bay  
Statement of Net Position  
September 30,  
(in thousands)

	Governmental Activities		Business-type Activities		Total		Percent Change
	2017	2016	2017	2016	2017	2016	
Current and other assets	\$ 28,281	\$ 28,756	\$ 1,145	\$ 1,223	\$ 29,426	\$ 29,979	-1.8%
Capital assets	42,519	45,130	5,571	5,655	48,090	50,785	-5.3%
Total assets	<u>70,800</u>	<u>73,886</u>	<u>6,716</u>	<u>6,878</u>	<u>77,516</u>	<u>80,764</u>	-4.0%
Deferred Outflows of Resources	<u>1,765</u>	<u>1,660</u>	<u>49</u>	<u>53</u>	<u>1,814</u>	<u>1,713</u>	5.9%
Long-term debt	12,603	14,092	1,663	1,785	14,266	15,877	-10.1%
Other liabilities	<u>9,503</u>	<u>7,983</u>	<u>246</u>	<u>232</u>	<u>9,749</u>	<u>8,215</u>	18.7%
Total liabilities	<u>22,106</u>	<u>22,075</u>	<u>1,909</u>	<u>2,017</u>	<u>24,015</u>	<u>24,092</u>	-0.3%
Deferred Inflows of Resources	<u>80</u>	<u>115</u>	<u>-</u>	<u>-</u>	<u>80</u>	<u>115</u>	-30.4%
Net position							
Net investment in capital assets	30,309	31,595	3,835	3,804	34,144	35,399	-3.5%
Restricted	5,275	4,900	-	-	5,275	4,900	7.7%
Unrestricted	<u>14,795</u>	<u>16,861</u>	<u>1,021</u>	<u>1,110</u>	<u>15,816</u>	<u>17,971</u>	-12.0%
Total net position	<u>\$ 50,379</u>	<u>\$ 53,356</u>	<u>\$ 4,856</u>	<u>\$ 4,914</u>	<u>\$ 55,235</u>	<u>\$ 58,270</u>	-5.2%

The balance of unrestricted net position (approximately \$15.8 million and \$18 million, respectively at September 30, 2017 and 2016) may be used to meet the government's ongoing obligations to citizens and creditors.

At September 30, 2017 and 2016, the Town of Cutler Bay is able to report positive balances in all three categories of net position.

Governmental activities

Governmental activities decreased net position by approximately \$2.98 million for the year ended September 30, 2017 versus a decrease of approximately \$2.6 million for fiscal year 2016, representing the results of the Town's operations for the applicable fiscal periods.

Business-type activities

Business-type activities decreased net position by approximately \$58,000 for the year ended September 30, 2017 versus a decrease in net position of approximately \$3,000 for the year ended September 30, 2016, representing the results of the Town's operations of the stormwater utility.

**TOWN OF CUTLER BAY, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Government-Wide Financial Analysis (Continued)**

Town of Cutler Bay Changes in Net Position For The Fiscal Year Ended (in thousands)							
	Governmental Activities		Business-Type Activities		Total		Percent Change
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	
Revenues							
Program revenues:							
Charges for services	\$ 2,089	\$ 2,585	\$ 1,040	\$ 1,012	\$ 3,129	\$ 3,597	-13.0%
Operating grants and contributions	3,435	3,808	-	-	3,435	3,808	-9.8%
Capital grants and contributions	299	304	-	71	299	375	-20.3%
General revenues:							
Taxes and franchise fees	15,686	15,266	-	-	15,686	15,266	2.8%
Other	96	73	3	1	99	74	33.8%
Total revenues	<u>21,605</u>	<u>22,036</u>	<u>1,043</u>	<u>1,084</u>	<u>22,648</u>	<u>23,120</u>	-2.0%
Expenses							
General government	8,298	9,441	1,031	1,015	9,329	10,456	-10.8%
Public safety	9,790	8,994	-	-	9,790	8,994	8.9%
Parks and recreation	3,534	3,365	-	-	3,534	3,365	5.0%
Community development	2,535	2,428	-	-	2,535	2,428	4.4%
Interest on long-term debt	425	464	70	72	495	536	-7.6%
Total expenses	<u>24,582</u>	<u>24,692</u>	<u>1,101</u>	<u>1,087</u>	<u>25,683</u>	<u>25,779</u>	-0.4%
Change in net position before transfers	(2,977)	(2,656)	(58)	(3)	(3,035)	(2,659)	14.1%
Transfers	-	-	-	-	-	-	N/A
Increase (decrease) in net position	(2,977)	(2,656)	(58)	(3)	(3,035)	(2,659)	14.1%
Net position, beginning	<u>53,356</u>	<u>56,012</u>	<u>4,914</u>	<u>4,917</u>	<u>58,270</u>	<u>60,929</u>	-4.4%
Net position, ending	<u>\$ 50,379</u>	<u>\$ 53,356</u>	<u>\$ 4,856</u>	<u>\$ 4,914</u>	<u>\$ 55,235</u>	<u>\$ 58,270</u>	-5.2%

Key elements in the changes in net position are as follows:

Governmental activities

- Taxes and franchise fees (\$15.7 million and \$15.3 million, respectively, for fiscal year 2017 and fiscal year 2016) comprised 73% and 69%, respectively, of total revenues of \$21.6 million and \$22 million for fiscal year 2017 and fiscal year 2016, respectively, with property taxes representing the largest single tax source (\$5.1 million and \$4.6 million in fiscal year 2017 and 2016, respectively). Total fiscal year 2017 revenues decreased approximately 1.9%.

Charges for services in fiscal year 2017 decreased from fiscal year 2016 by approximately \$496,000 primarily as a result of decreased traffic and code compliance violation fines (approximately \$283,000), decreased parks fees (approximately \$28,000), decreased lien search fees (approximately \$6,000), and decreased increased rental income (approximately \$164,000). The balance of the decrease is the sum of other small increases and decreases between the years.

## **TOWN OF CUTLER BAY, FLORIDA**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **Government-Wide Financial Analysis (Continued)**

##### Governmental activities (Continued)

Operating and capital grants and contributions decreased approximately \$378,000 primarily as a result of an approximate \$959,000 decrease in funding received related to the JPA (Caribbean Blvd) project as construction was completed during fiscal year 2017, offset by increased revenues in fiscal year 2017 versus the 2016 period, including an approximate \$60,000 increase in revenues related to the CITT Fund, an approximate \$34,000 increase in impact fees, an approximate \$8,000 increase in 2<sup>nd</sup> local option gas taxes, an approximate \$122,000 increase in revenues related to The Children's Trust Fund primarily related to an additional grant awarded for a summer camp program, an approximate \$5,000 increase in revenues related to the DJJ fund for a grant to provide programs for at-risk youths, an approximate \$50,000 increase in revenues in the Transportation Fund related to a grant for a Complete Streets study, and an approximate \$276,000 increase in revenues related to the safe Routes to School Fund relating to increased construction activity during fiscal year 2017. The remaining change results primarily from an approximate \$27,000 increase in grant revenues related to several smaller public safety and environmental grants in fiscal year 2017 versus fiscal year 2016.

Taxes and franchise fees increased approximately \$420,000 resulting primarily to increased property taxes (approximately \$438,000), utility taxes (approximately \$111,000), sales taxes (approximately \$82,000), State revenue sharing (approximately \$49,000), and 1<sup>st</sup> local option gas taxes (approximately \$20,000), offset by an approximate \$239,000 decrease in franchise fees and an approximate \$43,000 decrease in communication services taxes. The remaining balance results from a combination of smaller changes in various accounts.

- Operating and capital grants and contributions (\$3,435,000 and \$299,000 at September 30, 2017 and \$3,808,000 and \$304,000 at September 30, 2016, respectively) account for 17.3% and 18.7% of total revenues at September 30, 2017 and 2016, respectively. The amounts in both the fiscal year 2017 and fiscal year 2016 periods are comprised primarily of 2<sup>nd</sup> local option gas tax receipts, impact fees, CITT surtax funds and capital and non-capital project grant funds received by the Town.
- Charges for services account for 9.7% and 11.7% of total revenues for fiscal years 2017 and 2016, respectively. These amounts consist primarily of building and zoning fees, park service fees and public safety fines and forfeitures. Use of these funds is generally restricted to certain prescribed uses. The decrease in these revenues in fiscal year 2017 resulted primarily from decreases in traffic and code compliance violation fines, parks fees, lien search fees, and rental income.
- Expenses for governmental activities decreased approximately \$110,000, resulting primarily from an approximate \$1,143,000 decrease in expenses related to general government and an approximate \$39,000 decrease in interest on long-term debt, offset by increases of approximately \$107,000 in expenses related to community development, approximately \$796,000 in expenses related to public safety and approximately \$169,000 in expenses related to parks and recreation. The primary reasons for these changes are:
  - The decrease in general government expenses results primarily from decreased costs associated with the Town's ongoing roadway and transportation related projects. The JPA (Caribbean Blvd) project was completed in fiscal year 2017. As a result, approximately \$1,184,000 less was incurred on this project in fiscal year 2017. Roadway resurfacing and transit related projects using CITT revenues decreased approximately \$608,000 in fiscal year 2017, reflecting a decrease in roadway resurfacing projects (approximately \$670,000), offset by increased transit related costs (approximately \$42,000) for bus shelter design and circulator bus enhancement costs, and increased professional services (approximately \$20,000) for various project design and oversight costs and for development of a traffic calming master plan. The Sidewalk project also decreased approximately \$57,000. The decreases from these projects were partially offset by increased expenses related to the Safe Routes to School project (approximate \$354,000 increase), which entered its construction phase in fiscal year 2017, as well as an increase in the Transportation Fund (approximate \$70,000 increase) in which the Town is accounting for a grant related to a Complete Street study in fiscal year 2017.

## **TOWN OF CUTLER BAY, FLORIDA**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **Government-Wide Financial Analysis (Continued)**

##### Governmental activities (Continued)

Non roadway/transportation project related items that contributed to the net change general government expenses included increased expenses related to pensions pursuant to GASB 68 (approximately \$124,000), as well as increased costs related to Hurricane Irma roadway debris clearing (approximately \$176,000), to HVAC system costs (approximately \$59,000), salary and benefit increases (approximately \$190,000), primarily related to budgeted increases as well as to the hiring of a more experienced Town Clerk with a corresponding higher salary than the prior Town Clerk, and compensated absences (approximate \$47,000 increase). These increases were partially offset by decreased expenses related to the Town Attorney professional services (approximate \$83,000 decrease), decreased sidewalk repair costs (approximate \$42,300 decrease), decreased school initiative costs pursuant to the Town's Interlocal with Miami-Dade Schools (approximate \$29,500 decrease), and decreased other contractual services for the General Government and Town Clerk departments (approximate \$54,000 and \$41,000 decreases, respectively). The decreased other contractual services in the General Government department primarily related to decreased expenses for an Annexation Study (approximate \$11,000 decrease), consulting services (approximate \$8,000 decrease), and media related services (approximate \$35,000 decrease). The decreased other contractual services expenses in the Town Clerk department primarily relate to decreased expenses for consulting services and/or contract labor (approximate \$13,000 decrease) and for Municode services (approximate \$43,000 decrease), offset by increased expenses for election related costs (approximate \$15,000 increase). The balance of the difference relates from a combination of smaller changes in various accounts.

- The increase in public safety expenses results primarily to increased costs related to contracted police services with the County. The Town contracts its police services with Miami-Dade County. Local Patrol and Optional Services costs increased approximately \$589,000 in fiscal year 2017 as a result of union negotiated contract costs increases. Additionally, the Town incurred approximately \$478,000 in hurricane related police emergency services costs in September 2017 due to the impact of Hurricane Irma. These increased costs were offset to some extent by decreases in costs related to the discontinued red light camera program (approximate \$197,000 decrease), and approximate \$51,000 decrease in departmental supply costs, as well as an approximate \$16,000 decrease related to a Town paid for civilian clerical position that was phased out in fiscal year 2017. The balance of the difference relates from a combination of smaller changes in various accounts.
- Parks and recreation expenses increased primarily as a result of an increased expenses for administering The Children's Trust program (approximate \$122,000 increase), primarily as a result of a new grant award received to provide for a summer camp program in fiscal year 2017, as well as increased contractual services (approximate \$51,000 increase), primarily as a result of Hurricane Irma costs as well as increased contract labor and other program costs, increased repairs and maintenance (approximate \$15,000 increase), primarily as a result of emergency repairs from Hurricane Irma, increased utilities costs (approximate \$11,000 increase), and increased compensated absences (approximate \$12,000 increase). These increases were partially offset by decreases in salaries and benefits (approximate \$26,000 decrease), primarily as a result of staffing gaps during the year as well as a move to contract out certain previously Town staffed duties, as well as a decrease in operating supplies (approximate \$20,000 decrease). The balance of the difference relates from a combination of smaller changes in various accounts.
- Community development expenses increased primarily due to increases in salaries and benefits (approximately \$74,000), primarily related to budgeted increases, contractual services (approximately \$12,000), primarily related to contracted services related to post-Hurricane Irma town-wide safety assessments, professional services (approximately \$34,000), primarily related to use of professionals to assist in zoning reviews and for development of a growth management plan, and compensated absences (approximately \$6,000). These increases were partially offset by a decrease in depreciation expense of approximately \$20,000. The balance of the difference relates from a combination of smaller changes in various accounts.

## **TOWN OF CUTLER BAY, FLORIDA MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Government-Wide Financial Analysis (Continued)**

#### Governmental activities (Continued)

- Interest on long-term debt decreased approximately \$39,000, primarily as a result of scheduled debt amortization.

#### Business-type activities

- Charges for services for stormwater fees, which represent 99.7% and 93.4% of total revenues for fiscal years 2017 and 2016, respectively, in the proprietary fund, resulted from the Town's operation of the stormwater utility within the Town's boundaries which commenced in the fourth quarter of fiscal 2008. Capital grants and contributions decreased approximately \$71,000 related to two grants awarded to the Town in fiscal year 2015, totaling \$700,000, for the construction of a drainage project. This project was completed in fiscal year 2016.
- Expenses of the stormwater utility increased approximately \$14,000 reflecting increased operating expenses of approximately \$16,000 and decreased interest expense of approximately \$2,000. Operating expenses increased primarily as a result of an approximate \$31,000 increase in salaries and benefits, reflecting budgeted increases, partially offset by an approximate \$14,000 decrease in other contractual services resulting from less contract work performed in fiscal year 2017. The balance of the difference relates from a combination of smaller changes in various accounts.
- Interest expense decreased approximately \$2,000, primarily as a result of scheduled debt amortization.

### **Financial Analysis of the Government's Funds**

The Town of Cutler Bay uses fund accounting to ensure and demonstrate accountability for the collection and use of public resources.

#### Governmental funds

The focus of the Town of Cutler Bay'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 September 30, 2017, and 2016, the Town's governmental funds reported combined ending fund balances of \$24 million and \$25.4 million, respectively. The decrease in the balance results primarily from normal current operating activities in fiscal 2017 (approximately \$1.24 million) increased by transfers in (approximately \$1.24 million) and offset by capital expenditures (approximately \$699,500), debt service (approximately \$1.95 million), and transfers out (approximately \$1.24 million).

Total revenues for fiscal year 2017 decreased approximately \$430,000 from fiscal year 2016 levels, due primarily to several factors, as follows:

- Ad valorem revenues increased in fiscal year 2017 approximately \$438,000 as a result of increased property values and the timing of collections.
- Utility taxes increased approximately \$111,000 primarily as a result of growth in the Town and increased utilization of utility related services.
- Franchise fees decreased approximately \$239,000 primarily as a result of electric franchise fees pursuant to the Town's Interlocal agreement with the County.

## **TOWN OF CUTLER BAY, FLORIDA**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **Financial Analysis of the Government's Funds (Continued)**

##### Governmental funds (continued)

- Charges for services decreased approximately \$42,000 primarily as a result of decreased parks fees (approximately \$28,000), decreased lien search fees (approximately \$6,000), and decreased burglar alarm fees (approximately \$7,000).
- While building activity in Town remained strong in fiscal 2017, it was less than was experienced in fiscal year 2016. As a result, building permit and zoning related fees decreased approximately \$5,000 and \$24,000, respectively. These were partially offset by an approximate \$21,000 increase in local business tax receipts.
- Impact fees increased approximately \$34,000 relating to the timing of application for new project developments within Town subject to impact fee assessments.
- Intergovernmental revenues decreased approximately \$302,000, primarily resulting from:

Revenue related to the Town's JPA roadway project (Caribbean Blvd) decreased approximately \$959,000 as the project was completed in fiscal year 2017. Accordingly, the revenues from this roadway project were significantly lower than in fiscal year 2016.

Revenue from the CITT surtax funds increased approximately \$60,000 in fiscal year 2017 versus the 2016 period.

The Town's grant revenue from the Children's Trust increased approximately \$122,000 in fiscal year 2017, primarily reflecting the award of an additional grant to provide for a summer camp program in fiscal year 2017.

In fiscal year 2017 the Town commenced the construction phase of a grant funded project, known as Safe Routes to School. The Town recorded approximately \$276,000 more in grant funds for this project in fiscal year 2017 versus the 2016 period.

The Town received a grant from the County to perform a Complete Streets study. In fiscal year 2017 the Town recorded the \$50,000 grant revenues in the Transportation Fund. There was no corresponding amount in the fiscal year 2016 period.

Revenue from the 2<sup>nd</sup> local option gas tax increased approximately \$8,000 in fiscal year 2017 versus the 2016 period.

Revenue from a grant to provide programs for at-risk youths, accounted for in the DJJ Fund, of approximately \$5,000 was recorded in the fiscal year 2017 period. There was no corresponding amount in the fiscal year 2016 period.

Sales tax revenues increased approximately \$82,000, State revenue sharing increased approximately \$50,000, and the 1<sup>st</sup> local option gas tax revenues increased approximately \$20,000, offset by a decrease in communication services tax revenues of approximately \$43,000.

An approximate \$27,000 increase in grant revenues related to several smaller public safety and environmental grants in fiscal year 2017 versus fiscal year 2016.

- Rental income decreased approximately \$164,000 primarily as a result of rent abatements issued in fiscal year 2017.
- Fines and forfeitures decreased approximately \$283,000 resulting primarily from decreased revenue from traffic enforcement fines, as well as cessation of the red light camera program and reduced code compliance fines.
- Interest income increased approximately \$20,000 due primarily to a slightly better interest rate environment in fiscal year 2017.

## **TOWN OF CUTLER BAY, FLORIDA**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **Financial Analysis of the Government's Funds (Continued)**

##### Governmental funds (continued)

- The balance of the net change is comprised of minor increases and decreases from various revenue sources.

The Town's total debt service increased approximately \$800 in fiscal year 2017 versus the amounts in fiscal year 2016. This debt service results from the normal amortization of the Town's outstanding debt.

Capital expenditures increased approximately \$409,500 in fiscal year 2017 versus the fiscal year 2016 period. In fiscal year 2017, the Town invested in playground and other equipment for several of the Town's parks (approximately \$520,000), purchased an electronic roadway message board for the JPA (Caribbean Blvd) roadway project (approximately \$39,000), and made significant Town Hall Building improvements and computer/IT related and other equipment purchases (approximately \$140,500). The increase from the prior year is due primarily to the increased expenditures related to the Town's parks (approximate \$371,000 increase) and the acquisition of the Caribbean Blvd message board (approximately \$39,000). The balance of the difference relates from a combination of smaller changes in various accounts.

Transfers out (approximately \$1.24 million) reflect transfers of CITT surtax funds from the CITT Fund to (1) the JPA (Caribbean Blvd) Fund roadway project (approximately \$330,100), (2) the Safe Routes to School Fund (approximately \$78,400), (3) the Transportation Fund (approximately \$20,000); transfer of gas taxes (approximately \$299,900) from the Special Revenue Fund to the General Fund for sidewalk repairs; transfer of park impact fees (approximately \$339,000) from the Special Revenue Fund to the Capital Projects Fund for the purchase of playground equipment; transfer of road impact fees (approximately \$3,300) from the Special Revenue Fund to the Sidewalks Fund to fund a sidewalk connectivity project around a local school in Town; transfer of approximately \$39,000 from the General Fund to the JPA (Caribbean Blvd) Fund for an electronic message board, which was not eligible for funding with CITT surtax funds; and a transfer of approximately \$131,100 from the General Fund to the Capital Projects (Parks) Fund to pay for the cost of infrastructure improvements not eligible to be paid with park impact fees. This represented an increase of approximately \$154,500 over the fiscal year 2016 transfers out, primarily reflecting increased transfers out in fiscal year 2017 of park impact fees (approximately \$299,400) and General Fund transfers out for park improvement projects (approximately \$131,100) and increased General Fund transfers out for the acquisition of an electronic message board for the Caribbean Blvd roadway project (approximately \$39,000), offset by decreased transfers out of gas taxes for sidewalk repair projects (approximate \$42,300 decrease), decreased transfers from the CITT Fund of approximately \$166,400 (approximate \$264,200 decrease in CITT Fund transfers out related to the JPA (Caribbean Blvd) roadway project which was completed in fiscal year 2017, offset by increased CITT Fund transfers out to provide funding to the Safe Routes to School project (approximately \$77,800) and to provide for the Town grant match for a County transportation grant (approximately \$20,000)), decreased transfers out of road impact fees (approximately \$54,100) related to a Town sidewalk project, and decreased transfers out of police impact fees (approximately \$52,200).

