



CITY OF BELLE ISLE, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended September 30, 2016



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INTRODUCTORY SECTION

This section contains the following subsections:

- Table of Contents
- Letter of Transmittal
- List of Principal Officials
- Organizational Chart
- Certificate of Achievement

CITY OF BELLE ISLE, FLORIDA

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CITY OF BELLE ISLE, FLORIDA

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CITY OF BELLE ISLE, FLORIDA

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Belle Isle, Florida 32809
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www.cityofbelleislefl.org

February 25, 2017

Honorable Mayor, Members of the City Commission
And Citizens of the *City of Belle Isle, Florida*

State law requires that all general-purpose local governments publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the *City of Belle Isle, Florida* for the fiscal year ended September 30, 2016.

This report consists of management's representations concerning the finances of the *City of Belle Isle, Florida*. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the *City of Belle Isle* has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the *City of Belle Isle's* financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the *City of Belle Isle's* comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The *City of Belle Isle's* financial statements have been audited by McDirmit Davis & Company LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the *City of Belle Isle* for the fiscal year ended September 30, 2016, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the *City of Belle Isle's* financial statements for the fiscal year ended September 30, 2016, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The *City of Belle Isle's* MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The *City of Belle Isle*, incorporated in 1924, is located in Central Florida. The *City of Belle Isle* is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing commission.

The *City of Belle Isle* operated under a mayor-commissioner form of government since 1924. However, in November 2003, a charter referendum was passed that changed the City to a commission/manager form of government, with an appointed City Manager, seven elected City Commissioners and a separately elected Mayor. The governing body is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City's manager, clerk and attorney. The City Manager is responsible for carrying out the policies and ordinances of the governing commission, for overseeing the day-to-day operations of the government, and for appointing the heads of various departments. The Commission is elected on a non-partisan basis. Commission members serve three-year staggered terms and the mayor is elected to serve a three-year term.

The *City of Belle Isle* provides a full range of services, including general government, police, fire protection; the construction and maintenance of highways, streets, and other infrastructure; and recreational activities.

The annual budget serves as the foundation for the *City of Belle Isle*'s financial planning and control. The Commission is required to hold public hearings on the proposed budget and to adopt a final budget by no later than September 30, the close of the *City of Belle Isle*'s fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). The City Manager can make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the special approval of the City Commission. Budget-to-actual comparisons are provided in this report for all funds.

City Highlights

The *City of Belle Isle* is a residential community located in the heart of Central Florida and surrounding beautiful Lake Conway. The City was formed by area residents in 1924 to protect Lake Conway and the beautiful, natural environment of the area. The City is 5.12 square miles in area with an estimated population of 6,541 residents based on the BEBR Bureau of Economic and Business Research.

The goal of the City is to be Central Florida's premier community where residents and business can thrive in a healthy environment centered on Lake Conway with the support of a responsive city government.

The mission of the City is to preserve the quality of life and community identity and to provide needed services to our residents through careful and meaningful growth management and sound fiscal control.

Planned growth for the City includes those areas contiguous to the current city boundaries including the areas south and west of the City. Conservative fiscal management and growth has resulted in the *City of Belle Isle* becoming one of Orange County's most desirable communities.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the *City of Belle Isle* operates.

Local Economy - The *City of Belle Isle* remains in good and stable financial condition; however the City continues to have concerns relative to the actions of the Federal and State Governments. Federal and State unfunded mandates continue to be forced on the smaller local governments which can have a detrimental effect on funding and in some cases require funding to be allocated from reserve funds. This is a dangerous precedent and one that cities are most concerned about. The City of Belle Isle continues to be vigilant and is committed to slowing this trend while balancing the needs of our infrastructure and service provision.

As a result of the desirability of lakefront living and our unique location, we are experiencing a significant influx of newer residents with substantial financial resources. The City has seen significant growth in residential and commercial construction and anticipates it's continuance in the future. The property and resale values have stabilized or increased compared to property and resale values in the surrounding areas.