Transfers in reflect inflows into various funds of amounts transferred out, as specified above. Transfers in for fiscal year 2017 increased approximately \$154,500 over fiscal year 2016 amounts due primarily to the reasons stated in the preceding paragraph.

Approximately 68% and 71% of the combined ending fund balance, or \$16.26 million and \$18 million, respectively, constitutes "Unassigned" fund balance at September 30, 2017 and 2016, respectively, which is available for spending at the Town's discretion. Approximately 12.3% and 7.9% of the combined ending fund balance, or \$2 million and \$2 million, respectively, constitutes "Assigned" fund balance at September 30, 2017 and 2016, respectively. Assigned fund balances are intended to be used for the specific purposes indicated. Approximately 22% and 19.3% of the combined ending fund balance, or \$5.27 million and \$4.9 million, respectively, at September 30, 2017 and 2016 are classified as "Restricted" fund balance as these amounts are legally restricted as to use. The remainder of fund balance is classified as "Nonspendable" to indicate that it is not available for new spending because it has already been committed for prepaid expenses.



## **TOWN OF CUTLER BAY, FLORIDA**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **Financial Analysis of the Government's Funds (Continued)**

##### General Fund

The General Fund is the primary operating fund of the Town of Cutler Bay. At September 30, 2017 and 2016, unassigned fund balance of the General Fund was \$16.26 million and \$18 million, respectively. As a measure of the fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance of the General Fund at September 30, 2017 represents 82% of total General Fund expenditures (96% at September 30, 2016), while total fund balance of the General Fund represents 94% of that same total fund expenditure amount (109% at September 30, 2016). This indicator remains positive and reflects a healthy financial condition for the Town.

The fund balance of the Town's General Fund decreased by approximately \$1.78 million during fiscal year 2017, versus an approximate decrease of \$403,000 during fiscal year 2016. The fiscal year 2017 decrease primarily reflects the results of the Town's operating activity for the fiscal year (approximately \$231,400 surplus), increased by transfers in (approximately \$299,900) and offset by capital expenditures (approximately \$187,300), transfers out (approximately \$170,200), and debt service (approximately \$1,952,600).

Revenues of the General Fund in fiscal year 2017 were approximately \$29,000 less than fiscal year 2016, as a result of the following:

- Ad valorem revenues increased in fiscal year 2017 approximately \$438,000 as a result of increased property values and the timing of collections.
- Utility taxes increased approximately \$111,000 primarily as a result of growth in the Town and increased utilization of utility related services.
- Franchise fees decreased approximately \$239,000 primarily as a result of electric franchise fees pursuant to the Town's Interlocal agreement with the County.
- Charges for services decreased approximately \$42,000 primarily as a result of decreased parks fees (approximately \$28,000), decreased lien search fees (approximately \$6,000), and decreased burglar alarm fees (approximately \$7,000).
- While building activity in Town remained strong in fiscal 2017, it was less than was experienced in fiscal year 2016. As a result, building permit and zoning related fees decreased approximately \$5,000 and \$24,000, respectively. These were partially offset by an approximate \$21,000 increase in local business tax receipts.
- Intergovernmental revenues increased approximately \$136,000, primarily resulting from:

Sales tax revenues increased approximately \$82,000, State revenue sharing increased approximately \$50,000, and the 1<sup>st</sup> local option gas tax revenues increased approximately \$20,000, offset by a decrease in communication services tax revenues of approximately \$43,000.

An approximate \$27,000 increase in grant revenues related to several smaller public safety and environmental grants in fiscal year 2017 versus fiscal year 2016.

- Rental income decreased approximately \$164,000 primarily as a result of rent abatements issued in fiscal year 2017.
- Fines and forfeitures decreased approximately \$283,000 resulting primarily from decreased revenue from traffic enforcement fines, as well as cessation of the red light camera program and reduced code compliance fines.
- Interest income increased approximately \$16,000 due primarily to a slightly better interest rate environment in fiscal year 2017.

## **TOWN OF CUTLER BAY, FLORIDA**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **Financial Analysis of the Government's Funds (Continued)**

##### General Fund (Continued)

- The remaining difference in the change in revenue from fiscal year 2016 levels is a combination of other small net changes in other revenue categories.

Current expenditures of the General Fund in fiscal year 2017 increased approximately \$1,144,700 versus the expenditure total in fiscal year 2016 due to the following primary reasons:

- General government expenditures increased approximately \$193,300 primarily as a result of increased costs related to Hurricane Irma roadway debris clearing (approximately \$176,000), and salaries and benefits (approximately \$190,000), primarily related to budgeted increases as well as to the hiring of a more experienced Town Clerk with a corresponding higher salary than the prior Town Clerk, and increased HVAC expenditures (approximately \$59,000). These increases were partially offset by decreased expenses related to the Town Attorney professional services (approximate \$83,000 decrease), decreased sidewalk repair costs (approximate \$42,300 decrease), decreased school initiative costs pursuant to the Town's Interlocal with Miami-Dade Schools (approximate \$29,500 decrease), and decreased other contractual services for the General Government and Town Clerk departments (approximate \$54,000 and \$41,000 decreases, respectively). The decreased other contractual services in the General Government department primarily related to decreased expenditures for an Annexation Study (approximate \$11,000 decrease), consulting services (approximate \$8,000 decrease), and media related services (approximate \$35,000 decrease). The decreased other contractual services expenses in the Town Clerk department primarily relate to decreased expenditures for consulting services and/or contract labor (approximate \$13,000 decrease) and for Municode services (approximate \$43,000 decrease), offset by increased expenditures for election related costs (approximate \$15,000 increase). The balance of the difference relates from a combination of smaller changes in various accounts.
- Public safety expenditures increased approximately \$801,300 primarily as a result of increased costs of police services contracted from the County. The increase in public safety expenditures results primarily to increased Local Patrol and Optional Services costs of approximately \$589,000 in fiscal year 2017 as a result of union negotiated contract costs increases. Additionally, the Town incurred approximately \$478,000 in hurricane related police emergency services costs in September 2017 due to the impact of Hurricane Irma. These increased costs were offset to some extent by decreases in costs related to the discontinued red light camera program (approximate \$197,000 decrease), and in departmental supply costs (approximate \$51,000 decrease), as well as an approximate \$16,000 decrease related to a Town paid for civilian clerical position that was phased out in fiscal year 2017. The balance of the difference relates from a combination of smaller changes in various accounts.
- Parks and recreation expenditures increased approximately \$29,400, primarily as a result of increased expenditures for contractual services (approximate \$51,000 increase), primarily as a result of Hurricane Irma costs as well as increased contract labor and other program costs, increased repairs and maintenance expenditures (approximate \$15,000 increase), primarily as a result of emergency repairs from Hurricane Irma, and increased utilities costs (approximate \$11,000 increase). These increases were partially offset by decreases in salaries and benefits (approximate \$26,000 decrease), primarily as a result of staffing gaps during the year as well as a move to contract out certain previously Town staffed duties, and a decrease in operating supplies (approximately \$20,000). The balance of the difference relates from a combination of smaller changes in various accounts.
- Community development expenditures increased approximately \$120,700 primarily due to increased expenditures for salaries and benefits (approximately \$74,000), primarily related to budgeted increases, contractual services (approximately \$12,000), primarily related to contracted services related to post-Hurricane Irma town-wide safety assessments, and professional services (approximately \$34,000), primarily related to use of professionals to assist in zoning reviews and for development of a growth management plan. The balance of the difference relates from a combination of smaller changes in various accounts.

## **TOWN OF CUTLER BAY, FLORIDA**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **Financial Analysis of the Government's Funds (Continued)**

##### General Fund (Continued)

Also, as discussed above, the General Fund experienced an approximate \$800 increase in debt service, resulting from the normal amortization of the Town's outstanding debt.

Capital outlay in the General Fund decreased approximately \$63,300 in fiscal year 2017. In fiscal year 2017, the Town invested in equipment and made improvements for several of the Town's parks (approximately \$49,900), which included fencing, bleachers, mechanical equipment and Gator vehicles, and made Town Hall Building improvements and computer/IT related and other equipment purchases (approximately \$137,300). The decrease from the prior year results primarily from reduced capital outlay for parks (approximate \$59,300 decrease) and for public safety (approximate \$5,300 decrease) in fiscal year 2017, offset by an approximate \$1,300 increase in miscellaneous equipment purchases. The balance of the difference relates from a combination of smaller changes in various accounts.

General Fund transfers out in fiscal year 2017 increased approximately \$170,100 over fiscal year 2016 as a result of increased funding from the General Fund for park capital projects (approximately \$131,100) and to acquire an electronic message board as part of the JPA (Caribbean Blvd) roadway project (approximately \$39,000). No such transfers were required for fiscal year 2016. General Fund transfers in decreased approximately \$94,500, reflecting decreased transfers in of gas taxes (approximate \$42,300 decrease) for sidewalk repairs and of police impact fees (approximate \$52,200 decrease) for vehicle purchases.

##### CITT Fund

In February 2012, the Town entered into an Interlocal agreement with the County to allow the Town to receive funds from the People's Transportation Plan ("PTP") surtax. This PTP surtax was authorized in 2002 and is shared by the County (80%) and the incorporated municipalities (20%). Since the Town was incorporated after enactment of the PTP surtax, the County had not previously included the Town in the distribution of the funds raised by the PTP surtax. On an annual basis, at least 20% of the PTP surtax proceeds must be spent on transit related items.

In fiscal year 2017, the CITT Fund received intergovernmental revenues from this program of approximately \$1,772,000, an increase of approximately \$60,000 from the prior year. The CITT Fund earned interest income of approximately \$7,300 in fiscal year 2017 (versus approximately \$4,000 in fiscal year 2016). Total expenditures decreased approximately \$608,000 from fiscal year 2016. This resulted primarily from reduced roadway resurfacing projects in fiscal year 2017 (approximate \$670,000 decrease), offset by increased transit related expenditures (approximately \$42,000) for bus shelter design and circulator bus enhancement costs, and increased professional services (approximately \$20,000) for design and project oversight costs, as well as for development of a traffic calming master plan. The fund balance of the CITT Fund increased by approximately \$707,000 during fiscal 2017 and decreased by approximately \$130,000 in fiscal year 2016, reflecting the net operating results for the respective fiscal periods. The CITT Fund reported fund balances at September 30, 2017 and September 30, 2016 of approximately \$3,410,000 and \$2,703,000, respectively, and are classified as restricted at both reporting dates.

##### Proprietary funds

The Town's proprietary fund was created to account for the Town's stormwater operations, which commenced in July 2008. Operations during fiscal year 2017 generated a decrease in net position of approximately \$58,400, versus a decrease in net position of approximately \$2,950 during fiscal year 2016. The fiscal year 2017 decrease in net position resulted from operating income of approximately \$8,900 plus net non-operating expenses of approximately \$67,300 (comprised of interest income of approximately \$2,600, offset by interest expense of approximately \$69,900).

Of the total net position at September 30, 2017 of approximately \$4.85 million, \$3.83 million is classified as net investment in capital assets and \$1.02 million is classified as unrestricted. At September 30, 2016, total net position of approximately \$4.9 million was classified as \$3.8 million net investment in capital assets and \$1.1 million as unrestricted.

## **TOWN OF CUTLER BAY, FLORIDA**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **General Fund Budget Highlights**

During fiscal years 2017 and 2016, the actual "excess of revenues over expenditures" exceeded the corresponding budgetary amounts by approximately \$1.7 million and \$3.2 million, respectively. For fiscal year 2017, the results were achieved as actual revenues exceeded budgeted amounts by approximately \$218,000 while actual expenditures were approximately \$1.5 million less than budgeted. In fiscal year 2016, actual revenues exceeded budgeted amounts by approximately \$473,000 while actual expenditures were approximately \$2.7 million less than budgeted. The favorable results in both fiscal periods result from close monitoring of operations by Town personnel.

In the fiscal year 2017 period, the primary contributing factors to the favorable revenue variance were better than expected collections from most all revenue sources, except for franchise fees which had an unfavorable variance versus the budget. While the economic climate in which the Town operated under in recent years has been improving, while preparing its fiscal year 2017 budget, management continued to conservatively estimate various revenue streams as a precautionary measure. Similarly, the Town had favorable expenditure budget variances with all departments. This resulted from a conscious effort by management for fiscal restraint, as well as deferring expenditures for some planned projects to future fiscal years.

In November 2017, the Town Council passed a budget amendment by resolution (#17-103) to:

1. In the General Fund, increase revenues by \$84,000 with a corresponding decrease to appropriation of prior year fund balance. The revenue changes reflected increases to utility taxes (\$240,000 for electricity and \$40,000 for water), \$12,000 for local option gas taxes, \$10,000 for communications services taxes, and \$50,000 local government half-cent sales tax, offset by decreases in judgments and fines (\$195,000), building permits (\$15,000), zoning fees (\$30,000), and rental income (\$28,000).
2. In the General Fund, increase total expenditures by \$73,406 with a corresponding increase to appropriation of prior year fund balance. there was no net change in total budgeted expenditures, but rather a Town Council approved re-allocation of departmental totals. The budget amendment increased expenditures (a) in the Community Development department by \$10,000 for other contractual services, (b) in the Public Works department by \$300,000 for other contractual services, (c) in the Law Enforcement department by \$225,000 for professional services, and (d) in Transfers Out by \$131,131. These increases were offset by (a) a \$500,000 decrease in capital outlay for the Town Hall Building department, (b) a \$42,725 decrease in the General Government department (\$15,000 decrease in rentals and leases, \$10,000 decrease in repairs and maintenance, \$10,000 decrease in other current charges, \$35,000 decrease in capital outlay, offset by an \$27,275 increase in contributions and aid to government entities), and (c) a \$50,000 decrease in the Parks and Recreation department (\$120,000 decrease in salaries, \$10,000 decrease in payroll taxes, and a \$20,000 decrease in retirement contributions, offset by a \$75,000 increase in other contractual services and a \$25,000 increase in repairs and maintenance).
3. In the Special Revenue – The Children's Trust Fund, an increase in grant revenues by \$136,350 offset by increased program expenditures of \$136,350.
4. In the Special Revenue – DJJ Fund, an increase in grant revenues by \$61,500 offset by increased program expenditures of \$61,500.

#### **Capital Assets and Debt Administration**

##### Capital assets

The Town of Cutler Bay's investment in capital assets, net of accumulated depreciation, for its governmental and business type activities as of September 30, 2017 and 2016, amounts to approximately \$42.5 million and \$5.6 million and \$45.1 million and \$5.7 million, respectively. This investment in capital assets includes acquisition, by purchase and/or through capital lease, of computer hardware and software, furniture and equipment, vehicles and improvements (to land and buildings) which are necessary for the Town to operate, infrastructure assets transferred to the Town by the County and additional infrastructure assets developed by the Town, including acquisition and development of the land parcel adjacent to the Town Hall building, as well as improvements to the Town Hall building itself which was acquired in fiscal year 2010.

# TOWN OF CUTLER BAY, FLORIDA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Capital Assets and Debt Administration (Continued)

The following summarizes the Town's investment in capital assets for its governmental and business type activities, net of accumulated depreciation:

Town of Cutler Bay  
Investment in Capital Assets, net of Accumulated Depreciation  
September 30,  
(in thousands)

	Governmental Activities		Business-type Activities		Total		Percent
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>Change</u>
General Government	\$ 10,083	\$ 10,620	\$ -	\$ -	\$ 10,083	\$ 10,620	-5.1%
Community Development	20,121	21,304	-	-	20,121	21,304	-5.6%
Public Safety	19	26	-	-	19	26	-26.9%
Culture and Recreation	12,296	13,180	-	-	12,296	13,180	-6.7%
Public Works-Stormwater	-	-	5,571	5,655	5,571	5,655	-1.5%
	<u>\$ 42,519</u>	<u>\$ 45,130</u>	<u>\$ 5,571</u>	<u>\$ 5,655</u>	<u>\$ 48,090</u>	<u>\$ 50,785</u>	-5.3%

Additional information regarding the Town's capital assets can be found in footnotes 1 and 5 in the accompanying notes to financial statements.

### Long-term debt

At September 30, 2017, the long-term portion of the Town's pro rata share of QNIP bonds (interlocal debt) was approximately \$2.1 million, representing a 10.4% decrease from the prior year. Notes payable were issued in fiscal year 2010 in conjunction with the acquisition and improvement of the Town Hall building site and the purchase of the adjacent land parcel and final draw downs on those notes payable was made in fiscal year 2011. In fiscal year 2012, the Town borrowed an additional \$2.578 million from the same lender to fund its educational initiative with the Miami-Dade County School Board. During fiscal year 2015, the Town refunded the 2010 loans into new issues on more favorable terms providing long-term savings for the Town. At September 30, 2017, approximately \$11.5 million was outstanding on those notes payable, of which approximately \$10.2 million are classified as long-term.

In conjunction with recording the stormwater assets transferred to the Town by the County, the Town recorded associated debt of approximately \$2.36 million at September 30, 2010, of which approximately \$2.28 million was considered long-term. The long-term balance at September 30, 2017, approximately \$1.66 million, represents a 6.8% decrease from the prior year.

The net pension liability at September 30, 2017 (approximately \$3.6 million) increased approximately 17.8% from the balance at September 30, 2016 (approximately \$3.06 million), primarily as a result of the current year GASB 68 valuation.

The Town also has long-term liabilities related to its net OPEB obligation recorded in accordance with GASB Statement No. 45 and for compensated absences. These approximate \$82,000 and \$197,000, respectively, at September 30, 2017, versus \$77,000 and \$121,000, respectively, at September 30, 2016.

# TOWN OF CUTLER BAY, FLORIDA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Capital Assets and Debt Administration (Continued)

#### Long-term debt (Continued)

Total long-term debt decreased approximately \$1.07 million, or 5.6%, primarily as a result from scheduled debt service payments during fiscal year 2017 and from the increase in reclassification of current portion of debt at September 30, 2017 due primarily on the Town's notes payable, partially offset by the increase in the net pension liability resulting from the current year GASB 68 valuation.

Town of Cutler Bay  
Long-term Debt  
September 30,  
(in thousands)

	Governmental Activities		Business-type Activities		Total		Percent Change
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	
QNIP bonds	\$ 2,134	\$ 2,383	\$ -	\$ -	\$ 2,134	\$ 2,383	-10.4%
Notes payable	10,190	11,511	-	-	10,190	11,511	-11.5%
Stormwater Utility Revenue Bonds	-	-	1,663	1,785	1,663	1,785	-6.8%
Net pension liability	3,603	3,059	-	-	3,603	3,059	17.8%
Compensated absences	197	121	-	-	197	121	62.8%
Net OPEB obligation	<u>82</u>	<u>77</u>	<u>-</u>	<u>-</u>	<u>82</u>	<u>77</u>	6.5%
	<u>\$ 16,206</u>	<u>\$ 17,151</u>	<u>\$ 1,663</u>	<u>\$ 1,785</u>	<u>\$ 17,869</u>	<u>\$ 18,936</u>	-5.6%

Additional information regarding the Town's long-term debt can be found in footnotes 1 and 6 in the accompanying notes to financial statements.

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

- The unemployment rate for the Miami-Dade County area at September 30, 2017 is approximately 4.3%, which is a decrease from a rate of 5.2% a year ago. However, the rate is above the national unemployment rate of 4.2%.
- Inflationary trends in the region are slightly higher than the national average.
- In setting its fiscal year 2018 budget, the Town adopted a mil rate of 2.3907, the same rate adopted and in effect for fiscal year 2017. The adopted 2018 mil rate was 7.61% higher than the statutorily computed "roll-back" mil rate.
- On January 29, 2008, the Florida electorate approved an amendment to the Florida Constitution relative to property taxation. The amendment, which primarily provides for additional property tax exemptions and adds a "portability" provision, began impacting the Town in fiscal year 2009 and will have a negative impact on the amount of property tax revenue the Town generates going forward, assuming the Town does not increase its millage rate or achieve growth in its tax base which will offset the amendment's effects.

## **TOWN OF CUTLER BAY, FLORIDA MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Economic Factors and Next Year's Budgets and Rates (Continued)**

- As noted in the preceding comment, shortly after the Town's incorporation, changes to property taxation laws were enacted that had a negative impact on the taxable base upon which property tax revenue of the Town is calculated. Additionally, Cutler Bay, like most communities across the state and nation, was negatively impacted by the financial crisis and economic downturn that gripped the United States during the 2008 to 2012 time period. The South Florida real estate market was especially hard hit with property values experiencing significant declines and foreclosure activity spiking. Property values within the Town saw significant declines from 2008 through 2012 (an approximate 40% decline from the 2008 valuation level). The decline in 2012, however, was mild (approximately 1.7%) which seemed to indicate a bottoming out in the market. Since 2012, property values within the Town have increased each year (from 2013 through 2017), reflecting a gain of approximately 39% from the 2012 bottom. The Town has seen encouraging signs in building activity and new development within the Town in recent years which are anticipated to extend into fiscal year 2018 with significant new planned projects in process. The Town anticipates property values to increase further in 2018. These values are subject to property owner appeal via the Valuation Adjustment Board ("VAB") process. Preliminary estimates of the 2018 tax roll (for fiscal year 2019 budget purposes) indicate an approximate 5.9% increase in property value for the Town.
- The Town has seen encouraging signs in building activity and new development within the Town since fiscal years 2012 and extending into fiscal year 2018 with significant new planned projects in process. While the area continues to rebound from the prior economic downturn, the Town continues to operate in an extremely lean and efficient manner and has been very successful in obtaining grants and other funding sources to proceed with planned projects within the Town.

### **Requests for Information**

This financial report is designed to provide a general overview of the Town of Cutler Bay's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Department of Finance, 10720 Caribbean Blvd., Suite 105, Cutler Bay, FL 33189.

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## **BASIC FINANCIAL STATEMENTS**

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**TOWN OF CUTLER BAY, FLORIDA**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2017**

	Governmental Activities	Business- Type Activities	Total
<u>ASSETS</u>			
Cash	\$ 20,458,027	\$ 929,912	\$ 21,387,939
Restricted Cash	5,121,757	-	5,121,757
Accounts receivable - net	2,273,712	213,250	2,486,962
Prepays	427,801	1,901	429,702
Capital assets not being depreciated:			
Land	10,400,739	-	10,400,739
Construction in progress	93,019	136,329	229,348
Capital assets being depreciated:			
Building	8,554,216	-	8,554,216
Computer hardware and software	992,282	6,523	998,805
Furniture and equipment	997,766	2,367	1,000,133
Infrastructure	57,640,563	8,855,487	66,496,050
Improvements	15,990,718	-	15,990,718
Property under capital lease	103,363	-	103,363
Total capital assets	94,772,666	9,000,706	103,773,372
Less accumulated depreciation	(52,254,060)	(3,429,495)	(55,683,555)
Total capital assets - net	42,518,606	5,571,211	48,089,817
Total assets	70,799,903	6,716,274	77,516,177
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Loss on refunding	-	48,673	48,673
Pension contributions	1,764,943	-	1,764,943
Total deferred outflows of resources	1,764,943	48,673	1,813,616
<u>LIABILITIES</u>			
Accounts payable	4,227,937	124,007	4,351,944
Other liabilities	50,438	-	50,438
Accrued interest	12,320	-	12,320
Noncurrent liabilities:			
Net pension liability	3,603,054	-	3,603,054
The amount due in one year	1,609,836	122,600	1,732,436
The amount due in over one year	12,602,459	1,662,618	14,265,077
Total liabilities	22,106,044	1,909,225	24,015,269
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Business license tax	40,993	-	40,993
Pension expenses	38,828	-	38,828
Total deferred inflows of resources	79,821	-	79,821
<u>NET POSITION</u>			
Net investment in capital assets	30,309,365	3,834,666	34,144,031
Restricted for:			
Capital projects	206,054	-	206,054
Public safety	162,987	-	162,987
Parks and recreation	1,064,746	-	1,064,746
Transportation	3,840,515	-	3,840,515
Unrestricted	14,795,314	1,021,056	15,816,370
Total net position	\$ 50,378,981	\$ 4,855,722	\$ 55,234,703

See notes to basic financial statements

**TOWN OF CUTLER BAY, FLORIDA**  
**STATEMENT OF ACTIVITIES**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2017**

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for	Operating	Capital	Governmental	Business-	Total
	<u>Expenses</u>	<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Activities</u>	<u>Type</u>	
			<u>Contributions</u>	<u>Contributions</u>		<u>Activities</u>	
<u>Functions/Programs</u>							
Governmental activities:							
General government	\$ 8,297,990	\$ 554,355	3,071,629	\$ 241,867	\$ (4,430,139)	\$ -	\$ (4,430,139)
Public safety	9,790,469	381,480	24,859	4,315	(9,379,815)	-	(9,379,815)
Community development	2,535,174	1,029,705	-	-	(1,505,469)	-	(1,505,469)
Parks and recreation	3,533,963	123,292	337,952	52,941	(3,019,778)	-	(3,019,778)
Interest on long-term debt	424,647	-	-	-	(424,647)	(69,923)	(494,570)
Total governmental activities	<u>24,582,243</u>	<u>2,088,832</u>	<u>3,434,440</u>	<u>299,123</u>	<u>(18,759,848)</u>	<u>(69,923)</u>	<u>(18,829,771)</u>
Business-type activities:							
Stormwater	<u>1,031,549</u>	<u>1,040,448</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,899</u>	<u>8,899</u>
Total business-type activities	<u>1,031,549</u>	<u>1,040,448</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,899</u>	<u>8,899</u>
Total	<u>\$ 25,613,792</u>	<u>\$ 3,129,280</u>	<u>\$ 3,434,440</u>	<u>\$ 299,123</u>	<u>(18,759,848)</u>	<u>(61,024)</u>	<u>(18,820,872)</u>
General revenues:							
Property taxes					5,077,377	-	5,077,377
Utility taxes					3,137,950	-	3,137,950
Franchise fees based on gross receipts					1,080,786	-	1,080,786
Intergovernmental (unrestricted)					6,390,738	-	6,390,738
Interest and other income (unrestricted)					96,334	2,597	98,931
Change in net position					<u>(2,976,663)</u>	<u>(58,427)</u>	<u>(3,035,090)</u>
Net position, Beginning					<u>53,355,644</u>	<u>4,914,149</u>	<u>58,269,793</u>
Net position, Ending					<u>\$ 50,378,981</u>	<u>\$ 4,855,722</u>	<u>\$ 55,234,703</u>

See notes to basic financial statements

**TOWN OF CUTLER BAY, FLORIDA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2017**

	<u>Major Funds</u>		<u>Other</u>	<u>Total</u>
	<u>General</u>	<u>CITF</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
<u>ASSETS</u>				
Cash	\$ 20,458,027	\$ -	\$ -	\$ 20,458,027
Restricted Cash	63,190	3,163,051	1,895,516	5,121,757
Accounts receivable - net	1,271,671	433,181	568,860	2,273,712
Prepays	426,781	-	1,020	427,801
Due from other funds	566,955	-	1,000	567,955
Total assets	<u>\$ 22,786,624</u>	<u>\$ 3,596,232</u>	<u>\$ 2,466,396</u>	<u>\$ 28,849,252</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 3,944,376	186,001	\$ 97,560	\$ 4,227,937
Other liabilities	50,438	-	-	50,438
Due to other funds	-	-	567,955	567,955
Total liabilities	<u>3,994,814</u>	<u>186,001</u>	<u>665,515</u>	<u>4,846,330</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Business license tax	40,993	-	-	40,993
Total deferred inflows of resources	<u>40,993</u>	<u>-</u>	<u>-</u>	<u>40,993</u>
<u>FUND BALANCES</u>				
Nonspendable	426,781	-	-	426,781
Restricted	63,190	3,410,231	1,800,881	5,274,302
Assigned	2,000,000	-	-	2,000,000
Unassigned	16,260,846	-	-	16,260,846
Total fund balances	<u>18,750,817</u>	<u>3,410,231</u>	<u>1,800,881</u>	<u>23,961,929</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 22,786,624</u>	<u>\$ 3,596,232</u>	<u>\$ 2,466,396</u>	<u>\$ 28,849,252</u>

See notes to basic financial statements

**TOWN OF CUTLER BAY, FLORIDA**  
**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2017**

Fund balances - total government funds (Page 24) \$ 23,961,929

Amounts reported for governmental activities in the statement  
of net position are different as a result of:

Capital assets used in governmental activities are not  
financial resources and therefore are not reported in the  
governmental funds.

Governmental capital assets	94,772,666	
Less accumulated depreciation	<u>(52,254,060)</u>	42,518,606

Long-term liabilities are not due and payable in the current  
period and therefore are not reported in the governmental funds.

OPEB Liability	(82,000)	
Long term debt	(13,893,143)	
Net pension liability	(3,603,054)	
Compensated absences	(237,152)	
Accrued interest payable	<u>(12,320)</u>	
		(17,827,669)

Deferred outflows		1,764,943
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Deferred inflows		<u>(38,828)</u>
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Net position of governmental activities (Page 22) \$ 50,378,981

**TOWN OF CUTLER BAY, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	Major Funds		Other	Total
	General	CITT Fund	Governmental Funds	Governmental Funds
REVENUES:				
Property taxes	\$ 5,077,377	\$ -	\$ -	\$ 5,077,377
Franchise fees	1,080,786	-	-	1,080,786
Utility taxes	3,137,950	-	-	3,137,950
Charges for services	372,035	-	-	372,035
Intergovernmental	6,520,158	1,771,749	1,753,556	10,045,463
Licenses and permits	1,029,704	-	-	1,029,704
Impact fees	-	-	78,838	78,838
Fines and forfeitures	214,757	-	-	214,757
Interest	57,990	7,331	5,255	70,576
Rental income	472,087	-	-	472,087
Miscellaneous	26,007	-	-	26,007
Total revenues	<u>17,988,851</u>	<u>1,779,080</u>	<u>1,837,649</u>	<u>21,605,580</u>
EXPENDITURES:				
Current:				
General government	4,739,082	643,474	1,702,409	7,084,965
Public safety	9,782,445	-	-	9,782,445
Community development	1,343,494	-	-	1,343,494
Parks and recreation	1,892,421	-	259,391	2,151,812
Debt service:				
Principal retirement	1,527,948	-	-	1,527,948
Interest	424,647	-	-	424,647
Capital outlay:				
General government	136,509	-	42,347	178,856
Public safety	859	-	-	859
Parks and recreation	49,901	-	469,949	519,850
Total expenditures	<u>19,897,306</u>	<u>643,474</u>	<u>2,474,096</u>	<u>23,014,876</u>
Excess (deficiency) of revenues over expenditures	<u>(1,908,455)</u>	<u>1,135,606</u>	<u>(636,447)</u>	<u>(1,409,296)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	299,900		940,825	1,240,725
Transfers out	<u>(170,185)</u>	<u>(428,529)</u>	<u>(642,011)</u>	<u>(1,240,725)</u>
Total other financing sources (uses)	<u>129,715</u>	<u>(428,529)</u>	<u>298,814</u>	<u>-</u>
Net change in fund balances	(1,778,740)	707,077	(337,633)	(1,409,296)
Fund balances, beginning	<u>20,529,557</u>	<u>2,703,154</u>	<u>2,138,514</u>	<u>25,371,225</u>
Fund balances, ending	<u>\$ 18,750,817</u>	<u>\$ 3,410,231</u>	<u>\$ 1,800,881</u>	<u>\$ 23,961,929</u>

See notes to basic financial statements

**TOWN OF CUTLER BAY, FLORIDA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2017**

Amounts reported for governmental activities in the statement  
of activities are different as a result of:

Net change in fund balances - total government funds (Page 26) \$ (1,409,296)

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

Expenditures for capital outlays	757,120	
Less current year depreciation	<u>(3,300,865)</u>	
		(2,543,745)

The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and  
donations) is to increase (decrease) net position.

Capital outlay which did not meet the threshold for capitalization	
Other adjustments	(67,269)

The issuance of long-term debt (e.g. bonds, leases) provided current financial  
resources to governmental funds, while the repayment of the principal of long-term  
debt consumes the current financial resources of governmental funds. Neither  
transaction, however, has any effect on net position.

Principal payments	1,527,948
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Some expenses reported in the statement of activities do not require current financial  
resources and, therefore, are not reported as expenditures in the governmental funds.

Accrued interest payable		1,381
OPEB liability		(5,000)
Compensated absences		(71,222)
Adjustment to net pension liability		<u>(543,620)</u>

Changes in the Town's pension deferred outflows and pension deferred inflows for the current year are not reported in the governmental funds but are reported in the statement of activities	134,160
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Change in net position of governmental activities (Page 23)	<u>\$ (2,976,663)</u>
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**TOWN OF CUTLER BAY, FLORIDA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**SEPTEMBER 30, 2017**

	<u>Stormwater</u>
<u>ASSETS</u>	
Current assets:	
Cash	\$ 929,912
Accounts receivables	213,250
Prepays	<u>1,901</u>
Total current assets	<u>1,145,063</u>
Non-current assets:	
Capital assets, net	<u>5,571,211</u>
Total non-current assets	<u>5,571,211</u>
Total assets	<u>6,716,274</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Loss on refunding	<u>48,673</u>
Total deferred outflows of resources	<u>48,673</u>
<u>LIABILITIES AND NET POSITION</u>	
Current liabilities:	
Accounts payable	124,007
Current portion of revenue bonds	<u>122,600</u>
Total current liabilities	<u>246,607</u>
Non-current liabilities:	
Revenue bonds	<u>1,662,618</u>
Total non-current liabilities	<u>1,662,618</u>
Total liabilities	<u>1,909,225</u>
Net position:	
Net investment in capital assets	3,834,666
Unrestricted	<u>1,021,056</u>
Total net position	<u>\$ 4,855,722</u>

See notes to basic financial statements

**TOWN OF CUTLER BAY, FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	<u>Stormwater</u>
Operating revenues:	
Charges for services	\$ 1,040,448
Total revenues	<u>1,040,448</u>
Operating expenses:	
Operations and maintenance	849,505
Depreciation	<u>182,044</u>
Total operating expenses	<u>1,031,549</u>
Operating income (loss)	<u>8,899</u>
Non-operating revenues (expenses):	
Interest income	2,597
Interest expense	<u>(69,923)</u>
Total non-operating revenues (expenses)	<u>(67,326)</u>
Changes in net position	(58,427)
Net position - Beginning	<u>4,914,149</u>
Net position - Ending	<u><u>\$ 4,855,722</u></u>

See notes to basic financial statements



**TOWN OF CUTLER BAY, FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	<u>Stormwater</u>
Cash flows from operating activities:	
Cash received from customers	\$ 672,714
Cash paid to employees	(174,327)
Cash paid to suppliers	<u>(300,626)</u>
Net cash provided by operating activities	<u>197,761</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(97,900)
Interest payments	(65,867)
Principal payments	<u>(118,447)</u>
Net cash used in non-capital financing activities	<u>(282,214)</u>
Cash flows from investing activities	
Interest income	<u>2,597</u>
Net cash provided by investing activities	<u>2,597</u>
Net change in Cash	(81,856)
Cash - beginning	<u>1,011,768</u>
Cash - ending	<u><u>\$ 929,912</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	\$ 8,899
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	182,044
Change in operating assets and liabilities:	
Accounts receivables	(4,229)
Prepays	(105)
Accounts payable	<u>11,152</u>
Net cash provided by operating activities	<u><u>\$ 197,761</u></u>
Noncash capital and related financing activities	
Deferred loss on refunding	<u><u>\$ (4,056)</u></u>

See notes to basic financial statements

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## NOTES TO FINANCIAL STATEMENTS

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**TOWN OF CUTLER BAY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. This report, the accounting systems and classification of accounts conform to standards of the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The following is a summary of the more significant policies:

**A. Financial Reporting Entity**

The Town was incorporated on November 9, 2005 as a municipal corporation, resulting from the election authorized by Resolution R-1318-04 adopted by the Miami-Dade County Board of County Commissioners, and was established to conduct a government, perform municipal functions, and provide services to its citizens, as provided by the Constitution of the State of Florida and the Home Rule Charter of Miami-Dade County. The Town operates under a Council-Manager form of government. The Town Council is responsible for legislative and fiscal control of the Town. A Town Manager is appointed by the Town Council and is responsible for the administration of all Town affairs placed in the manager's charge by charter or action of the Town Council.

As required by generally accepted accounting principles, these basic financial statements present the reporting entity of the Town. Component units are legally separate entities for which the government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the Town's combined financial statements to be misleading or incomplete. The primary government is considered financially accountable if it appoints a voting majority of an organization's governing body and 1) it is able to impose its will on the organization or 2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the Board. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity financial statements to be misleading or incomplete. Based upon the application of these criteria, there were no organizations which 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 activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Town has one business-type activity, the stormwater fund.

**TOWN OF CUTLER BAY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**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 segments 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 and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**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. 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. Revenues resulting from expenditure driven transactions such as certain grants are considered collectible at the time the expenditure has been made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, insurance claims, pensions and other post-employment benefits are recorded only when payment is due or when the Town has made a decision to fund these obligations with current available resources. Property taxes, communication taxes, gas taxes, sales taxes, utility taxes, franchise fees, 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. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

General Fund – This 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.

CITT Fund – This fund was established to account for the revenues derived from the County Charter Transit System Surtax to be used specifically for eligible transit and transportation related expenditures.

**TOWN OF CUTLER BAY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**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 proprietary fund:

Stormwater Fund - This fund accounts for stormwater fees assessed on property owners. Funds are dedicated to the ongoing renewal and replacement costs of the Town's stormwater drainage system.

The financial statements of the Town have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard setting body for governmental accounting and financial reporting. The financial statements of the Town follow the guidance of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* for both the government wide and proprietary fund financial statements.

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

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources and then from the unrestricted resources.

1. Deposits - The Town's cash consists of cash on hand and demand deposits.
2. Prepays - Prepaid items are accounted for using the consumption method and recorded as expenditure/expense in the fund level and government-wide financial statements in the period benefited.
3. Interfund Activity - Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**TOWN OF CUTLER BAY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred as either "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".

4. Restricted Assets - Proceeds from impact fees, CITT surtax and 2<sup>nd</sup> local option gas taxes are classified as restricted in various special revenue funds since these resources are specifically earmarked for restricted purposes including law enforcement, transportation and recreational eligible items.
5. Property Taxes - Property values are assessed as of January 1 of each year, at which time taxes become an enforceable lien on property. Tax bills are mailed for the Town by Miami-Dade County (the County) on or about November 1 of each year and are payable with discounts of up to 4% offered for early payment. Taxes become delinquent on April 1 of the year following the year of assessment and State law provides for enforcement of collection of property taxes by seizure of the personal property or by the sale of interest-bearing tax certificates to satisfy unpaid property taxes.

Assessed values are established by the Miami-Dade County Property Appraiser. In November 1992, a Florida constitutional amendment was approved by the voters which provides for limiting the increases in homestead property valuations for Ad Valorem tax purposes to a maximum of 3% annually and also provides for reassessment of market values upon changes in ownership. The County bills and collects all property taxes and remits them to the Town.

State statutes permit municipalities to levy property taxes at a rate of up to 10 mills (\$10 per \$1,000 of assessed taxable valuation). The tax levy of the Town is established by the Town Council and the Miami-Dade County Property Appraiser incorporates the Town's millage into the total tax levy, which includes the County, the County School Board, and other taxing jurisdictions' tax requirements. The millage rate to finance general governmental services for the fiscal year ended September 30, 2017 was 2.3907 mills per \$1,000 of assessed valuation.

6. Capital Assets - Capital assets, which include furniture, equipment, including computers, leasehold improvements and certain infrastructure assets (e.g. roadways, sidewalks, park lands, facilities and improvements) are reported in the government-wide financial statements. Capital assets, excluding infrastructure 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. Infrastructure assets are recorded as capital assets if they have an initial, individual cost in excess of \$10,000 and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

**TOWN OF CUTLER BAY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

<u>Assets</u>	<u>Years</u>
Buildings	20
Roadways and sidewalks	40-50
Infrastructure	25-50
Improvements	5-10
Furniture, equipment and software	3-5

When capital assets are sold or disposed of, the related cost and accumulated depreciation are removed from the accounts and a resulting gain or loss is recorded in the government-wide financial statements.

7. Compensated Absences - It is the Town's policy to permit employees to accumulate, within certain limits, earned but unused vacation time and sick leave. All vacation pay is accrued when incurred in the government-wide financial statements. Other than for the Town Manager as noted below, the Town's sick leave policy does not meet the criteria for accrual under current accounting standards. In the governmental funds, a liability is recorded only when they matured, for example, as a result of employee resignations or retirements. The compensated absences balance is measured using the employees' rates of pay, and associated salary related costs, at the balance sheet date. Compensated absences of governmental funds are typically liquidated from the general fund.

For employees other than the Town Manager and Town Clerk, the vacation policy of the Town provides for employees to earn 80 hours of vacation leave during each of the first five years of service. From five through nine years of service, 120 hours are earned each year and for ten or more years of service, 160 hours are earned each year. Pursuant to their employment contracts, the Town Manager receives 184 hours of vacation leave per year and the Town Clerk 160 hours per year.

Unused vacation leave for all employees, excluding the Town Manager, may be carried over to the following year and accumulated up to a maximum of 280 hours. The Town Manager and Town Clerk may accrue hours beyond that limit but, upon termination, are only entitled to receive pay for a maximum of 480 hours of accumulated/unused vacation time. All employees who terminate employment under terms of voluntary separation are paid for all unused accumulated vacation leave, within the prescribed limits.

Employees earn 96 hours of sick leave each year with a maximum accumulation of 1,040 hours. Unused sick leave is not paid to employees, other than the Town Manager as conditioned below, upon separation from Town service. Pursuant to his employment contract, the Town Manager, upon separation, is entitled to a payout of the balance of his accrued sick leave, unless the Town Manager voluntarily resigns with less than 60 days advance notice or if he is terminated for misconduct or ethical violations, as defined, in which case the Town Manager will then not be entitled to a payout for any accrued vacation or sick leave.