Long-Term Financial Planning – Stormwater, drainage and paving projects continue to be among the City's highest priorities with a substantial portion of the five year Capital Improvements Program being designated towards improvements in those areas.

Parks beautification and barrier free accessibility is also being implemented through the City's community beautification program for enhancements to parks and open space within the City.

Relevant Financial Policies - Along with the annual budget, the City provides a comprehensive five- year projection. This plan details estimated personnel operating and capital costs for continuing operations and expansion plans for all City functions. We are proud to say that we continue to transfer money back into the City's general fund reserve balance.

Major Initiatives – Despite the challenges related to the economy, the City has continued to work on various projects. In addition, the City completed a number of miscellaneous concrete sidewalk repairs and street resurfacing during 2016. The City plans to continue sidewalk repairs and resurfacing in 2017.

Awards and Acknowledgements

The Government of Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the *City of Belle Isle* for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2015. This was the sixteenth consecutive year that the government received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement's Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the mayor and the governing commission for their unfailing support for maintaining the highest standards of professionalism in the management of the *City of Belle Isle's* finances.

Respectfully submitted,



April Fisher
Interim City Manager



Tracey Richardson
Finance Manager

CITY OF BELLE ISLE, FLORIDA

LIST OF PRINCIPAL OFFICIALS

September 30, 2016

ELECTED OFFICIALS

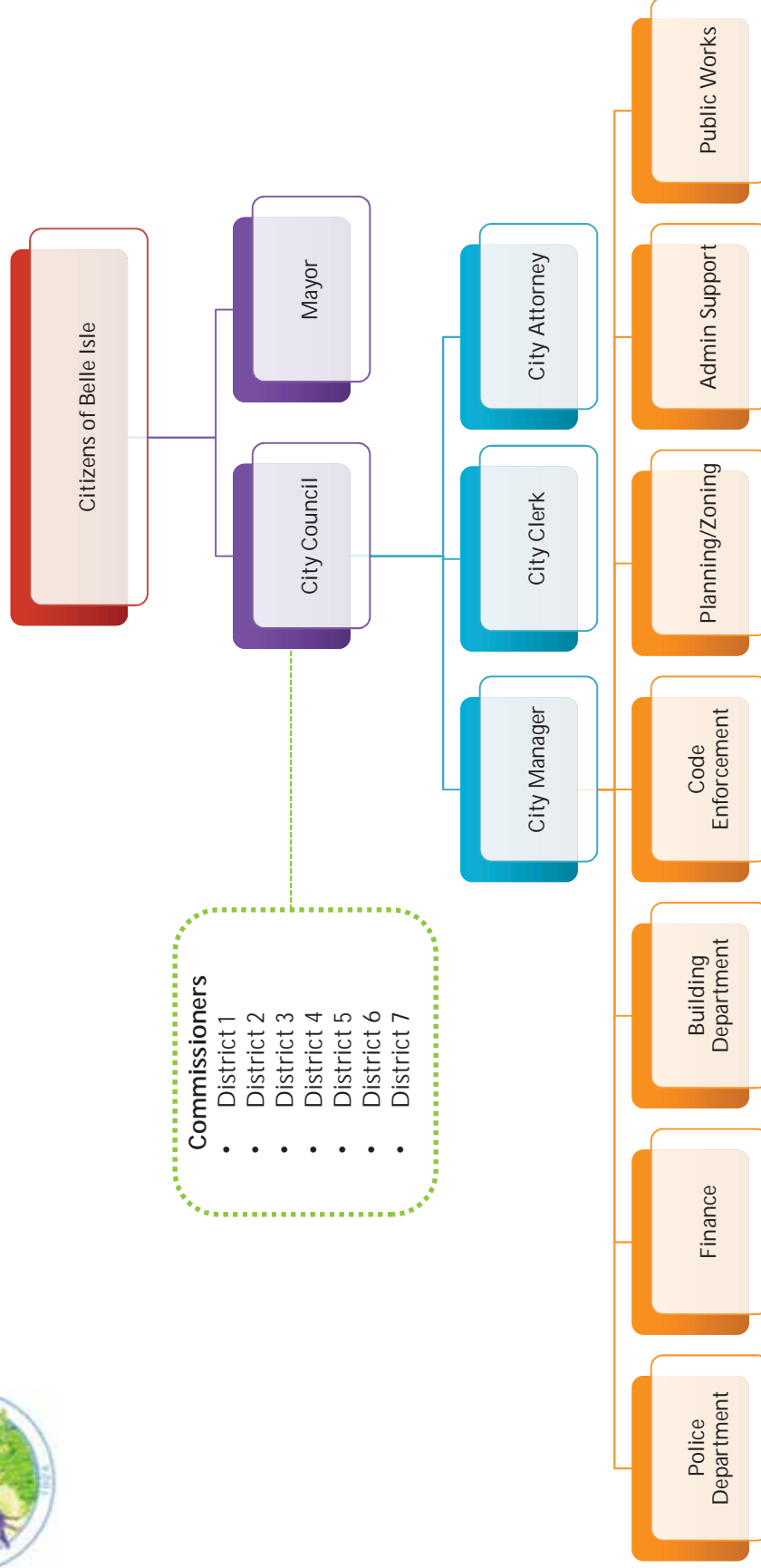
Mayor	Honorable Lydia Pisano
District #1 City Commissioner	Ed Gold Jr.
District #2 City Commissioner	Tony Carugno
District #3 City Commissioner	Jeremy Weinsier
District #4 City Commissioner	Bobby Lance
District #5 City Commissioner	Harvey Readey
District #6 City Commissioner	Lenny Mosse
District #7 City Commissioner	Sue Nielsen