**TOWN OF CUTLER BAY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

8. Long-Term Obligations - In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond insurance costs are amortized over the term of the related debt. For proprietary fund types, bonds payable are reported net of the applicable bond premium, discount, and issuance costs.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

9. Grant Revenue - The Town, a recipient of grant revenues, recognizes revenues (net of estimated uncollectible amounts, if any) when all applicable eligibility requirements, including time requirements, are met.
10. Unearned Revenue - Unearned revenues include amounts collected before revenue recognition criteria are met. The deferred items consist primarily of business license renewals received in advance.
11. Net Position - Total equity as of September 30, 2017, is classified into three components of net position:
- Net investment in capital assets  
This category consists of capital assets (including restricted capital assets), net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes or other borrowings as well as any retainage payable and accounts payable that are attributable to the acquisition, construction, and improvements of those assets.
  - Restricted net position  
This category consists of net position restricted in their use by (1) external groups such as grantors, creditors or laws and regulations of other governments; or (2) law, through constitutional provisions or enabling legislation.
  - Unrestricted net position  
This category includes all of the remaining net position that does not meet the definition of the other two categories.
12. Fund Balance - As of September 30, 2017, fund balances of the governmental funds are classified as follows:
- Non-spendable  
Amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.



**TOWN OF CUTLER BAY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**12. Fund Balance (Continued)**

- Restricted  
Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- Committed  
Amounts that can be used only for specific purposes determined by a formal action of the Town Council. The Town Council is the highest level of decision-making Authority for the Town. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Town Council.
- Assigned  
Assigned fund balances are amounts that are constrained by the Town's intent to be used for specific purposes but are neither restricted nor committed. Intent is established by the Town Council who has the Authority to assign, modify or rescind amounts to be used for specific purposes. This is delineated in the policy approved by the Council. This balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as nonspendable, restricted, or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue or capital projects fund are assigned for the purposes in accordance with the nature of their fund type. Assignment within the General Fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the Town itself.
- Unassigned  
This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

**TOWN OF CUTLER BAY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**12. Fund Balance (Continued)**

	<u>General</u>	<u>CITT Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balances:				
Nonspendable:				
Prepays	\$ 426,781	\$ -	\$ -	\$ 426,781
Restricted:				
Transportation	-	3,410,231	430,284	3,840,515
Parks and recreation	-	-	1,064,746	1,064,746
Public safety	63,190	-	99,797	162,987
Capital projects	-	-	206,054	206,054
Assigned:				
Building: capital reserve	1,000,000	-	-	1,000,000
Building: operating reserve	1,000,000	-	-	1,000,000
Unassigned	16,260,846	-	-	16,260,846
Total fund balances	<u>\$ 18,750,817</u>	<u>\$ 3,410,231</u>	<u>\$ 1,800,881</u>	<u>\$ 23,961,929</u>
Fund balances:				
Nonspendable	\$ 426,781	\$ -	\$ -	\$ 426,781
Restricted	63,190	3,410,231	1,800,881	5,274,302
Assigned	2,000,000	-	-	2,000,000
Unassigned	16,260,846	-	-	16,260,846
Total fund balances	<u>\$ 18,750,817</u>	<u>\$ 3,410,231</u>	<u>\$ 1,800,881</u>	<u>\$ 23,961,929</u>

- **Minimum Level of Unassigned Fund Balance Policy**

The Town's fund balance policy establishes a minimum unassigned fund balance level of 17% of the next fiscal year's operating expenditure budget for the General Fund excluding capital outlay, debt service, and transfers out.

The Town considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the Town would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

13. **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 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.

14. **Post-Employment Benefits Other Than Pensions (OPEB)** - Pursuant to Section 112.0801, Florida Statutes, the Town is mandated to permit participation in the health insurance program

**TOWN OF CUTLER BAY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

by retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. Retirees are required to pay 100% of the premium rates where premiums are determined based upon blended rates used for active employees and retirees. These premium rates were adjusted to reflect differing utilization rates by age and gender and the impact of the Medicare program on claim costs. The blended rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees.

The Town currently provides these benefits in accordance with the vesting and retirement requirement of the Town. The Town is financing the post employee benefits on a pay-as-you go basis. As determined by an actuarial valuation, the Town records a Net OPEB obligation in its government-wide financial statements related to the implicit subsidy. For governmental activities, the net other postemployment benefit obligation typically will be liquidated by the general fund. The OPEB plan does not issue separate financial statements.

15. Use of Estimates - The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States of America. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the period reported. These estimates include assessing the collectability of accounts receivable, postretirement obligations and useful lives and impairment of tangible assets, the determination of the actuarially accrued liability for unpaid claims, which is prepared based upon certain assumptions pertaining to interest rates, inflation rates, etc., among others. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statement in the period they are determined to be necessary. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

**IMPLEMENTATION OF GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS**

During the fiscal year ended September 30, 2017, the Town implemented the following GASB Statements that had an impact on the financial statements:

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73* (GASB 82). This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

**TOWN OF CUTLER BAY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

By its nature as a local government unit, the Town is subject to various federal, state, and local laws and contractual regulations. The Town has no material violations of finance-related legal and contractual obligations.

Fund Accounting Requirements

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, like any other state and local government, uses fund accounting to ensure and demonstrate compliance with finance related requirements, and segregation for management purposes.

Revenue Restrictions

The Town has various restrictions placed over certain revenue sources from federal, state, or local requirements. These restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Gas Tax	Roads, sidewalks and steets
Transportation Tax	Transportation and roads
Various Grant Programs	Grants program expenditures
Police Forfeitures	Law enforcement
Impact Fees	Eligible capacity enhancements

For the year ended September 30, 2017, the Town complied, in all material respects, with these revenue restrictions.

**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. 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 banking institution eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are insured or collateralized.

Investments

The Town does not have a written investment policy and follows the State of Florida investment policy as set forth in State Statute 218.415. In accordance with Section 218.415 of the Florida Statutes, the Town is authorized to invest in obligations of the U.S. Treasury, its agencies and instrumentalities and in the Local Government Surplus Trust Funds administered by the State Board of Administration (SBA). As of September 30, 2017, the Town has no investments or cash equivalents, only deposits with a banking institution.

**TOWN OF CUTLER BAY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 4 - RECEIVABLES/PAYABLES**

Receivables

The Town's receivables at September 30, 2017 were as follows:

	<u>Taxes</u>	<u>Grants</u>	<u>Fees</u>	<u>Others</u>	<u>Totals</u>
General Fund	\$1,145,390	\$ 56,377	\$ 21,650	\$ 48,254	\$1,271,671
CITT Fund	-	433,181	-	-	433,181
Non-major governmental funds	18,661	550,199	-	-	568,860
Stormwater Fund	-	-	213,250	-	213,250
	<u>\$1,164,051</u>	<u>\$1,039,757</u>	<u>\$ 234,900</u>	<u>\$ 48,254</u>	<u>\$2,486,962</u>

All amounts due from Miami-Dade County, the State of Florida and grants are considered fully collectible.

Payables

The Town's payables at September 30, 2017 were as follows:

	<u>Vendors</u>	<u>Miami-Dade County</u>	<u>Total</u>
General Fund	\$1,233,859	\$2,710,517	\$3,944,376
CITT Fund	104,846	81,155	186,001
Non-major governmental funds	97,560	-	97,560
Stormwater Fund	49,007	75,000	124,007
	<u>\$1,485,272</u>	<u>\$2,866,672</u>	<u>\$4,351,944</u>

**TOWN OF CUTLER BAY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 5 - CAPITAL ASSETS**

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

	Balance October 1, <u>2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	Balance September 30, <u>2017</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 10,400,739	\$ -	\$ -	\$ -	\$ 10,400,739
Construction in progress	43,640	93,019	(43,640)	-	93,019
Total capital assets not being depreciated	<u>10,444,379</u>	<u>93,019</u>	<u>(43,640)</u>	<u>-</u>	<u>10,493,758</u>
Capital assets being depreciated:					
Building	8,554,216	-	-	-	8,554,216
Infrastructure	57,640,563	-	-	-	57,640,563
Improvements	15,627,139	595,884	(232,305)	-	15,990,718
Computer hardware and software	1,006,743	5,646	(20,107)	-	992,282
Property under capital lease	103,363	-	-	-	103,363
Furniture and equipment	952,999	62,571	(17,804)	-	997,766
Total capital assets being depreciated	<u>83,885,023</u>	<u>664,101</u>	<u>(270,216)</u>	<u>-</u>	<u>84,278,908</u>
Less accumulated depreciation for:					
Building	(2,845,973)	(427,855)	-	-	(3,273,828)
Infrastructure	(35,970,142)	(1,191,117)	-	-	(37,161,259)
Improvements	(8,556,960)	(1,576,989)	208,676	-	(9,925,273)
Computer hardware and software	(920,117)	(50,583)	20,107	-	(950,593)
Property under capital lease	(103,363)	-	-	-	(103,363)
Furniture and equipment	(803,227)	(54,321)	17,804	-	(839,744)
Total accumulated depreciation	<u>(49,199,782)</u>	<u>(3,300,865)</u>	<u>246,587</u>	<u>-</u>	<u>(52,254,060)</u>
Total capital assets being depreciated, net	<u>34,685,241</u>	<u>(2,636,764)</u>	<u>(23,629)</u>	<u>-</u>	<u>32,024,848</u>
Governmental activities capital assets, net	<u>\$ 45,129,620</u>	<u>\$ (2,543,745)</u>	<u>\$ (67,269)</u>	<u>\$ -</u>	<u>\$ 42,518,606</u>

**TOWN OF CUTLER BAY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 5 - CAPITAL ASSETS (Continued)**

Capital asset activities for the fiscal year ended September 30, 2017 was as follows: (Continued)

	Balance October 1, 2016	Additions	Deletions	Transfers	Balance September 30, 2017
Business-type activities:					
Capital assets not being depreciated:					
Construction in progress	\$ 38,429	\$ 97,900	\$ -	\$ -	\$ 136,329
Total capital assets not being depreciated	<u>38,429</u>	<u>97,900</u>	<u>-</u>	<u>-</u>	<u>136,329</u>
Capital assets being depreciated:					
Furniture and equipment	2,367	-	-	-	2,367
Computer hardware and software	6,523	-	-	-	6,523
Infrastructure	8,855,487	-	-	-	8,855,487
Total capital assets being depreciated	<u>8,864,377</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,864,377</u>
Less accumulated depreciation for:					
Furniture and equipment	(40)	(473)	-	-	(513)
Computer hardware and software	(5,523)	(1,000)	-	-	(6,523)
Infrastructure	(3,241,888)	(180,571)	-	-	(3,422,459)
Total accumulated depreciation	<u>(3,247,451)</u>	<u>(182,044)</u>	<u>-</u>	<u>-</u>	<u>(3,429,495)</u>
Total capital assets being depreciated, net	5,616,926	(182,044)	-	-	5,434,882
Business-type activities capital assets, net	<u>\$ 5,655,355</u>	<u>\$ (84,144)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,571,211</u>

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

General government	\$ 743,293
Public safety	8,012
Community development	1,182,961
Parks and recreation	1,366,599
Total depreciation expense - governmental activities	<u>\$ 3,300,865</u>

**NOTE 6 - LONG-TERM DEBT**

Public Service Tax Revenue Bonds, Series 1999 and 2002 (QNIP Bonds)

As a condition of incorporation, the Town agreed to pay the County its pro rata share for the Public Service Tax Revenue Bonds, Series 1999 and 2002 (QNIP Bonds) issued prior to the Town's incorporation. The Town agreed that, until the bonds have been paid or provision made for their payment pursuant to the ordinance enacted by the County, the County shall have the right to receive and apply to debt service on the bonds all of the public service taxes, as defined, collected on behalf of the Town with respect to bonds outstanding at the time of the municipal incorporation. The Town's debt service obligations as to the bonds in each fiscal year shall be its pro rata share of such debt service obligation. The Town's pro rata share will be equal to that percentage of the total debt service accruing on the bonds in such fiscal year calculated by multiplying such total debt service by a fraction the numerator of which will be the total amount of public service taxes collected within the boundaries of the unincorporated area comprising the boundaries of the Town during the fiscal year in which the Town was incorporated and the denominator of which will be the total amount of public service taxes collected in the entire unincorporated area of the County. The balance of the public service taxes collected within the boundaries of the Town are remitted to the Town after the County satisfies the debt service requirements for the bonds. For the year ended September 30, 2017, the public service taxes pledged amounted to \$3,137,950 and the debt service was \$347,516. The pledged revenues provided a coverage ratio of 9.0.

**TOWN OF CUTLER BAY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 6 - LONG-TERM DEBT (Continued)**

During the fiscal year ended September 30, 2012, the County refinanced the Public Service Tax Revenue Bonds, Series 1999 and 2002 with the Public Service Tax Refunding Bonds (UMSA), Series 2011.

Debt service requirements to maturity for the fiscal year ending September 30, 2017 are summarized as follows:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 248,870	\$ 97,752	\$ 346,622
2019	258,505	87,683	346,188
2020	268,550	77,215	345,765
2021	279,210	66,342	345,552
2022	290,895	55,034	345,929
2023-2027	1,036,480	116,803	1,153,283
Totals	<u>\$ 2,382,510</u>	<u>\$ 500,829</u>	<u>\$ 2,883,339</u>

Notes Payable

On June 14, 2010, the Town executed a loan agreement with a local bank to borrow up to \$13,800,000 (Notes A through E) for the purpose of financing the costs of the acquisition and renovations to the new Town Hall and acquisition of vacant land adjacent to the new Town Hall. Certain of these loans were modified on September 20, 2012, to provide for a revised amortization structure. In May 2015 the Town refunded certain of its existing Notes Payable (the 2010 Series A through E Notes, as amended). Under the terms of the refunding, the Town refunded the three tax-exempt promissory notes (the Series A, C & D Notes), totaling approximately \$6,039,000 and with interest rates ranging from 3.05% to 3.81%, into one new 15 year tax-exempt promissory note (the 2015A Note) bearing interest at 2.5% and refunded the two taxable promissory notes (the Series B & E Notes), totaling approximately \$6,268,000 and with interest rates of 4.42%, into one new 10 year taxable promissory note (the 2015B Note) bearing interest at 2.8%. The two new promissory notes are secured by the Town's share of the Local Government Half-Cent Sales Tax. There is no prepayment penalty associated with either of the two new promissory notes. The refunding resulted in cash flow savings and economic gain of approximately \$1,170,000 and \$876,000 respectively. The 2015A Note and the 2015B Note (the "Notes") are secured by a pledge of the Town's share of the Local Government Half-Cent Sales Tax. For the fiscal year ended September 30, 2017, the Town's share of the Local Government Half-Cent Sales Tax available for this pledge was \$3,379,648 and debt service was \$1,262,804. The pledged revenues provided a coverage ratio of 2.7.

Also, on September 20, 2012, the Town executed a loan agreement with a local bank to borrow \$2,578,000 for the purpose of financing certain costs for the establishment of a high school level curriculum within the Town pursuant to an educational initiative with the Miami-Dade County School Board. The notes are secured by a pledge to budget and appropriate sufficient funds to pay for the principal and interest due on the notes from the Town's Non-Ad Valorem Revenues. For the fiscal year ended September 30, 2017 the Town's legally available Non-Ad Valorem Revenues applicable to this pledge were \$9,184,310 and the debt service was \$342,275. The pledged revenues provided a coverage ratio of 26.8.

Principal and interest payments vary from year to year and interest rates range from 2.18% to 2.8%.



**TOWN OF CUTLER BAY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 6 - LONG-TERM DEBT (Continued)**

Debt service requirements to maturity for the fiscal year ending September 30, 2017 are summarized as follows:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,321,298	\$ 283,782	\$ 1,605,080
2019	1,355,576	249,503	1,605,079
2020	1,303,634	215,180	1,518,814
2021	1,230,996	182,500	1,413,496
2022	1,262,667	150,829	1,413,496
2023-2027	3,735,051	367,522	4,102,573
2028-2030	1,301,411	52,053	1,353,464
	<u>\$ 11,510,633</u>	<u>\$ 1,501,369</u>	<u>\$ 13,012,002</u>

Stormwater Utility Revenue Bonds

The Town is required to pay the County its pro rata share for the Stormwater Utility Revenue Bonds, Series 1999 and 2004 issued prior to the Town's incorporation. All of the Town's stormwater fees have been pledged as security for the bond payments. For the year ended September 30, 2017 the stormwater fees pledged amounted to \$1,040,448 and the debt service was \$184,314. The pledged revenues provided a coverage ratio of 5.6. On September 16, 2013 the Miami-Dade County Stormwater Utility Revenue Refunding Bonds, Series 2013, refunded all of the outstanding Stormwater Utility Revenue Bonds, Series 1999 and Series 2004, except for the Stormwater Utility Revenue Bonds, Series 2004, maturing on April 1, 2014 and April 1, 2015. As a result of this, the County adjusted the Town's required payment schedule. This resulted in a reduction in the amount of interest to be paid over the remaining life and an increase in the amount of principal to be paid. This resulted in a cash flow savings of approximately \$9,500 per year over the life of the new payment plan to the County. As a result of the increase in principal to be paid, the Town reported a deferred loss on refunding of \$64,898 in the statement of net position which will be amortized to interest expense over the remaining life of the debt. The principal payment for the fiscal year ended September 30, 2017 was \$118,447 and the balance of the remaining principal payments range from \$122,600 to \$178,091 through September 2029.

Debt service requirements to maturity for the fiscal year ending September 30, 2017 are summarized as follows:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 122,600	\$ 61,769	\$ 184,369
2019	126,753	57,527	184,280
2020	131,186	53,141	184,327
2021	135,747	48,602	184,349
2022	140,384	43,905	184,289
2023-2027	778,277	143,211	921,488
2028-2029	350,271	18,281	368,552
	<u>\$ 1,785,218</u>	<u>\$ 426,436</u>	<u>\$ 2,211,654</u>

**TOWN OF CUTLER BAY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 6 - LONG-TERM DEBT (Continued)**

The following is a summary of changes in the long-term debt for the fiscal year ended September 30, 2017:

	<u>Beginning</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u>	<u>Due Within One Year</u>
Governmental activities:					
QNIP bonds	\$ 2,622,565	\$ -	\$ (240,055)	\$ 2,382,510	\$ 248,870
Notes payable	12,798,526	-	(1,287,893)	11,510,633	1,321,298
Net pension liability	3,059,434	543,620	-	3,603,054	-
Compensated absences	165,930	213,372	(142,150)	237,152	39,668
Net OPEB obligation	77,000	13,000	(8,000)	82,000	-
Total governmental activities	<u>\$ 18,723,455</u>	<u>\$ 769,992</u>	<u>\$ (1,678,098)</u>	<u>\$ 17,815,349</u>	<u>\$ 1,609,836</u>
Business-type activities:					
Stormwater utility revenue bonds	\$ 1,903,665	\$ -	\$ (118,447)	\$ 1,785,218	\$ 122,600
Total business-type activities	<u>\$ 1,903,665</u>	<u>\$ -</u>	<u>\$ (118,447)</u>	<u>\$ 1,785,218</u>	<u>\$ 122,600</u>

Compensated absences, the net OPEB obligation and the net pension liability are typically liquidated by the general fund for the governmental activities.

**NOTE 7 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund balances as of September 30, 2017, were as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 566,955	\$ -
Non-major governmental funds	1,000	567,955
	<u>\$ 567,955</u>	<u>\$ 567,955</u>

The outstanding balances between funds result primarily from revenues received in and expenditures made by the general fund on behalf of special revenue and other funds.

Interfund transfer activity for the year ended September 30, 2017 was as follows:

	<u>Transfers In*</u>	<u>Transfers Out*</u>
General Fund	\$ 299,900	\$ 170,185
CITT Fund	-	428,529
Non-major Governmental Funds	940,825	642,011
	<u>\$ 1,240,725</u>	<u>\$ 1,240,725</u>

**TOWN OF CUTLER BAY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 7 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

\*Transfers in/out during the fiscal year are as follows:

- \$428,529 was transferred from the CITT Fund (a major governmental fund) to fund the Town's portion of costs related to several projects. \$330,122 was transferred to the JPA (Caribbean Blvd) Fund (a non-major governmental fund) to fund the Town's portion of roadway enhancements and project oversight costs related to that JPA roadway improvement project, \$78,407 was transferred to the Safe Routes to School Fund (a non-major governmental fund) to provide for the Town's portion of sidewalk enhancements and project oversight costs related to a grant funded project providing enhanced walkway accessibility at a local school in Town, and \$20,000 was transferred to the Transportation Fund (a non-major governmental fund) to provide the Town's grant match for a Complete Streets study.
- \$642,011 was transferred from the Special Revenue Fund (a non-major governmental fund) to transfer gas taxes (\$299,900) to the General Fund for sidewalk repair projects, to transfer road impact fees (\$3,293) to the Sidewalk Fund (a non-major governmental fund) to provide for the Town costs of a sidewalk project, and to transfer park impact fees (\$338,818) to the Capital Projects (Parks) Fund (a non-major governmental fund) for various park infrastructure improvement projects.
- \$39,054 was transferred from the General Fund to the JPA (Caribbean Blvd) Fund (a non-major governmental fund) to provide for the cost of an electronic message board on the roadway project that was not eligible for funding with PTP Surtax funds.
- \$131,131 was transferred from the General Fund to the Capital Projects (Parks) Fund (a non-major governmental fund) to cover the cost of park infrastructure improvements that were not eligible for funding with park impact fees.

**NOTE 8 - RETIREMENT PLANS**

**Florida Retirement System Overview**

The Town participates in the Florida Retirement System ("the FRS"), a cost-sharing, multiple-employer, public employee retirement plan, which covers all of the Town's full-time employees. The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective October 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any state-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the Town are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature.

**TOWN OF CUTLER BAY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 8 - RETIREMENT PLANS (Continued)**

**Florida Retirement System Overview (Continued)**

The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' Web site.

([http://www.dms.myflorida.com/workforce\\_operations/retirement/publications](http://www.dms.myflorida.com/workforce_operations/retirement/publications)).

Plan Description

The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The general classes of membership are as follows:

- Regular Class – Members of the FRS who do not qualify for membership in the other classes.
- Elected Town Officers Class – Members who hold specified elective offices in local government.
- Senior Management Service Class (SMSC) – Members in senior management level positions.
- Special Risk Class – Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members enrolled prior to July 1, 2011 are eligible for normal retirement benefits at age 62 or at any age after 30 years of service (except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service). All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service (except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service). Members of the Plan may include up to 4 years of credit for military service toward creditable service.

The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

**TOWN OF CUTLER BAY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 8 - RETIREMENT PLANS (Continued)**

**Florida Retirement System Overview (Continued)**

Benefits Provided

Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits.

The following chart shows the percentage value for each year of service credit earned:

<b><u>Class, Initial Enrollment, and Retirement Age / Years of Service</u></b>	<b><u>% Value</u></b>
<b>Regular Class members initially enrolled before July 1, 2011</b>	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement up to age 63 or with 31 years of service	1.63
Retirement up to age 64 or with 32 years of service	1.65
Retirement up to age 65 or with 33 or more years of service	1.68
<b>Regular Class members initially enrolled on or after July 1, 2011</b>	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement up to age 66 or with 34 years of service	1.63
Retirement up to age 67 or with 35 years of service	1.65
Retirement up to age 68 or with 36 or more years of service	1.68
<b>Special Risk Class</b>	
Service from December 1, 1970 through September 30, 1974	2.00
Service on or after October 1, 1974	3.00
<b>Elected Officers' Class</b>	
Service as Supreme Court Justice, district court of appeal judge, circuit court judge, or county court judge	3.33
Service as Governor, Lt. Governor, Cabinet Officer, Legislator, state attorney, public defender, elected county official, or elected official of a city or special district that chose EOC membership for its elected officials	3.00
<b>Senior Management Service Class</b>	2.00

**TOWN OF CUTLER BAY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 8 - RETIREMENT PLANS (Continued)**

**Florida Retirement System Overview (Continued)**

Benefits Provided (Continued)

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions

The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates in effect from July 1, 2016 through June 30, 2017 were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (*)</u>
FRS, Regular	3.00	7.52
FRS, Elected County Officers	3.00	42.47
FRS, Senior Management Service	3.00	21.77
FRS, Special Risk Regular	3.00	22.57
DROP- Applicable to members from all of the above classes	0.00	12.99

\*Employer rates include 1.66% for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.06% for administrative costs of the Investment Plan.

The Town's contributions for FRS totaled \$291,685 and employee contributions totaled \$70,949 for the fiscal year ended September 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2017, the Town reported a liability of \$2,756,704 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The Town's proportionate share of the net pension liability was based on the Town's 2016-17 fiscal year contributions relative to the 2016-17 fiscal year contributions of all participating member. At June 30, 2017, the Town's proportionate share was 0.0093%, which was an increase from its proportionate share of 0.0086% measured at June 30, 2016.

**TOWN OF CUTLER BAY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 8 - RETIREMENT PLANS (Continued)**

**Florida Retirement System Overview (Continued)**

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

**Aggregate amount for all pension plans**

	Florida Retirement System	Total
Pension liabilities	\$ 3,603,054	\$ 3,603,054
Deferred outflows of resources	1,764,943	1,764,943
Deferred inflows of resources	38,828	38,828
Pension expenses	409,460	409,460

For the fiscal year ended September 30, 2017, the Town recognized pension expense of \$370,003 related to the Plan. In addition, the Town reported, in the government-wide financial statements, deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 252,999	\$ 15,271
Change of assumptions	926,447	-
Net difference between projected and actual earnings on FRS pension plan investments	-	68,318
Changes in proportion and differences between Town FRS contributions and proportionate share of contributions	331,848	(93,012)
Town FRS contributions subsequent to measurement date	74,630	-
Total	<u>\$ 1,585,924</u>	<u>\$ (9,423)</u>

The deferred outflows of resources related to pensions, totaling \$74,630, resulting from the Town's contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending September 30	Deferred outflows/ (inflows), net
2018	\$ 299,976
2019	537,121
2020	338,779
2021	71,586
2022	197,570
Thereafter	75,685

**TOWN OF CUTLER BAY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 8 - RETIREMENT PLANS (Continued)**

**Florida Retirement System Overview (Continued)**

Actuarial Assumptions

The FRS pension actuarial valuation was determined using the following actuarial assumptions, as of July 1, 2017, applied to all periods included in the measurement:

Inflation	2.60%
Salary Increases	3.25% average, including inflation
Investment Rate of Return	7.10%, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

Long-Term Expected Rate of Return

The long-term expected rate of return on the Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u> <sup>1</sup>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	3.0%	3.0%	1.8%
Fixed income	18%	4.5%	4.4%	4.2%
Global equity	53%	7.8%	6.6%	17.0%
Real estate (property)	10%	6.6%	5.9%	12.8%
Private equity	6%	11.5%	7.8%	30.0%
Strategic investments	<u>12%</u>	6.1%	5.6%	9.7%
	<u>100%</u>			
Assumed inflation-Mean			2.6%	1.9%

Note: (1) As outlined in the Plan's investment policy

Discount Rate

The discount rate used to measure the net pension liability of the Plan was 7.10 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.



**TOWN OF CUTLER BAY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 8 - RETIREMENT PLANS (Continued)**

**Florida Retirement System Overview (Continued)**

Sensitivity of the Town's Proportionate Share of the Net Position Liability to Changes in the Discount Rate

The following represents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the Town's proportionate share of the net pension liability would be if it calculated using a discount rate that is one percentage point lower (6.10 percent) or one percentage point higher (8.10 percent) than the current rate:

	1% Decrease <u>6.10%</u>	Current Discount Rate <u>7.10%</u>	1% Increase <u>8.10%</u>
Town's proportionate share of the net pension liability	\$ 4,989,468	\$ 2,756,704	\$ 902,999

Pension Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report (see above).

Town Allocation

The Town's proportionate share of the Plan's net pension liability, deferred outflow of resources and deferred inflow of resources as of September 30, 2017, and pension expense / adjustment for the fiscal year ended September 30, 2017 was allocated as follows:

		FRS Pension			
	Percent <u>Allocation</u>	Net Pension <u>Liability</u>	Deferred Outflow <u>of Resources</u>	Deferred Inflow <u>of Resources</u>	Pension Expense/ <u>Adjustment</u>
Governmental Activities	100.00%	\$ (2,756,704)	\$ 1,585,924	\$ (9,423)	\$ 370,003

**The Retiree Health Insurance Subsidy Program (HIS)**

Plan Description

The Retiree Health Insurance Subsidy Program (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of the State-administered retirement systems in paying their health insurance costs and is administered by the Division of Retirement within the Florida Department of Management Services.

Benefits Provided

For the fiscal year ended September 30, 2017 eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

**TOWN OF CUTLER BAY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 8 - RETIREMENT PLANS (Continued)**

**The Retiree Health Insurance Subsidy Program (HIS) (Continued)**

Contributions

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2017, the HIS contribution for the period July 1, 2016 through June 30, 2017 and from July 1, 2017 through September 30, 2017 was 1.66 percent. The Town contributed 100 percent of its statutorily required contributions for the current year and preceding three years. The HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The Town's contributions to the HIS Plan totaled \$42,547 for the fiscal year ended September 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2017, the Town reported a net pension liability of \$846,350 for its proportionate share of the HIS Plan's net pension liability. The total pension liability was determined by an actuarial valuation date as of July 1, 2016 and was recalculated and projected to the measurement date of June 30, 2017 using a standard actuarial roll-forward technique. The Town's proportionate share of the net pension liability was based on the Town's 2016-17 fiscal year contributions relative to the 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the Town's proportionate share was 0.0079 percent, which was an increase from its proportionate share of 0.0076 percent measured at June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the fiscal year ended September 30, 2017, the Town recognized pension expense of \$39,457 related to the HIS Plan. In addition, the Town reported, in the government-wide financial statements, deferred outflows or resources and deferred inflows of resources related to the HIS Plan from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,762
Change of assumptions	118,968	73,185
Net difference between projected and actual earnings on HIS pension plan investments	469	-
Changes in proportion and differences between Town HIS contributions and proportionate share of HIS contributions	48,072	(26,696)
Town HIS contributions subsequent to measurement date	11,510	-
Total	<u>\$ 179,019</u>	<u>\$ 48,251</u>

**TOWN OF CUTLER BAY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 8 - RETIREMENT PLANS (Continued)**

**The Retiree Health Insurance Subsidy Program (HIS) (Continued)**

The deferred outflows of resources related to pensions, totaling \$11,510, resulting from the Town's contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending September 30,</u>	<u>Deferred outflows/(inflows), net</u>
2018	\$ 31,507
2019	31,418
2020	31,375
2021	20,272
2022	10,446
Thereafter	(5,760)

Actuarial Assumptions

The HIS pension as of July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary Increases	3.25% average, including inflation
Municipal Bond Rates	3.58%

The actuarial assumptions that determined total pension liability as of June 30, 2017 were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

Discount Rate

The discount rate used to measure the total pension liability for the HIS Plan was 3.58 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town's proportionate share of the net pension liability calculated using a discount rate of 3.58 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate is one percentage point lower (2.58 percent) or one percentage point higher (4.58 percent) than the current rate:

**TOWN OF CUTLER BAY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 8 - RETIREMENT PLANS (Continued)**

**The Retiree Health Insurance Subsidy Program (HIS) (Continued)**

	1% Decrease 2.58%	Current Discount Rate 3.58%	1% Increase 4.58%
Town's proportionate share of the net pension liability	\$ 965,798	\$ 846,350	\$ 746,857

Pension plan fiduciary net position

Detailed information regarding the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report (see above).

Town Allocation

The Town's proportionate share of the HIS Plan's net pension liability, deferred outflow of resources and deferred inflow of resources as of September 30, 2017, and pension expense / adjustment for the fiscal year ended September 30, 2017 was as follows:

	HIS Plan				
	Percent <u>Allocation</u>	Net Pension <u>Liability</u>	Deferred Outflow <u>of Resources</u>	Deferred Inflow <u>of Resources</u>	Pension Expense/ <u>Adjustment</u>
Governmental Activities	100%	\$ (846,350)	\$ 179,019	\$ 48,251	\$ 39,457

**NOTE 9 - 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; injuries to employees; and natural disasters.

The Town participates in the Florida League of Cities (FLC) risk pool. This is a statewide pool with several hundred governmental members. FLC provides the Town with auto liability, general liability, property and workers' compensation coverage. There is no self-insured retention for the Town, excluding a \$1,000 per occurrence property deductible. FLC provides \$1,000,000 for general liability and statutorily required coverage for workers' compensation.

During its past three years, the Town has not incurred any significant claims nor have there been any significant reductions in coverage.

**NOTE 10 - COMMITMENTS AND CONTINGENCIES**

Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the Town. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

Claims and Lawsuits

As of September 30, 2017, the Town was not involved in any claims/lawsuits.

**TOWN OF CUTLER BAY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 10 - COMMITMENTS AND CONTINGENCIES (Continued)**

Agreement with Miami-Dade County for Stormwater Utility Billing

On June 20, 2008, the Town executed an agreement with Miami-Dade County for the County to administer, bill and collect the stormwater utility service charges for the Town. The County bills the Town \$0.92 per bill and also deducts the Town's pro-rata share of debt service on 1999 and 2004 Stormwater Bonds issued by the County. The agreement expires on June 20, 2018 and may be extended for an additional ten (10) year period.

Agreement with Miami-Dade County for Local Police Patrol Services

On May 4, 2010, the Town executed an agreement with Miami-Dade County for local police patrol and other services. Services to the Town under the contract commenced on August 20, 2009. This agreement expired on August 20, 2014. In January 2015, a new agreement was entered into retroactive to August 20, 2014. The County provides a quarterly reconciliation to the Town whereby these monthly budgeted amounts are compared with actual costs incurred and the resulting difference is billed or credited to the Town. Payments for the services provided by the County for subsequent fiscal years shall be based upon the level of staffing services requested by the Town utilizing the actual personnel costs of officers and equipment. For fiscal year 2017, approximately \$9,709,000 was paid by the Town for such services. The current agreement expires on August 20, 2019.

Agreement with Miami-Dade County School Board

In May 2012, the Town entered into an Interlocal agreement with the Miami-Dade County School Board (the "School Board") to provide for the establishment of three choice academies of study at existing Town schools which brought to the Town its first ever high school level curriculum. The upfront cost to the Town was \$2.75 million, \$2 million of which was a one-time initial capital investment for construction of facilities, \$450,000 was for the initial iPrep Academy cost, and \$300,000 was the initial investment for the Cambridge Curriculum.

The costs of the Cambridge Curriculum are subject to annual renewal and could exceed the \$300,000 initial cost if requested by the School Board and approved by the Town Council. The iPrep Academy contribution noted above is the Town's maximum contribution for the first three years of the program. After the third year, contributions of up to \$150,000 a year may be requested for replacement of equipment, subject to approval by the Town Council.

In fiscal year 2017, the amount approved by the Town Council for the fiscal year 2017-2018 school year was \$270,154 for the Cambridge program and \$27,275 for iPrep Academy replacement of equipment.

Agreement with the Town Manager

The contract with the current Town Manager provides for a severance payment to him should the Town Council wish to terminate the Town Manager for convenience. The severance payment, which is payable in lump sum upon termination or within 30 days thereafter at the Town Council's option, shall be equal to twenty weeks of his regular base salary at the time of termination. The Town shall also continue to pay the premium for the Town Manager's health insurance for twenty weeks after the effective date of his termination. No other fringe benefits will be payable under this provision.

The terms of this severance provision do not apply if the Town Manager is terminated for misconduct and/or for violating ethical standards, as defined.

**TOWN OF CUTLER BAY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 11 - POST-EMPLOYMENT HEALTH CARE BENEFITS**

Plan Description:

The Town has a single-employer health insurance post retirement benefit plan. Retirees can continue the same medical coverage they had (including family coverage) as active employees. As required by Florida Law, retirees under age 65 are required to have access to their current plan if they pay the full premium. This is a benefit to retirees because the cost of health insurance for retirees under age 65 exceeds the full premium. Employees will subsidize the cost of retirees under the Group Coverage. There is no benefit for retirees over age 65.

Funding Policy:

These benefits are financed on a pay-as-you-go basis.

An actuarial valuation was performed as of September 30, 2015 to determine the Net OPEB obligation. The plan is not funded. The valuation used the projected unit cost method, with linear proration to assumed benefit commencement.

Annual OPEB Cost and Net OPEB Obligation:

The Town's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize and unfunded actuarial liabilities (or funding excess) over a period not exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation.

Annual required contribution	\$ 14,000
Interest on net OPEB obligation	3,000
Adjustment to annual required contribution	<u>(4,000)</u>
Annual OPEB cost (expense)	13,000
Payments made	<u>8,000</u>
Increase in net OPEB obligation	5,000
Net OPEB obligation - beginning of year	<u>77,000</u>
Net OPEB obligation - end of year	<u><u>\$ 82,000</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
September 30, 2017	\$ 14,000	62%	\$ 82,000
September 30, 2016	13,000	54%	77,000
September 30, 2015	13,000	46%	71,000

**TOWN OF CUTLER BAY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 11 - POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)**

Funded Status and Funding Progress:

As of September 30, 2015, the most recent actuarial valuation date, the plan was 0% funded. At September 30, 2017 the unfunded actuarial accrued liability (UAAL) is \$80,000, the covered payroll (annual payroll of active employees covered by the plan) was \$2,198,000 and the ratio of the UAAL to the covered payroll was 3.6 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. 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 with past expectations and new estimates are made about the future. The schedule of funding progress, presented below, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions:

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

In the September 30, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 5.2% initially, gradually decreasing over time. By 2030 the rate of increase is 5.0% percent. The UAAL is being amortized as a level percentage of projected payroll on a closed basis over thirty years, as of October 1, 2009.

Schedule of Funding Progress for the Town

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
September 30, 2012	-	\$ 39,000	\$ 39,000	0%	\$ 1,500,000	2.6%
September 30, 2015	-	\$ 68,000	\$ 68,000	0%	\$ 1,884,000	3.6%
September 30, 2016	-	\$ 74,000	\$ 74,000	0%	\$ 2,048,000	3.6%

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## REQUIRED SUPPLEMENTARY INFORMATION

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**TOWN OF CUTLER BAY, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts			Variance with Final Budget Positive/(Negative)
	Original	Final	Actual	
Revenues:				
Property taxes	\$ 5,075,687	\$ 5,075,687	\$ 5,077,377	\$ 1,690
Franchise fees	1,200,000	1,200,000	1,080,786	(119,214)
Utility taxes	2,827,500	3,107,500	3,137,950	30,450
Charges for services	340,000	340,000	372,035	32,035
Intergovernmental	6,328,813	6,400,813	6,520,158	119,345
Licenses and permits	985,000	940,000	1,029,704	89,704
Fines and forfeitures	390,000	195,000	214,757	19,757
Interest	40,000	40,000	57,990	17,990
Rental income	500,000	472,000	472,087	87
Miscellaneous	-	-	26,007	26,007
Total revenues	<u>17,687,000</u>	<u>17,771,000</u>	<u>17,988,851</u>	<u>217,851</u>
Expenditures:				
General government	3,052,449	3,009,724	2,782,755	226,969
Legislative	190,428	190,428	158,026	32,402
Town clerk	428,111	428,111	354,348	73,763
Finance	486,183	486,183	432,427	53,756
Town attorney	450,000	450,000	323,854	126,146
Town Hall building	2,376,233	1,876,233	1,630,228	246,005
Community development	1,471,758	1,481,758	1,343,494	138,264
Public works	1,083,156	1,383,156	1,146,548	236,608
Parks and recreation	2,224,258	2,174,258	1,942,322	231,936
Police services	9,686,161	9,911,161	9,783,304	127,857
Total expenditures	<u>21,448,737</u>	<u>21,391,012</u>	<u>19,897,306</u>	<u>1,493,706</u>
Excess (deficiency) of revenues over expenditures	<u>(3,761,737)</u>	<u>(3,620,012)</u>	<u>(1,908,455)</u>	<u>1,711,557</u>
Other financing sources (uses):				
Transfers in	300,000	300,000	299,900	(100)
Transfers out	-	(131,131)	(170,185)	(39,054)
Total other financing sources (uses)	<u>300,000</u>	<u>168,869</u>	<u>129,715</u>	<u>(39,154)</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>(3,461,737)</u>	<u>(3,451,143)</u>	<u>(1,778,740)</u>	<u>1,672,403</u>
Fund balance appropriated	<u>3,461,737</u>	<u>3,451,143</u>	<u>-</u>	<u>(3,451,143)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(1,778,740)</u>	<u>\$ (1,778,740)</u>
Fund balances - beginning			<u>20,529,557</u>	
Fund balances - ending			<u>\$ 18,750,817</u>	

See notes to budgetary comparison schedule

**TOWN OF CUTLER BAY, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - CITT FUND**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	Final Budget
				Positive
				(Negative)
Revenues:				
Intergovernmental	\$ 1,700,000	\$ 1,700,000	\$ 1,771,749	\$ 71,749
Interest	<u>5,000</u>	<u>5,000</u>	<u>7,331</u>	<u>2,331</u>
Total revenues	<u>1,705,000</u>	<u>1,705,000</u>	<u>1,779,080</u>	<u>71,749</u>
Expenditures:				
General government	<u>1,784,077</u>	<u>1,784,077</u>	<u>643,474</u>	<u>1,140,603</u>
Total expenditures	<u>1,784,077</u>	<u>1,784,077</u>	<u>643,474</u>	<u>1,140,603</u>
Excess (deficiency) of				
revenues over expenditures	<u>(79,077)</u>	<u>(79,077)</u>	<u>1,135,606</u>	<u>1,214,683</u>
Other financing sources (uses) :				
Transfers out	<u>(547,997)</u>	<u>(547,997)</u>	<u>(428,529)</u>	<u>119,468</u>
Total other financing sources (uses)	<u>(547,997)</u>	<u>(547,997)</u>	<u>(428,529)</u>	<u>119,468</u>
Revenues over (under) expenditures and				
other financing sources (uses)	<u>(627,074)</u>	<u>(627,074)</u>	<u>707,077</u>	<u>1,334,151</u>
Fund balance appropriated	<u>627,074</u>	<u>627,074</u>	<u>-</u>	<u>(627,074)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>707,077</u>	<u>\$ 707,077</u>
Fund balances, Beginning			<u>2,703,154</u>	
Fund balances, Ending			<u>\$ 3,410,231</u>	

See notes to budgetary comparison schedule

**TOWN OF CUTLER BAY, FLORIDA**  
**NOTES TO BUDGETARY COMPARISON SCHEDULE**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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

- a. Prior to September 1, the Town Manager submits to the Town Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to October 1, the budget is legally enacted through passage of two resolutions - one fixing a millage rate and another adopting the final budget.
- d. Appropriations which are neither expended, encumbered, nor specifically designated to be carried over lapse at the end of the fiscal year.
- e. The Town prepares and adopts a budget for the General Fund and for all other funds known as of the October 1 fiscal year start date. The budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) except for principal payments on their debt. No differences exist between the budgetary or GAAP basis of accounting. Budgeted amounts are as originally adopted, or as amended by the Town Council. The Town Manager may transfer any unencumbered line item allocation of funds, or any portion thereof, to another line item classification within the same department. Amendments to total budgeted appropriations of any of the Town's departments must be approved by the Town Council. Therefore, the legal level of control (level of which expenditures may not exceed the budget) is at the department level.
- f. Formal budgetary integration is employed as a management control device. Additionally, the Town does not utilize encumbrance accounting.