CITY OFFICIALS

Interim City Manager	April Fisher
City Attorney	Frank Kruppenbacher
City Clerk	Yolanda Quiceno
Finance Manager	Tracey Richardson



City of Belle Isle Organizational Chart





Government Finance Officers Association

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

Presented to

**City of Belle Isle
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015



Executive Director/CEO



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FINANCIAL SECTION

This section contains the following subsections:

- Independent Auditor's Report
- Management's Discussion and Analysis
- Basic Financial Statements
- Required Supplementary Information
- Combining and Individual Fund
Financial Statements and Schedules



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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Commissioners
City of Belle Isle, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the *City of Belle Isle, Florida*, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City's 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Cornerstone Charter High School or the Cornerstone Charter Academy (the "Charter Schools"), which are both blended component units of the City and major funds. These two major funds are 22 percent, 36 percent, and 60 percent, respectively, of the assets, net position, and revenues of the governmental activities. The Charter Schools' financial statements as of June 30, 2016 were audited by other auditors, whose reports thereon have been furnished to us and our opinions, insofar as they relate to the amounts included for the Charter Schools, are based solely on the reports of other auditors. 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 of material misstatement.

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

MCDIRMIT DAVIS & COMPANY, LLC

934 NORTH MAGNOLIA AVENUE, SUITE 100 ORLANDO, FLORIDA 32803
TELEPHONE: 407-843-5406 FAX: 407-649-9339 EMAIL: INFO@MCDIRMITDAVIS.COM

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, based on our audit and the reports of other auditors, the financial statements referred to above previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the *City of Belle Isle, Florida*, as of September 30, 2016, and the respective changes in financial position thereof for the 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 management's discussion and analysis and budgetary comparison information on pages 4 to 10 and 34 to 37 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 and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the *City of Belle Isle's* financial statements as a whole. The introductory section, combining and individual fund financial statements and budgetary comparison schedules, as listed in the table of contents, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditor, the combining and individual nonmajor fund financial statements and budgetary comparison schedules 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 a report dated February 25, 2017 on our consideration of the *City of Belle Isle, Florida's* internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

McDiernit Davis & Company, LLC

Orlando, Florida
February 25, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the *City of Belle Isle, Florida* we offer readers of the *City of Belle Isle's* financial statements this narrative overview and analysis of the financial activities of the *City of Belle Isle* for the fiscal year ended September 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