Supplemental appropriations for the fiscal year ended September 30, 2017 were as follows:

In November 2017, the Town Council passed a budget amendment by resolution (#17-103) to:

1. In the General Fund, increase revenues by \$84,000 with a corresponding decrease to appropriation of prior year fund balance. The revenue changes reflected increases to utility taxes (\$240,000 for electricity and \$40,000 for water), \$12,000 for local option gas taxes, \$10,000 for communications services taxes, and \$50,000 local government half-cent sales tax, offset by decreases in judgments and fines (\$195,000), building permits (\$15,000), zoning fees (\$30,000), and rental income (\$28,000).
2. In the General Fund, increase total expenditures by \$73,406 with a corresponding increase to appropriation of prior year fund balance. there was no net change in total budgeted expenditures, but rather a Town Council approved re-allocation of departmental totals. The budget amendment increased expenditures (a) in the Community Development department by \$10,000 for other contractual services, (b) in the Public Works department by \$300,000 for other contractual services, (c) in the Law Enforcement department by \$225,000 for professional services, and (d) in Transfers Out by \$131,131. These increases were offset by (a) a \$500,000 decrease in capital outlay for the Town Hall Building department, (b) a \$42,725 decrease in the General Government department (\$15,000 decrease in rentals and leases, \$10,000 decrease in repairs and maintenance, \$10,000 decrease in other current charges, \$35,000 decrease in capital outlay, offset by an \$27,275 increase in contributions and aid to government entities), and (c) a \$50,000 decrease in the Parks and Recreation department (\$120,000 decrease in salaries, \$10,000 decrease in payroll taxes, and a \$20,000 decrease in retirement contributions, offset by a \$75,000 increase in other contractual services and a \$25,000 increase in repairs and maintenance).

**TOWN OF CUTLER BAY, FLORIDA**  
**NOTES TO BUDGETARY COMPARISON SCHEDULE**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2017**

3. In the Special Revenue – The Children's Trust Fund, an increase in grant revenues by \$136,350 offset by increased program expenditures of \$136,350.
4. In the Special Revenue – DJJ Fund, an increase in grant revenues by \$61,500 offset by increased program expenditures of \$61,500.

The General Fund, Special Revenue Fund, Transportation Fund, The Children's Trust Fund, Safe Routes to School Fund, DJJ Fund, Sidewalks Fund, JPA (Caribbean Blvd) Fund, CITT Fund, Capital Projects (Parks) Fund and the Stormwater Fund have legally adopted budgets which were passed prior to the October 1, 2016 fiscal year start date. All funds with legally adopted budgets have been included as either a budgetary comparison schedule in the required supplementary information section or as a schedule of revenues, expenditures and changes in fund balance – budget vs. actual (governmental funds) or a schedule of revenues, expenses and changes in net position – budget vs. actual (proprietary fund) in the combining financial statements section.

**TOWN OF CUTLER BAY, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE**  
**OF THE NET PENSION LIABILITY**  
**FLORIDA RETIREMENT SYSTEM PENSION PLAN (FRS)**  
**SEPTEMBER 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportion of the FRS net pension liability	0.0093%	0.0086%	0.0090%	0.0079%
Town's proportionate share of the FRS net pension liability	\$ 2,756,704	\$ 2,173,623	\$ 1,161,135	\$ 479,192
Town's covered employee payroll	2,522,996	2,346,800	2,267,234	2,170,781
Town's proportionate share of the FRS net pension liability as a percentage of its covered employee payroll	109.26%	92.62%	51.21%	22.07%
FRS Plan fiduciary net position as a percentage of the total pension liability	83.69%	84.88%	92.00%	96.09%

**SCHEDULE OF THE TOWN'S CONTRIBUTIONS -**  
**FLORIDA RETIREMENT SYSTEM PENSION PLAN (FRS)**  
**SEPTEMBER 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required FRS contribution	\$ 291,685	\$ 263,864	\$ 257,764	\$ 221,937
FRS contribution in relation to the contractually required contribution	<u>(291,685)</u>	<u>(263,864)</u>	<u>(257,764)</u>	<u>(221,937)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	2,563,058	2,452,272	2,292,976	2,191,509
FRS contribution as a percentage of covered employee payroll	11.38%	10.76%	11.24%	10.13%

Note: The schedule is presented to illustrate the requirements of GASB Statement No. 68. Currently, only data for fiscal years September 30, 2014, 2015, 2016 and 2017 are available.

**TOWN OF CUTLER BAY, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE**  
**OF THE NET PENSION LIABILITY**  
**HEALTH INSURANCE SUBSIDY PENSION PLAN (HIS)**  
**SEPTEMBER 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportion of the HIS net pension liability	0.0079%	0.0076%	0.0075%	0.0073%
Town's proportionate share of the HIS net pension liability	\$ 846,350	\$ 885,811	\$ 762,143	\$ 683,152
Town's covered employee payroll	2,522,996	2,346,800	2,267,234	2,170,781
Town's proportionate share of the HIS net pension liability as a percentage of its covered employee payroll	33.55%	37.75%	33.62%	31.47%
HIS Plan fiduciary net position as a percentage of the total pension liability	1.64%	0.97%	0.50%	0.99%

**SCHEDULE OF THE TOWN'S CONTRIBUTIONS -**  
**HEALTH INSURANCE SUBSIDY PENSION PLAN (HIS)**  
**SEPTEMBER 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required HIS contribution	\$ 42,547	\$ 40,708	\$ 31,082	\$ 26,611
HIS contribution in relation to the contractually required contribution	<u>(42,547)</u>	<u>(40,708)</u>	<u>(31,082)</u>	<u>(26,611)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	2,563,058	2,452,272	2,292,976	2,191,509
HIS contribution as a percentage of covered employee payroll	1.66%	1.66%	1.36%	1.21%

Note: The schedule is presented to illustrate the requirements of GASB Statement No. 68. Currently, only data for fiscal years September 30, 2014, 2015, 2016 and 2017 are available.

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## **COMBINING FINANCIAL STATEMENTS**

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## NON-MAJOR GOVERNMENTAL FUNDS

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### Special Revenue Funds

Special revenue funds are used to account for specific revenue that is legally restricted to expenditure for particular purposes.

**Special Revenue Fund** – This fund was established to account for impact fees and gas tax revenues that are restricted to use for specific purposes.

**Transportation Fund** – This fund was established to account for revenues derived from a grant from Miami Dade County and other sources to be used specifically for a Complete Streets study.

**The Children's Trust Fund** – This fund was established to account for revenues derived from the grant from The Children's Trust of Miami Dade County to be used specifically for children's programs at the Town's parks.

**Safe Routes to School Fund** – This fund was established to account for the revenues derived from grants and other sources to be used specifically for an enhanced walkway accessibility project located at a local school within the Town.

**DJJ Fund** – This fund was established to account for revenues derived from a grant by the Department of Juvenile Justice to provide programs for at-risk youths at the Town's parks.

**Sidewalks Fund** – This fund was established to account for revenues derived from road impact fees and other sources to be used specifically for a sidewalk connectivity project around a local school within the Town.

**JPA (Caribbean Blvd) Fund** – This fund was established to account for the revenues derived from Miami-Dade County to be used specifically for road improvements to Caribbean Boulevard within the Town.

### Capital Projects Funds

Capital projects funds are used to account for financial resources to be used for acquisition or construction of major capital assets other than those financed by proprietary or trust funds.

**Capital Projects (Parks) Fund** – This fund was established to account for revenues derived from grants, impact fees and other sources to be used on various park improvement projects within the Town.



**TOWN OF CUTLER BAY, FLORIDA**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2017**

	Special Revenue Funds							Capital Projects	Total Nonmajor
	Special Revenue Fund	Transportation Fund	The Children's Trust Fund	Safe Routes To School	DJJ Fund	Sidewalks	JPA (Caribbean Blvd.) Fund	Capital Projects (Parks) Fund	Governmental Funds
<u>ASSETS</u>									
Restricted Cash	\$ 1,895,516	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,895,516
Accounts receivables, net	18,661	9,193	104,907	314,762	5,230	-	116,107	-	568,860
Prepays	-	-	1,020	-	-	-	-	-	1,020
Due from other funds	-	-	-	-	-	-	-	1,000	1,000
Total assets	<u>\$ 1,914,177</u>	<u>\$ 9,193</u>	<u>\$ 105,927</u>	<u>\$ 314,762</u>	<u>\$ 5,230</u>	<u>\$ -</u>	<u>\$ 116,107</u>	<u>\$ 1,000</u>	<u>\$ 2,466,396</u>
<u>LIABILITIES</u>									
Accounts payable	\$ -	\$ 752	\$ 51,556	\$ 42,944	\$ 1,047	\$ -	\$ 261	\$ 1,000	\$ 97,560
Due to other funds	113,296	8,441	54,371	271,818	4,183	-	115,846	-	567,955
Total liabilities	<u>113,296</u>	<u>9,193</u>	<u>105,927</u>	<u>314,762</u>	<u>5,230</u>	<u>-</u>	<u>116,107</u>	<u>1,000</u>	<u>665,515</u>
<u>FUND BALANCES</u>									
Restricted	<u>1,800,881</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,800,881</u>
Total fund balances	<u>1,800,881</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,800,881</u>
Total liabilities and fund balances	<u>\$ 1,914,177</u>	<u>\$ 9,193</u>	<u>\$ 105,927</u>	<u>\$ 314,762</u>	<u>\$ 5,230</u>	<u>\$ -</u>	<u>\$ 116,107</u>	<u>\$ 1,000</u>	<u>\$ 2,466,396</u>

**TOWN OF CUTLER BAY, FLORIDA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	Special Revenue Funds							Capital Projects	Total Nonmajor Governmental Funds
	Special Revenue Fund	Transportation Fund	The Children's Trust Fund	Safe Routes To School	DJJ Fund	Sidewalks	JPA (Caribbean Blvd.) Fund	Capital Projects (Parks) Fund	
Revenues:									
Intergovernmental	\$ 220,285	\$ 50,000	\$ 254,161	322,745	5,230	\$ -	901,135	\$ -	\$ 1,753,556
Impact fees	78,838	-	-	-	-	-	-	-	78,838
Interest	5,255	-	-	-	-	-	-	-	5,255
Total revenues	<u>304,378</u>	<u>50,000</u>	<u>254,161</u>	<u>322,745</u>	<u>5,230</u>	<u>-</u>	<u>901,135</u>	<u>-</u>	<u>1,837,649</u>
Expenditures:									
Current:									
General government	-	70,000	-	401,152	-	-	1,231,257	-	1,702,409
Parks and recreation	-	-	254,161	-	5,230	-	-	-	259,391
Capital outlay:									
General government	-	-	-	-	-	3,293	39,054	-	42,347
Parks and recreation	-	-	-	-	-	-	-	469,949	469,949
Total expenditures	<u>-</u>	<u>70,000</u>	<u>254,161</u>	<u>401,152</u>	<u>5,230</u>	<u>3,293</u>	<u>1,270,311</u>	<u>469,949</u>	<u>2,474,096</u>
Excess (deficiency) of revenues over expenditures	<u>304,378</u>	<u>(20,000)</u>	<u>-</u>	<u>(78,407)</u>	<u>-</u>	<u>(3,293)</u>	<u>(369,176)</u>	<u>(469,949)</u>	<u>(636,447)</u>
Other financing sources:									
Transfers in	-	20,000	-	78,407	-	3,293	369,176	469,949	940,825
Transfers out	(642,011)	-	-	-	-	-	-	-	(642,011)
Total other financing sources (uses)	<u>(642,011)</u>	<u>20,000</u>	<u>-</u>	<u>78,407</u>	<u>-</u>	<u>3,293</u>	<u>369,176</u>	<u>469,949</u>	<u>298,814</u>
Net change in fund balance	<u>(337,633)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(337,633)</u>
Fund balances, beginning	<u>2,138,514</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,138,514</u>
Fund balances, ending	<u>\$ 1,800,881</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,800,881</u>

**TOWN OF CUTLER BAY, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET VS ACTUAL - SPECIAL REVENUE FUND**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts		Actual	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
Revenues:				
Intergovernmental	\$ 212,609	\$ 212,609	\$ 220,285	\$ 7,676
Impact fees	145,000	145,000	78,838	(66,162)
Interest	<u>3,000</u>	<u>3,000</u>	<u>5,255</u>	<u>2,255</u>
Total revenues	<u>360,609</u>	<u>360,609</u>	<u>304,378</u>	<u>(56,231)</u>
Other financing uses:				
Transfers out	<u>(1,332,550)</u>	<u>(1,332,550)</u>	<u>(642,011)</u>	<u>690,539</u>
Total other financing use	<u>(1,332,550)</u>	<u>(1,332,550)</u>	<u>(642,011)</u>	<u>690,539</u>
Revenues over (under) expenditures and other financing sources (uses)	(971,941)	(971,941)	(337,633)	634,308
Fund balance appropriated	<u>971,941</u>	<u>971,941</u>	<u>-</u>	<u>(971,941)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(337,633)</u>	<u>\$ (337,633)</u>
Fund balances, beginning			<u>2,138,514</u>	
Fund balances, ending			<u><u>\$ 1,800,881</u></u>	

**TOWN OF CUTLER BAY, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET VS ACTUAL - THE CHILDREN'S TRUST FUND**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 143,190	\$ 279,540	\$ 254,161	\$ (25,379)
Total revenues	<u>143,190</u>	<u>279,540</u>	<u>254,161</u>	<u>(25,379)</u>
Expenditures:				
Current:				
Parks and recreation	<u>143,190</u>	<u>279,540</u>	<u>254,161</u>	<u>25,379</u>
Total expenditures	<u>143,190</u>	<u>279,540</u>	<u>254,161</u>	<u>25,379</u>
Revenues over (under) expenditures	-	-	-	-
Fund balance appropriated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances, beginning			<u>-</u>	
Fund balances, ending			<u><u>\$ -</u></u>	

**TOWN OF CUTLER BAY, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET VS ACTUAL - CAPITAL PROJECTS (PARKS) FUND**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts		Actual	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 200,000	\$ 200,000	\$ -	\$ (200,000)
Total revenues	<u>200,000</u>	<u>200,000</u>	<u>-</u>	<u>(200,000)</u>
Expenditures:				
Capital outlay:				
Parks and recreation	<u>950,000</u>	<u>950,000</u>	<u>469,949</u>	<u>480,051</u>
Total expenditures	<u>950,000</u>	<u>950,000</u>	<u>469,949</u>	<u>480,051</u>
Deficiency of revenues under expenditures before other financing sources	<u>(750,000)</u>	<u>(750,000)</u>	<u>(469,949)</u>	<u>280,051</u>
Other financing sources:				
Transfers in	<u>750,000</u>	<u>750,000</u>	<u>469,949</u>	<u>(280,051)</u>
Total other financing sources	<u>750,000</u>	<u>750,000</u>	<u>469,949</u>	<u>(280,051)</u>
Revenues over (under) expenditures and other financing sources (uses)	-	-	-	-
Fund balance appropriated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances, beginning			<u>-</u>	
Fund balances, ending			<u><u>\$ -</u></u>	

See notes to budgetary comparison schedule

**TOWN OF CUTLER BAY, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET VS ACTUAL - SAFE ROUTES TO SCHOOL FUND**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Intergovernmental	\$ 371,490	\$ 371,490	\$ 322,745	\$ (48,745)
Total revenues	<u>371,490</u>	<u>371,490</u>	<u>322,745</u>	<u>(48,745)</u>
Expenditures:				
Current:				
General Government	<u>465,212</u>	<u>465,212</u>	<u>401,152</u>	<u>64,060</u>
Total expenditures	<u>465,212</u>	<u>465,212</u>	<u>401,152</u>	<u>64,060</u>
Deficiency of revenues under expenditures				
before other financing sources	<u>(93,722)</u>	<u>(93,722)</u>	<u>(78,407)</u>	<u>15,315</u>
Other financing sources:				
Transfers in	<u>93,722</u>	<u>93,722</u>	<u>78,407</u>	<u>(15,315)</u>
Total other financing sources	<u>93,722</u>	<u>93,722</u>	<u>78,407</u>	<u>(15,315)</u>
Revenues over (under) expenditures and				
other financing sources (uses)	-	-	-	-
Fund balance appropriated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances, beginning			<u>-</u>	
Fund balances, ending			<u>\$ -</u>	

See notes to budgetary comparison schedule

**TOWN OF CUTLER BAY, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET VS ACTUAL - SIDEWALKS FUND**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures:				
Capital outlay:				
General Government	345,050	345,050	3,293	341,757
Total expenditures	345,050	345,050	3,293	341,757
Deficiency of revenues under expenditures				
before other financing sources	(345,050)	(345,050)	(3,293)	341,757
Other financing sources:				
Transfers in	345,050	345,050	3,293	(341,757)
Total other financing sources	345,050	345,050	3,293	(341,757)
Revenues over (under) expenditures and				
other financing sources (uses)	-	-	-	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund balances, beginning			-	
Fund balances, ending			\$ -	

See notes to budgetary comparison schedule

**TOWN OF CUTLER BAY, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET VS ACTUAL - TRANSPORTATION FUND**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues:				
Intergovernmental	\$ 50,000	\$ 50,000	\$ 50,000	\$ -
Total revenues	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Expenditures:				
Current:				
General government	<u>70,000</u>	<u>70,000</u>	<u>70,000</u>	<u>-</u>
Total expenditures	<u>70,000</u>	<u>70,000</u>	<u>70,000</u>	<u>-</u>
Deficiency of revenues under expenditures before other financing sources	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
Other financing sources:				
Transfers in	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Total other financing sources	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Revenues over (under) expenditures and other financing sources (uses)	-	-	-	
Fund balance appropriated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances, beginning			<u>-</u>	
Fund balances, ending			<u>\$ -</u>	

See notes to budgetary comparison schedule



**TOWN OF CUTLER BAY, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET VS ACTUAL - DJJ FUND**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues:				
Intergovernmental	\$ -	\$ 61,500	\$ 5,230	\$ (56,270)
Total revenues	-	61,500	5,230	(56,270)
Expenditures:				
Current:				
Parks and recreation	-	61,500	5,230	56,270
Total expenditures	-	61,500	5,230	56,270
Deficiency of revenues under expenditures before other financing sources	-	-	-	-
Other financing sources:				
Transfers in	-	-	-	-
Total other financing sources	-	-	-	-
Revenues over (under) expenditures and other financing sources (uses)	-	-	-	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund balances, beginning			-	
Fund balances, ending			<u>\$ -</u>	

See notes to budgetary comparison schedule

**TOWN OF CUTLER BAY, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET VS ACTUAL - JPA (CARIBBEAN BLVD) FUND**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues:				
Intergovernmental	\$ 945,166	\$ 945,166	\$ 901,135	\$ (44,031)
Total revenues	<u>945,166</u>	<u>945,166</u>	<u>901,135</u>	<u>(44,031)</u>
Expenditures:				
Current:				
General government	1,316,941	1,316,941	1,231,257	85,684
Capital outlay:				
General government	<u>-</u>	<u>-</u>	<u>39,054</u>	<u>(39,054)</u>
Total expenditures	<u>1,316,941</u>	<u>1,316,941</u>	<u>1,270,311</u>	<u>46,630</u>
Deficiency of revenues under expenditures and other financing sources	<u>(371,775)</u>	<u>(371,775)</u>	<u>(369,176)</u>	<u>2,599</u>
Other financing sources:				
Transfers in	<u>371,775</u>	<u>371,775</u>	<u>369,176</u>	<u>(2,599)</u>
Total other financing sources	<u>371,775</u>	<u>371,775</u>	<u>369,176</u>	<u>(2,599)</u>
Revenues over (under) expenditures and other financing sources (uses)	-	-	-	-
Fund balance appropriated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances, beginning			<u>-</u>	<u>-</u>
Fund balances, ending			<u>\$ -</u>	

See notes to budgetary comparison schedule

**TOWN OF CUTLER BAY, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**BUDGET VS ACTUAL - STORMWATER FUND**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Operating revenues:				
Charges for services	<u>\$ 1,025,000</u>	<u>\$ 1,025,000</u>	<u>\$ 1,040,448</u>	<u>\$ 15,448</u>
Total operating revenues	<u>1,025,000</u>	<u>1,025,000</u>	<u>1,040,448</u>	<u>15,448</u>
Operating expenses:				
Operations and maintenance	<u>1,501,000</u>	<u>1,501,000</u>	<u>1,031,549</u>	<u>469,451</u>
Total operating expenses	<u>1,501,000</u>	<u>1,501,000</u>	<u>1,031,549</u>	<u>469,451</u>
Operating loss (Gain)	<u>(476,000)</u>	<u>(476,000)</u>	<u>8,899</u>	<u>484,899</u>
Non-operating revenues (expenses):				
Interest income	-	-	2,597	2,597
Interest expense	-	-	<u>(69,923)</u>	<u>(69,923)</u>
Total non-operating revenues (expenses)	<u>-</u>	<u>-</u>	<u>(67,326)</u>	<u>(67,326)</u>
Changes in net position	<u>(476,000)</u>	<u>(476,000)</u>	<u>(58,427)</u>	<u>417,573</u>
Net position, beginning	<u>4,914,149</u>	<u>4,914,149</u>	<u>4,914,149</u>	
Net position, ending	<u>\$ 4,438,149</u>	<u>\$ 4,438,149</u>	<u>\$ 4,855,722</u>	

See notes to budgetary comparison schedule

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## STATISTICAL SECTION

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## STATISTICAL SECTION

This part of the Town of Cutler Bay'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 government's overall financial health.

<u>Contents</u>	<u>Page</u>
<b>Financial Trends</b>	
<i>These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.</i>	<b>77-81</b>
<b>Revenue Capacity</b>	
<i>These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax.</i>	<b>82-86</b>
<b>Debt Capacity</b>	
<i>These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.</i>	<b>87-88</b>
<b>Demographic and Economic Information</b>	
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.</i>	<b>89-90</b>
<b>Operating Information</b>	
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.</i>	<b>91-93</b>

**TOWN OF CUTLER BAY, FLORIDA**

Net Position By Component  
Last Ten Fiscal Years  
(accrual basis of accounting)

	Fiscal Year									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Governmental activities:										
Net investment in capital assets	\$ 40,987,278	\$ 36,283,066	\$ 36,899,978	\$ 41,728,510	\$ 38,086,861	\$ 35,405,031	\$ 32,556,771	\$ 31,256,699	\$ 31,594,819	\$ 30,309,365
Restricted	2,030,550	1,887,878	4,366,337	3,001,303	5,155,469	5,423,140	5,359,233	5,250,912	4,899,680	5,274,302
Unrestricted	8,890,979	12,283,344	14,899,090	16,400,954	17,822,255	19,647,398	21,592,128	19,504,090	16,861,145	14,795,314
Total governmental activities net position	<u>\$ 51,908,807</u>	<u>\$ 50,454,288</u>	<u>\$ 56,165,405</u>	<u>\$ 61,130,767</u>	<u>\$ 61,064,585</u>	<u>\$ 60,475,569</u>	<u>\$ 59,508,132</u>	<u>\$ 56,011,701</u>	<u>\$ 53,355,644</u>	<u>\$ 50,378,981</u>
Business-type activities:										
Net investment in capital assets	\$ -	\$ 235,923	\$ 3,049,733	\$ 3,103,107	\$ 3,054,780	\$ 3,252,882	\$ 3,233,375	\$ 3,748,383	\$ 3,804,419	\$ 3,834,666
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	84,567	486,401	830,138	764,999	1,060,938	1,000,073	1,102,740	1,168,704	1,109,730	1,021,056
Total business-type activities net position	<u>\$ 84,567</u>	<u>\$ 722,324</u>	<u>\$ 3,879,871</u>	<u>\$ 3,868,106</u>	<u>\$ 4,115,718</u>	<u>\$ 4,252,955</u>	<u>\$ 4,336,115</u>	<u>\$ 4,917,087</u>	<u>\$ 4,914,149</u>	<u>\$ 4,855,722</u>
Primary government:										
Net investment in capital assets	\$ 40,987,278	\$ 36,518,989	\$ 39,949,711	\$ 44,831,617	\$ 41,141,641	\$ 38,657,913	\$ 35,790,146	\$ 35,005,082	\$ 35,399,238	\$ 34,144,031
Restricted	2,030,550	1,887,878	4,366,337	3,001,303	5,155,469	5,423,140	5,359,233	5,250,912	4,899,680	5,274,302
Unrestricted	8,975,546	12,769,745	15,729,228	17,165,953	18,883,193	20,647,471	22,694,868	20,672,794	17,970,875	15,816,370
Total primary government net position	<u>\$ 51,993,374</u>	<u>\$ 51,176,612</u>	<u>\$ 60,045,276</u>	<u>\$ 64,998,873</u>	<u>\$ 65,180,303</u>	<u>\$ 64,728,524</u>	<u>\$ 63,844,247</u>	<u>\$ 60,928,788</u>	<u>\$ 58,269,793</u>	<u>\$ 55,234,703</u>

**TOWN OF CUTLER BAY, FLORIDA**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
**(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>EXPENSES</b>										
Governmental activities:										
General government	\$ 3,436,645	\$ 3,565,748	\$ 4,256,359	\$ 4,604,808	\$ 9,891,870	\$ 8,791,886	\$ 10,559,285	\$ 10,446,141	\$ 9,441,001	\$ 8,297,990
Public safety	6,871,073	7,890,206	7,490,653	8,055,192	8,093,112	7,935,541	8,040,961	8,834,295	8,993,764	9,790,469
Community development	1,957,968	2,898,067	2,859,147	2,568,161	2,534,614	3,100,748	2,576,918	2,538,437	2,427,984	2,535,174
Parks and recreation	1,438,346	1,576,740	1,624,291	1,729,029	2,784,113	3,045,599	3,186,576	3,282,201	3,364,464	3,533,963
Interest on long-term debt	7,199	6,087	300,708	678,969	569,292	693,494	685,863	618,922	464,240	424,647
Total governmental activities	<u>13,711,231</u>	<u>15,936,848</u>	<u>16,531,159</u>	<u>17,636,160</u>	<u>23,873,001</u>	<u>23,567,268</u>	<u>25,049,603</u>	<u>25,719,995</u>	<u>24,691,452</u>	<u>24,582,243</u>
Business-type activities:										
Stormwater	18,796	390,732	465,206	1,005,774	921,574	765,001	881,372	1,028,082	1,014,553	1,031,549
Interest on long-term debt	48,588	194,244	194,280	114,095	111,070	107,847	55,157	69,563	72,139	69,923
Total business-type activities	<u>67,384</u>	<u>584,976</u>	<u>659,486</u>	<u>1,119,869</u>	<u>1,032,644</u>	<u>872,848</u>	<u>936,529</u>	<u>1,097,645</u>	<u>1,086,692</u>	<u>1,101,472</u>
Total primary government expenses	<u>\$ 13,778,615</u>	<u>\$ 16,521,824</u>	<u>\$ 17,190,645</u>	<u>\$ 18,756,029</u>	<u>\$ 24,905,645</u>	<u>\$ 24,440,116</u>	<u>\$ 25,986,132</u>	<u>\$ 26,817,640</u>	<u>\$ 25,778,144</u>	<u>\$ 25,683,715</u>
<b>PROGRAM REVENUES</b>										
Governmental activities:										
Charges for services:										
General government	39,737	139,451	548,152	868,797	678,010	747,983	714,016	655,583	724,140	554,355
Public safety	443,701	395,610	519,974	444,159	746,851	635,494	604,101	692,474	672,027	381,480
Community development	792,172	723,271	1,050,184	1,004,857	1,165,854	2,310,194	1,379,074	1,094,979	1,037,220	1,029,705
Parks and recreation	136,593	140,853	3,631,061	306,739	412,148	787,381	216,547	182,384	151,233	123,292
Operating grants and contributions	249,051	384,452	1,238,145	465,658	6,003,742	4,127,545	5,838,648	5,503,496	3,807,943	3,434,440
Capital grants and contributions	32,573,921	715,331	787,789	5,758,822	740,758	197,882	612,014	260,810	303,553	299,123
Total governmental activities program revenues	<u>34,235,175</u>	<u>2,498,968</u>	<u>7,775,305</u>	<u>8,849,032</u>	<u>9,747,363</u>	<u>8,806,479</u>	<u>9,364,400</u>	<u>8,389,726</u>	<u>6,696,116</u>	<u>5,822,395</u>
Business-type activities:										
Charges for services:										
Stormwater	150,693	986,119	981,683	988,796	986,525	1,007,439	967,654	1,028,456	1,011,803	1,040,448
Operating grants and contributions	-	-	-	-	-	-	49,400	-	-	-
Capital grants and contributions	-	150,456	364,570	100,812	291,494	-	-	629,504	70,597	-
Total business-type activities program revenues	<u>150,693</u>	<u>1,136,575</u>	<u>1,346,253</u>	<u>1,089,608</u>	<u>1,278,019</u>	<u>1,007,439</u>	<u>1,017,054</u>	<u>1,657,960</u>	<u>1,082,400</u>	<u>1,040,448</u>
Total primary government revenues	<u>\$ 34,385,868</u>	<u>\$ 3,635,543</u>	<u>\$ 9,121,558</u>	<u>\$ 9,938,640</u>	<u>\$ 11,025,382</u>	<u>\$ 9,813,918</u>	<u>\$ 10,381,454</u>	<u>\$ 10,047,686</u>	<u>\$ 7,778,516</u>	<u>\$ 6,862,843</u>
Net revenue (expense):										
Governmental activities	20,523,944	(13,437,880)	(8,755,854)	(8,787,128)	(14,125,638)	(14,760,789)	(15,685,203)	(17,330,269)	(17,995,336)	(18,759,848)
Business-type activities	83,309	551,599	686,767	(30,261)	245,375	134,591	80,525	560,315	(4,292)	(61,024)
Total primary government net revenues (expenses)	<u>\$ 20,607,253</u>	<u>\$ (12,886,281)</u>	<u>\$ (8,069,087)</u>	<u>\$ (8,817,389)</u>	<u>\$ (13,880,263)</u>	<u>\$ (14,626,198)</u>	<u>\$ (15,604,678)</u>	<u>\$ (16,769,954)</u>	<u>\$ (17,999,628)</u>	<u>\$ (18,820,872)</u>

**TOWN OF CUTLER BAY, FLORIDA**  
**CHANGES IN NET POSITION (Continued)**  
**LAST TEN FISCAL YEARS**  
**(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>General revenues and Other Changes in Net Position:</b>										
Governmental activities:										
Property taxes	6,667,064	6,599,152	5,448,770	4,215,773	4,254,352	4,113,511	4,423,111	4,384,908	4,638,277	5,077,377
Utility taxes	2,155,040	2,186,688	2,379,305	2,412,904	2,472,062	2,640,920	2,920,053	2,921,455	3,026,608	3,137,950
Franchise fees based on gross receipts	1,636,231	1,791,088	1,864,675	1,419,636	1,616,617	1,531,087	1,240,721	1,252,984	1,319,529	1,080,786
Unrestricted intergovernmental revenue	5,123,456	5,463,037	5,074,418	5,386,442	5,653,427	5,815,863	6,063,408	6,247,502	6,281,535	6,390,738
Unrestricted interest and other income	305,716	197,380	108,463	63,707	63,705	70,392	70,473	54,002	73,330	70,576
Miscellaneous revenues	58,801	19,194	-	271,010	-	-	-	105,167	-	25,758
Gains (losses) on disposal of capital assets	-	-	-	-	(707)	-	-	-	-	-
Total governmental activities	<u>15,946,308</u>	<u>16,256,539</u>	<u>14,875,631</u>	<u>13,769,472</u>	<u>14,059,456</u>	<u>14,171,773</u>	<u>14,717,766</u>	<u>14,966,018</u>	<u>15,339,279</u>	<u>15,783,185</u>
Business-type activities:										
Interest earnings	1,258	4,820	3,227	1,514	2,237	2,646	2,637	2,226	1,354	2,597
Miscellaneous revenues	-	-	-	-	-	-	-	18,430	-	-
Total business-type activities	<u>1,258</u>	<u>4,820</u>	<u>3,227</u>	<u>1,514</u>	<u>2,237</u>	<u>2,646</u>	<u>2,637</u>	<u>20,656</u>	<u>1,354</u>	<u>2,597</u>
Total primary government	<u>\$ 15,947,566</u>	<u>\$ 16,261,359</u>	<u>\$ 14,878,858</u>	<u>\$ 13,770,986</u>	<u>\$ 14,061,693</u>	<u>\$ 14,174,419</u>	<u>\$ 14,720,403</u>	<u>\$ 14,986,674</u>	<u>\$ 15,340,633</u>	<u>\$ 15,785,782</u>
<b>Transfers</b>										
Governmental activities	\$ -	\$ (81,338)	\$ (408,660)	\$ (16,982)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business-type activities	-	81,338	408,660	16,982	-	-	-	-	-	-
Total primary government	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Change in Net Position</b>										
Governmental activities	\$ 36,470,252	\$ 2,737,321	\$ 5,711,117	\$ 4,965,362	\$ (66,182)	\$ (589,016)	\$ (967,437)	\$ (2,364,251)	\$ (2,656,057)	\$ (2,976,663)
Business-type activities	<u>84,567</u>	<u>637,757</u>	<u>1,098,654</u>	<u>(11,765)</u>	<u>247,612</u>	<u>137,237</u>	<u>83,162</u>	<u>580,971</u>	<u>(2,938)</u>	<u>(58,427)</u>
Total primary government	<u>\$ 36,554,819</u>	<u>\$ 3,375,078</u>	<u>\$ 6,809,771</u>	<u>\$ 4,953,597</u>	<u>\$ 181,430</u>	<u>\$ (451,779)</u>	<u>\$ (884,275)</u>	<u>\$ (1,783,280)</u>	<u>\$ (2,658,995)</u>	<u>\$ (3,035,090)</u>



**TOWN OF CUTLER BAY, FLORIDA**  
Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

	Fiscal Year									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Fund										
Nonspendable	\$ 289,207	\$ 271,536	\$ 318,729	\$ 234,197	333,852	\$ 401,549	\$ 433,700	\$ 362,970	\$ 456,977	\$ 426,781
Restricted	-	-	-	-	-	2,542	2,548	49,907	58,012	63,190
Assigned	3,000,000	3,690,000	3,800,000	5,300,000	5,860,700	5,395,000	5,060,700	2,000,000	2,000,000	2,000,000
Unassigned	<u>5,669,213</u>	<u>8,423,267</u>	<u>10,903,244</u>	<u>11,023,623</u>	<u>11,781,272</u>	<u>14,047,222</u>	<u>16,301,450</u>	<u>18,519,846</u>	<u>18,014,568</u>	<u>16,260,846</u>
Total general fund	<u>\$ 8,958,420</u>	<u>\$ 12,384,803</u>	<u>\$ 15,021,973</u>	<u>\$ 16,557,820</u>	<u>\$ 17,975,824</u>	<u>\$ 19,846,313</u>	<u>\$ 21,798,398</u>	<u>\$ 20,932,723</u>	<u>\$ 20,529,557</u>	<u>\$ 18,750,817</u>
 All other governmental funds										
Restricted	<u>\$ 2,030,550</u>	<u>\$ 1,887,878</u>	<u>\$ 4,366,337</u>	<u>\$ 3,001,303</u>	<u>\$ 5,155,469</u>	<u>\$ 5,420,598</u>	<u>\$ 5,356,686</u>	<u>\$ 5,201,005</u>	<u>\$ 4,841,668</u>	<u>\$ 5,211,112</u>
Total all other governmental funds	<u>\$ 2,030,550</u>	<u>\$ 1,887,878</u>	<u>\$ 4,366,337</u>	<u>\$ 3,001,303</u>	<u>\$ 5,155,469</u>	<u>\$ 5,420,598</u>	<u>\$ 5,356,686</u>	<u>\$ 5,201,005</u>	<u>\$ 4,841,668</u>	<u>\$ 5,211,112</u>

**TOWN OF CUTLER BAY, FLORIDA**  
Changes in Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

	Fiscal Year									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>REVENUES</b>										
Property taxes	\$ 6,667,064	\$ 6,599,152	\$ 5,448,770	\$ 4,215,773	\$ 4,254,352	\$ 4,113,511	\$ 4,423,111	\$ 4,384,908	\$ 4,638,277	\$ 5,077,377
Licenses and permits	1,117,357	1,023,098	1,308,923	972,479	1,125,494	2,195,599	1,379,074	1,094,979	1,037,219	1,029,704
Utility taxes	2,155,040	2,186,688	2,379,305	2,412,904	2,472,062	2,640,920	2,920,053	2,921,455	3,026,608	3,137,950
Franchise fees	1,636,231	1,791,088	1,864,675	1,419,636	1,616,617	1,531,087	1,240,721	1,252,984	1,319,529	1,080,786
Intergovernmental revenue	5,980,712	6,516,513	6,751,576	11,603,916	12,160,953	10,141,289	12,108,477	11,963,293	10,348,390	10,045,463
Charges for services	311,519	376,087	3,987,314	408,889	417,966	472,880	462,867	444,105	413,625	372,035
Interest and other	364,517	262,881	565,096	1,313,897	1,760,082	1,882,515	1,515,307	1,294,020	1,251,747	862,265
Total revenues	<u>18,232,440</u>	<u>18,755,507</u>	<u>22,305,659</u>	<u>22,347,494</u>	<u>23,807,526</u>	<u>22,977,801</u>	<u>24,049,610</u>	<u>23,355,744</u>	<u>22,035,395</u>	<u>21,605,580</u>
<b>EXPENDITURES</b>										
Current:										
General government	3,294,772	3,415,710	4,463,461	3,606,047	9,175,385	8,016,148	9,819,200	9,700,760	8,356,818	7,084,965
Public safety	6,815,994	7,837,236	7,440,693	8,007,537	8,066,879	7,918,949	8,030,573	8,824,873	8,981,112	9,782,445
Community development	1,509,035	1,448,464	1,418,418	1,163,575	1,195,292	1,780,152	1,282,914	1,300,320	1,222,815	1,343,494
Parks and recreation	1,181,067	1,292,713	1,246,524	1,270,547	1,548,745	1,647,765	1,816,070	1,903,493	1,995,324	2,151,812
Capital outlay	438,337	1,364,026	10,797,042	10,832,039	2,176,667	582,433	314,439	557,810	290,044	699,565
Debt service:										
Principal	71,113	77,956	234,524	227,764	82,639	204,180	212,380	1,470,921	1,487,545	1,527,948
Interest	7,199	6,087	300,708	657,312	567,749	692,556	685,863	618,922	464,240	424,647
Total expenditures	<u>13,317,517</u>	<u>15,442,192</u>	<u>25,901,370</u>	<u>25,764,821</u>	<u>22,813,356</u>	<u>20,842,183</u>	<u>22,161,439</u>	<u>24,377,099</u>	<u>22,797,898</u>	<u>23,014,876</u>
Excess (deficiency) of revenues over expenditures	4,914,923	3,313,315	(3,595,711)	(3,417,327)	994,170	2,135,618	1,888,171	(1,021,355)	(762,503)	(1,409,296)
Other financing sources (uses):										
Capital lease proceeds	74,980	51,734	-	-	-	-	-	-	-	-
Transfers	-	(81,338)	(408,660)	(16,982)	-	-	-	-	-	-
Debt proceeds	-	-	9,120,000	3,605,122	2,578,000	-	-	12,306,539	-	-
Debt service - principal refunded	-	-	-	-	-	-	-	(12,306,539)	-	-
<b>Net change in fund balances</b>	<u>\$ 4,989,903</u>	<u>\$ 3,283,711</u>	<u>\$ 5,115,629</u>	<u>\$ 170,813</u>	<u>\$ 3,572,170</u>	<u>\$ 2,135,618</u>	<u>\$ 1,888,171</u>	<u>\$ (1,021,355)</u>	<u>\$ (762,503)</u>	<u>\$ (1,409,296)</u>
Debt service as a percentage of noncapital expenditures	<u>0.6%</u>	<u>0.6%</u>	<u>3.5%</u>	<u>5.9%</u>	<u>3.2%</u>	<u>4.4%</u>	<u>4.1%</u>	<u>8.8%</u>	<u>8.7%</u>	<u>8.8%</u>

**TOWN OF CUTLER BAY, FLORIDA**  
General Governmental Tax Revenues By Source  
Last Ten Fiscal Years  
(accrual basis of accounting)

<u>Fiscal Year</u>	<u>Property Taxes General Purpose</u>	<u>Utility Tax</u>	<u>Intergovernmental</u>	<u>Franchise Fees</u>	<u>Licenses and Permits</u>	<u>Charges for Services</u>	<u>Interest and Other</u>	<u>Total</u>
2008	\$ 6,667,064	\$ 2,155,040	\$ 5,980,712	\$ 1,636,231	\$ 1,117,357	\$ 311,519	\$ 364,517	\$ 18,232,440
2009	\$ 6,599,152	\$ 2,186,688	\$ 6,516,513	\$ 1,791,088	\$ 1,023,098	\$ 376,087	\$ 262,881	\$ 18,755,507
2010	\$ 5,448,770	\$ 2,379,305	\$ 6,751,576	\$ 1,864,675	\$ 1,308,923	\$ 3,987,314	\$ 565,096	\$ 22,305,659
2011	\$ 4,215,773	\$ 2,412,904	\$ 11,603,916	\$ 1,419,636	\$ 972,479	\$ 408,889	\$ 1,313,897	\$ 22,347,494
2012	\$ 4,254,352	\$ 2,472,062	\$ 12,160,953	\$ 1,616,617	\$ 1,125,494	\$ 417,966	\$ 1,760,082	\$ 23,807,526
2013	\$ 4,113,511	\$ 2,640,920	\$ 10,141,289	\$ 1,531,087	\$ 2,195,599	\$ 472,880	\$ 1,882,515	\$ 22,977,801
2014	\$ 4,423,111	\$ 2,920,053	\$ 12,108,477	\$ 1,240,721	\$ 1,379,074	\$ 462,867	\$ 1,515,307	\$ 24,049,610
2015	\$ 4,384,908	\$ 2,921,455	\$ 11,963,293	\$ 1,252,984	\$ 1,094,979	\$ 444,105	\$ 1,294,020	\$ 23,355,744
2016	\$ 4,638,277	\$ 3,026,608	\$ 10,348,390	\$ 1,319,529	\$ 1,037,219	\$ 413,625	\$ 1,251,747	\$ 22,035,395
2017	\$ 5,077,377	\$ 3,137,950	\$ 10,045,463	\$ 1,080,786	\$ 1,029,704	\$ 372,035	\$ 862,265	\$ 21,605,580

**TOWN OF CUTLER BAY, FLORIDA**  
Assessed Value and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Years  
(amounts expressed in thousands, except as noted)

Fiscal Year	Real Property		Personal Property	Net Assessed Value	Total Direct Tax Rate (1)	Estimated Actual Value	Net Assessed Value as a Percentage of Estimated Actual Value
	Residential Property	Commercial Property					
2008	\$ 2,231,296	\$ 495,928	\$ 55,318	\$ 2,782,542	2.4470	\$ 4,362,898	63.78%
2009	\$ 2,213,948	\$ 538,463	\$ 59,422	\$ 2,811,833	2.4470	\$ 4,529,632	62.08%
2010	\$ 1,683,995	\$ 492,970	\$ 66,639	\$ 2,243,604	2.5888	\$ 3,397,498	66.04%
2011	\$ 1,220,537	\$ 446,953	\$ 67,175	\$ 1,734,665	2.5888	\$ 2,532,903	68.49%
2012	\$ 1,232,081	\$ 430,445	\$ 65,033	\$ 1,727,559	2.5702	\$ 2,537,919	68.07%
2013	\$ 1,207,112	\$ 428,425	\$ 65,435	\$ 1,700,972	2.5702	\$ 2,490,028	68.31%
2014	\$ 1,260,094	\$ 433,470	\$ 67,151	\$ 1,760,715	2.5702	\$ 2,566,716	68.60%
2015	\$ 1,415,618	\$ 423,658	\$ 66,336	\$ 1,905,612	2.3907	\$ 2,971,427	64.13%
2016	\$ 1,557,646	\$ 423,811	\$ 67,257	\$ 2,048,714	2.3907	\$ 3,299,958	62.08%
2017	\$ 1,670,080	\$ 459,523	\$ 67,986	\$ 2,197,589	2.3907	\$ 3,604,247	60.97%

(1) Property tax rates are assessed per \$1,000 of taxable assessed valuation

Note: Property in the Town is reassessed each year. State law requires the Property Appraiser to appraise property at 100% of market value. The Florida Constitution was amended, effective January 1, 1995, to limit annual increases in assessed value of property with homestead exemption to 3% per year or the amount of the Consumer Price Index, whichever is less. The increase is not automatic since no assessed value shall exceed market value. Tax rates are per \$1,000 of assessed value.

Source: Miami-Dade County Property Appraiser's office.

**TOWN OF CUTLER BAY, FLORIDA**  
Property Tax Rates  
Direct and Overlapping Governments (1)  
Last Ten Fiscal Years

Fiscal Year	DIRECT RATES		OVERLAPPING RATES						Total Direct and Overlapping Rates
	Town of Cutler Bay		County			Special Districts			
	Operating Millage	Total Town Millage	County-wide	Debt Service	Fire	Library	School	State/Other	
2008	2.4470	2.4470	4.5796	0.2850	2.2487	0.3842	7.9480	1.0808	18.9733
2009	2.4470	2.4470	4.8379	0.2850	2.2271	0.3822	7.7970	1.0797	19.0559
2010	2.5888	2.5888	4.8379	0.2850	2.2271	0.3822	7.9950	1.1585	19.4745
2011	2.5888	2.5888	5.4275	0.4450	2.5953	0.2840	8.2490	1.1585	20.7481
2012	2.5702	2.5702	4.8050	0.2850	2.4627	0.1795	8.0050	0.9708	19.2782
2013	2.5702	2.5702	4.7035	0.2850	2.4627	0.1725	7.9980	0.9634	19.1553
2014	2.5702	2.5702	4.7035	0.4220	2.4623	0.1725	7.9770	0.9455	19.2530
2015	2.3907	2.3907	4.6669	0.4500	2.4321	0.2840	7.9740	0.9187	19.1164
2016	2.3907	2.3907	4.6669	0.4500	2.4293	0.2840	7.6120	0.8871	18.7200
2017	2.3907	2.3907	4.6669	0.4000	2.4282	0.2840	7.3220	0.8627	18.3545

(1) Overlapping rates are those of local and county governments and other taxing districts that apply to property owners within the Town of Cutler Bay.

Additional information:

Property tax rates are assessed per \$1,000 of taxable assessed valuation

Tax rate limits:

Town	10.0000 mills
County	10.0000 mills
School	10.0000 mills
State	10.0000 mills

Source: Miami-Dade County Property Appraiser's office.

**TOWN OF CUTLER BAY, FLORIDA**  
Principal Property Taxpayers  
Current Year and Nine Years Ago  
(amounts expressed in thousands)

2017			2008		
Taxpayer	Assessed Valuation	Percentage Total Assessed Valuation	Taxpayer	Assessed Valuation	Percentage Total Assessed Valuation
SOUTHLAND MALL PROPERTIES LLC	88,104	4.3%	SOUTHLAND MALL PROPERTIES LLC	\$ 56,600	2.0%
SOUTH DADE SHOPPING LLC	33,527	1.6%	WRI TC S DADE SHOPPING CENTER LLC	34,600	1.2%
FLORIDA POWER & LIGHT COMPANY	29,756	1.5%	PRIDE HOMES	25,075	0.9%
EQUITY ONE FL PORTFOLIO INC	18,083	0.9%	FLORIDA POWER AND LIGHT	20,302	0.7%
THE REALTY ASSOCIATES FUND IX L P	14,250	0.7%	EQUITY ONE INC	17,355	0.6%
BILL USSERY MOTORS OF CUTLER BAY	13,988	0.7%	LENNAR HOMES INC	16,388	0.6%
HEALTHSOUTH REHAB HOSP OF MIA LLC	12,785	0.6%	SHOMA HOMES	15,785	0.6%
ADVANCE BUSINESS ASSOCIATE LLP	12,529	0.6%	A&E PARTNERS HOLDING LLC	12,900	0.5%
A & E PARTNERS HOLDING LLC	10,600	0.5%	OLD CUTLER TOWNE CENTER	12,583	0.5%
QUAIL ROOST INVESTORS JOINT	10,560	0.5%	HEALTH CARE FUND	11,033	0.4%
	<u>\$ 244,182</u>	<u>12.0%</u>		<u>\$ 222,621</u>	<u>8.0%</u>

Source: Miami-Dade County Property Appraiser's office.

**TOWN OF CUTLER BAY, FLORIDA**  
Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year	Total Taxes Levied for Fiscal Year	Collected Within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2008	\$ 6,808,880	\$ 6,372,439	93.6%	\$ 294,625	\$ 6,667,064	97.9%
2009	\$ 6,880,555	\$ 6,371,429	92.6%	\$ 227,723	\$ 6,599,152	95.9%
2010	\$ 5,808,242	\$ 5,282,098	90.9%	\$ 166,672	\$ 5,448,770	93.8%
2011	\$ 4,490,701	\$ 4,139,724	92.2%	\$ 76,049	\$ 4,215,773	93.9%
2012	\$ 4,440,172	\$ 4,211,235	94.8%	\$ 43,117	\$ 4,254,352	95.8%
2013	\$ 4,371,838	\$ 4,065,237	93.0%	\$ 48,274	\$ 4,113,511	94.1%
2014	\$ 4,525,390	\$ 4,320,764	95.5%	\$ 102,347	\$ 4,423,111	97.7%
2015	\$ 4,555,747	\$ 4,242,833	93.1%	\$ 142,075	\$ 4,384,908	96.3%
2016	\$ 4,897,861	\$ 4,599,179	93.9%	\$ 39,098	\$ 4,638,277	94.7%
2017	\$ 5,253,776	\$ 5,046,736	96.1%	\$ 30,641	\$ 5,077,377	96.6%

Note: Total adjusted tax levy is based on final assessed property tax values by Miami-Dade County Department of Property Appraisal Office after the Property Appraisal Adjustment Board has completed hearings on the tax roll, and before discounts.

Discounts Allowed:

November	4%
December	3%
January	2%
February	1%
April	Taxes delinquent

Source: Miami-Dade County Tax Collector's Office.

**TOWN OF CUTLER BAY, FLORIDA**  
Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business-type Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Interlocal Debt	Notes Payable	Capital Leases	Interlocal Debt	Notes Payable	Capital Leases			
2008	\$ -	\$ -	\$ 143,314	\$ -	\$ -	\$ -	\$ 143,314	0.010%	\$ 3.47
2009	\$ -	\$ -	\$ 117,092	\$ -	\$ -	\$ 21,583	\$ 138,675	0.009%	\$ 3.34
2010	\$ 4,016,565	\$ 9,120,000	\$ 57,843	\$ 2,363,850	\$ -	\$ 14,653	\$ 15,572,911	1.803%	\$ 378.04
2011	\$ 3,562,490	\$ 12,725,122	\$ 13,144	\$ 2,283,653	\$ -	\$ 7,444	\$ 18,591,853	1.209%	\$ 457.43
2012	\$ 3,492,995	\$ 15,303,122	\$ -	\$ 2,200,395	\$ -	\$ -	\$ 20,996,512	1.304%	\$ 506.66
2013	\$ 3,288,815	\$ 15,303,122	\$ -	\$ 2,113,950	\$ -	\$ -	\$ 20,705,887	1.235%	\$ 492.59
2014	\$ 3,076,435	\$ 15,303,122	\$ -	\$ 2,129,939	\$ -	\$ -	\$ 20,509,496	1.140%	\$ 477.59
2015	\$ 2,854,010	\$ 14,054,626	\$ -	\$ 2,019,830	\$ -	\$ -	\$ 18,928,466	0.992%	\$ 429.13
2016	\$ 2,622,565	\$ 12,798,526	\$ -	\$ 1,903,665	\$ -	\$ -	\$ 17,324,756	0.849%	\$ 385.84
2017	\$ 2,382,510	\$ 11,510,633	\$ -	\$ 1,785,218	\$ -	\$ -	\$ 15,678,361	n/a	\$ 346.70

(1) See the schedule of Demographics and Economic Statistics for the personal income and per capita.

n/a All data necessary for computation not available.



**TOWN OF CUTLER BAY, FLORIDA**  
Direct and Overlapping Governmental Activities Debt  
Fiscal Year Ended September 30, 2017  
(amounts expressed in thousands, except as noted)

Jurisdiction	Net Debt Outstanding	Estimated Percentage Applicable (1)	Amount Applicable to Cutler Bay
Miami-Dade County Schools (2)	\$ 988,846	0.89%	\$ 8,793
Miami-Dade County (3)	<u>1,700,151</u>	0.89%	<u>15,117</u>
Subtotal overlapping debt	2,688,997		23,910
Town of Cutler Bay direct debt	<u>13,893</u>	100.00%	<u>13,893</u>
Total direct and overlapping debt	<u><u>\$ 2,702,890</u></u>		<u><u>\$ 37,803</u></u>

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the County's taxable assessed value that is within the Town's boundaries and dividing it by the County's total taxable assessed value, as reported by the Property Appraiser for current fiscal year's budget.

(2) Miami-Dade County Schools, General Finance Department

(3) Miami-Dade County, Finance Department (includes General Obligation and Special Obligation Bonds)

**TOWN OF CUTLER BAY, FLORIDA**  
Demographic and Economic Statistics  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Personal Income (in thousands) (2)</u>	<u>Per Capita Personal Income (3)</u>	<u>Unemployment Rate (4)</u>
2008	41,300	\$ 1,482,133	\$ 35,887	6.4%
2009	41,579	\$ 1,511,687	\$ 36,357	11.2%
2010	41,194	\$ 1,509,925	\$ 36,654	10.8%
2011	40,644	\$ 1,537,725	\$ 37,834	9.6%
2012	41,441	\$ 1,610,397	\$ 38,860	8.2%
2013	42,035	\$ 1,676,355	\$ 39,880	7.1%
2014	42,944	\$ 1,798,623	\$ 41,883	6.3%
2015	44,109	\$ 1,908,949	\$ 43,278	5.5%
2016	44,901	\$ 2,040,301	\$ 45,440	5.2%
2017	45,222	n/a	n/a	4.3%

- (1) Population estimate based on data published by the University of Florida, Bureau of Economic and Business Research.
- (2) Personal income is the Miami-Dade per capita personal income applied to the Cutler Bay population.
- (3) Per Capita Personal Income is for Miami-Dade County from the U.S. Department of Commerce, Bureau of Economic Analysis.
- (4) Bureau of Labor Statistics, Unemployment Statistics, Miami-Fort Lauderdale-West Palm Beach, FL Metropolitan area (rate for September of year indicated).
- n/a Data not available.

**TOWN OF CUTLER BAY, FLORIDA**  
Principal Employers  
Current Year and Nine Years Ago

2017			2008		
Employer	Employees	Percentage of Total	Employer	Employees	Percentage of Total
ALORICA	1,537	44.2%	ALORICA (FORMERLY PRC, INC)	1,547	52.1%
EAST RIDGE RETIREMENT VILLAGE	272	7.8%	PUBLIX SUPERMARKETS	367	12.4%
PUBLIX SUPERMARKETS	205	5.9%	SEARS ROEBUCK & CO	221	7.4%
HEALTH SOUTH REHABILITATION	156	4.5%	SOUTHLAND MALL 16	139	4.7%
MERCEDES BENZ	143	4.1%	JC PENNEY	124	4.2%
MACY'S	136	3.9%	MACY'S	116	3.9%
JC PENNEY	100	2.9%	WINN DIXIE STORES	79	2.7%
McDONALDS	100	2.9%	PETERSON'S HARLEY-DAVIDSON	50	1.7%
OLIVE GARDEN	95	2.7%	ROSS STORES	50	1.7%
SEARS ROEBUCK & CO	93	2.7%	TOWN OF CUTLER BAY	49	1.6%
BURLINGTON COAT FACTORY	93	2.7%	WILLIAMSON SATURN	40	1.3%
ROSS STORES	80	2.3%	OLD NAVY	36	1.2%
WINN DIXIE STORES	79	2.3%	HAIR EGO	25	0.8%
APPLEBEE'S	68	2.0%	BED, BATH & BEYOND	23	0.8%
BUFFALO WILD WINGS	60	1.7%	JO ANN FABRIC & CRAFTS	21	0.7%
TOWN OF CUTLER BAY	55	1.6%	CHARLOTTE RUSSE	20	0.7%
DENNY'S	55	1.6%	CAC FLORIDA MEDICAL	18	0.6%
PETERSON'S HARLEY-DAVIDSON	51	1.5%	LA QUINTA INNS	18	0.6%
PAPA JOHN'S PIZZA	50	1.4%	PETCO	15	0.5%
REGAL CINEMAS INC 16	49	1.4%	BERLO INDUSTRY	13	0.4%
	<u>3,477</u>	<u>100.0%</u>		<u>2,971</u>	<u>100.0%</u>

Source: Town of Cutler Bay local business tax registrations

**TOWN OF CUTLER BAY, FLORIDA**  
Full-Time Equivalent Town Government Employees By Function  
Last Ten Fiscal Years

Function	Fiscal Year									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Legislative	5	5	5	5	5	5	5	5	5	5
Clerk	1	2	1	2	1	2	2.5	1	3	3
General government	7	7	7	7	8	10	9.5	10.5	9.5	9.5
Community Development	9	9	8	7	6	7	7	7.5	7.5	7.5
Public Works	5	4	5	5	4	6	6	6	6	6
Parks	14	14	16	14	17	17	17	19	20	18
Public Safety:										
Police	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)	n/a (1)
Civilian administrative staff	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>0</u>
	<u>42</u>	<u>42</u>	<u>43</u>	<u>41</u>	<u>42</u>	<u>48</u>	<u>48</u>	<u>50</u>	<u>52</u>	<u>49</u>

(1) - Police services contracted through Miami-Dade County.

Source: Town of Cutler Bay Finance Department

**TOWN OF CUTLER BAY, FLORIDA**  
Operating Indicators By Function  
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Public Safety</b>										
Police:										
Number of emergency calls for service	1,285	1,195	1,162	991	945	987	950	1,112	1,214	1,172
Number of priority calls for service	1,195	1,031	933	874	832	747	692	804	947	973
Number of non-emergency calls for service	23,922	16,744	23,775	15,942	14,991	14,001	13,985	14,447	14,538	14,390
Number of arrests	1,212	1,063	1,141	1,081	1,188	1,149	1,272	1,061	906	677
Number of sworn personnel	46	51	50	51	50	50	52	51	53	55
Building and Zoning:										
Number of building permits issued	2,176	1,854	3,121	2,669	2,684	4,657	2,436	2,343	2,510	2,052
Number of certificates of use issued	152	147	57	124	127	113	100	87	88	87
Number of occupational licenses issued	787	812	813	794	898	839	890	888	893	968
<b>Culture and Recreation</b>										
Number of parks	7	7	7	7	8	8	9	9	9	10

Source: Various Town departments

**TOWN OF CUTLER BAY, FLORIDA**  
**Capital Asset Statistics By Function/Program**  
**Last Ten Fiscal Years**

Function/Program	Fiscal Year									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Culture and Recreation</b>										
Parks	7	7	7	7	8	8	9	9	9	10
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	3	3	3	5	5	5	5	5	5	5
Playgrounds	3	3	3	4	5	5	5	5	5	5
Soccer/Football/Lacrosse fields	2	3	3	3	5	5	5	5	5	5
Baseball fields	3	3	3	3	6	6	6	6	6	6
Picnic shelters	1	2	2	2	2	2	2	2	5	5
<b>Public Works</b>										
Streets (length in feet)	472,102	472,102	472,102	472,102	472,102	472,102	472,102	472,102	472,102	472,102
Sidewalks (area in square feet)	267,325	267,325	267,325	267,325	267,325	267,325	267,325	267,325	267,325	267,325

Source: Town of Cutler Bay Parks and Public Works departments.

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## COMPLIANCE SECTION

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

Honorable Mayor and Members of the Town Council  
Town of Cutler Bay, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Cutler Bay, Florida, (the 'Town') as of and for the fiscal year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated June 11, 2018.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. 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 over financial reporting 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*.





CABALLERO FIERMAN  
LLERENA + GARCIA LLP  
accountants | advisors

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

*Caballero Fierman Llerena & Garcia, LLP*

Caballero Fierman Llerena & Garcia, LLP  
Coral Gables, Florida  
June 11, 2018



CABALLERO FIERMAN  
LLERENA + GARCIA LLP  
accountants | advisors

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

Honorable Mayor and Members of the Town Council  
Town of Cutler Bay, Florida

### Report on the Financial Statements

We have audited the financial statements of the Town of Cutler Bay, Florida (the "Town") as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated June 11, 2018.

### Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the Florida Auditor General.

### Other Reporting requirement

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on examination conducted in accordance with *AICPA professional standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 11, 2018, should be considered in conjunction with this management letter.

### Prior Audit Findings

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

### Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed in the notes to the financial statements.



CABALLERO FIERMAN  
LLERENA + GARCIA LLP  
accountants | advisors

### **Financial Condition and management**

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

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

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

### **Annual Financial Report**

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the Town for the fiscal year ended September 30, 2017, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2017. In connection with our audit, we determined that these two reports were in agreement.

### **Additional Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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.

### **Purpose of this Letter**

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

*Caballero Fierman Llerena & Garcia, LLP*

Caballero Fierman Llerena & Garcia, LLP  
Coral Gables, Florida  
June 11, 2018



CABALLERO FIERMAN  
LLERENA + GARCIA LLP  
accountants | advisors

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

Honorable Mayor and Members of the Town Council  
Town of Cutler Bay, Florida

We have examined the Town of Cutler Bay, Florida, (the "Town") compliance with the requirements of Section 218.415 Florida Statutes during the period of October 1, 2016 to September 30, 2017. Management is responsible for the Town's compliance with the specified requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Town complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Town complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Town's compliance with specified requirements. In our opinion, the Town complied, in all material respects, with the requirements of Section 218.415 Florida Statutes during the period of October 1, 2016 to September 30, 2017.

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

*Caballero Fierman Llerena & Garcia, LLP*

Caballero Fierman Llerena & Garcia, LLP  
Coral Gables, Florida  
June 11, 2018