- The assets of the *City of Belle Isle* exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$14,658,158 (net position). Of this amount, \$2,608,122 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$1,665,606.
- As of the close of the current fiscal year, the *City of Belle Isle's* governmental funds reported combined ending fund balances of \$7,205,024, an increase of \$743,692 in comparison with the prior year. The general fund had an ending unassigned fund balance of \$2,245,970, which is 45% of total general fund expenditures.
- The *City of Belle Isle's* total debt is \$10,294,836 at September 30, 2016. This includes Charter School Lease Revenue Bonds, Series 2012, which are payable solely from the pledged lease revenue and neither the property, nor the full faith and credit nor the taxing power of the City, is pledged as security for the payment of the Bonds.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the *City of Belle Isle's* (the City) basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) 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 *City of Belle Isle's* finances, in a manner similar to a private-sector business.

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

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 items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Since the *City of Belle Isle* has no business-type activities such as water and sewer systems, the government-wide financial statements include only governmental activities. The governmental activities of the *City of Belle Isle* include general government, public safety and physical environment.

The government-wide financial statements can be found on pages 11-12 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The *City of Belle Isle*, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The *City of Belle Isle* has five governmental funds - the General Fund, the Debt Service Fund, and three special revenue 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 a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The *City of Belle Isle* adopts an annual appropriated budget for all governmental funds. A budgetary comparison statement has been provided for the general fund, debt service fund and special revenue funds to demonstrate compliance with this budget. Also, the Charter Schools adopt annual an appropriated budget for each school. The budget for each school is included in the Required Supplementary Information section after the Notes to the Financial Statements since both Charter Schools are major special revenue funds of the City. Separately issued audited financial statements for the Charter Schools are available from Ms. Ana Martinez at Academia Dade, LLC, 6340 Sunset Drive, Miami, Florida 33143.

The basic governmental fund financial statements can be found on pages 13-15 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Government-Wide Financial Analysis

Statement of Net Position - As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the *City of Belle Isle*, assets exceeded liabilities by \$14,658,158 at the close of the most recent fiscal year.

City of Belle Isle **Statement of Net Position**

	Governmental Activities	
	2016	2015
Current and Other Assets	\$ 8,267,724	\$ 7,493,509
Capital Assets	17,829,541	16,992,362
Total assets	<u>26,097,265</u>	<u>24,485,871</u>
Long-term Liabilities Outstanding	10,248,050	10,460,653
Other Liabilities	1,186,513	1,032,666
Total liabilities	<u>11,434,563</u>	<u>11,493,319</u>
Total Deferred Inflows of Resources	<u>4,544</u>	<u>-</u>
Net Position:		
Net investment in capital assets	8,475,455	7,530,107
Restricted	3,574,581	3,369,730
Unrestricted	2,608,122	2,092,715
Total net position	<u>\$ 14,658,158</u>	<u>\$ 12,992,552</u>

Fifty-eight percent (58%) of the City's net position is net investment in capital assets (e.g., land, buildings, improvements, infrastructure and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net position, \$3,574,581 (24%) represents resources that are subject to external restrictions on how they may be used.

The remaining balance of unrestricted net position, \$2,608,122 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the *City of Belle Isle* is able to report positive balances in all categories of net position.

The City's net position increased by \$1,665,606 during the current fiscal year, as shown on the following page.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Statement of Activities

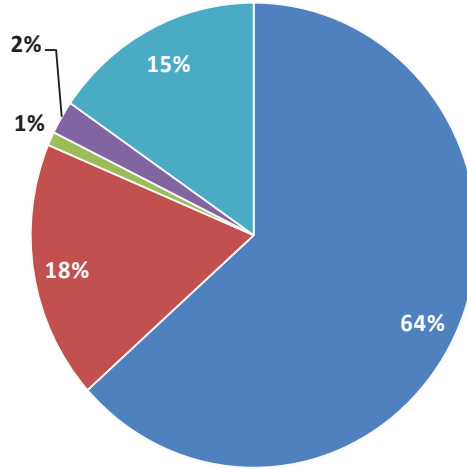
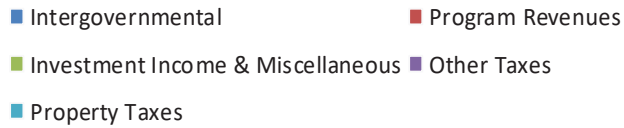
Governmental activities increased the *City of Belle Isle's* net position by \$1,665,606. Key elements of this increase are as follows:

City of Belle Isle		
<u>Changes in Net Position</u>		
	Governmental Activities	
	2016	2015
Revenues:		
Program revenues:		
Charges for services	\$ 2,253,389	\$ 2,020,909
Operating grants and contributions	368,188	384,248
Capital grants and contributions	384,035	619,626
	<u>3,005,612</u>	<u>3,024,783</u>
General revenues:		
Property taxes	2,574,866	2,506,520
Franchise and utility taxes	388,501	405,135
Intergovernmental	10,611,076	9,784,811
Investment income and miscellaneous	160,661	91,701
	<u>13,735,104</u>	<u>12,788,167</u>
Total revenues	<u>16,740,716</u>	<u>15,812,950</u>
Expenses:		
General government	1,326,981	1,181,293
Public safety	2,669,212	2,623,288
Physical environment	1,273,663	1,262,891
Human services	9,161,001	8,579,049
Interest on long-term debt	644,253	616,652
Total expenses	<u>15,075,110</u>	<u>14,263,173</u>
Increase in Net Position	1,665,606	1,549,777
Net Position- beginning	<u>12,992,552</u>	<u>11,442,775</u>
Net Position- ending	<u><u>\$ 14,658,158</u></u>	<u><u>\$ 12,992,552</u></u>

Increase in revenue of approximately \$928,000 primarily relates to an approximately \$615,000 increase in revenues at the Schools, which was driven by increased enrollment. Also, the City's Stormwater Fund had an increase in revenue of \$165,000.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Revenues by Source - Governmental Activities



Financial Analysis of the Government's Funds

As noted earlier, the *City of Belle Isle* used fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental Funds - The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the *City of Belle Isle'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.

The general fund is the largest fund of the *City of Belle Isle, Florida*. The general fund balance increased by \$419,090 primarily because of improved funding from property tax and licenses and permits.

The Cornerstone Charter High School fund balance increased \$200,315 and the Cornerstone Charter Academy fund balance increased \$603,764. Both schools experienced increased revenues due to increased enrollment.

The debt service fund balance decreased \$594,168 due to capital outlay for property acquisition.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

General Fund Budgetary Highlights

During the fiscal 2016 year, actual revenues were more than budgeted revenues in the General Fund by approximately \$123,000. Also, expenditures were less than budgeted by approximately \$285,000 primarily due to less capital outlay than anticipated.

Capital Asset and Debt Administration

Capital Assets - The *City of Belle Isle*'s investment in capital assets for its governmental activities as of September 30, 2016, amounts to \$17,829,541 (net of accumulated depreciation), as detailed below. The greatest increase was in land and buildings due to the purchase of unimproved property near the charter schools.

City of Belle Isle Capital Assets (Net of Depreciation)

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Land	\$ 2,218,357	\$ 1,385,823
Buildings	6,699,069	6,893,516
Improvements	649,201	722,770
Machinery and Equipment	209,253	254,922
Equipment and Textbooks - Charter Schools	2,619,500	2,361,640
Intangibles	10,534	19,195
Infrastructure	5,423,627	5,354,496
Total	<u>\$ 17,829,541</u>	<u>\$ 16,992,362</u>

Additional information on the *City of Belle Isle*'s capital assets can be found in Note 7 of this report.

Long-Term Debt - At the end of the current fiscal year, the *City of Belle Isle* had total debt outstanding of \$10,294,836. This debt includes leases on the acquisition of equipment, bonds payable to the Florida Municipal Loan Council, a charter school note payable, and Charter School Lease Revenue Bonds, which are nonrecourse. Additional information on long-term debt can be found in Note 10 of this report.

City of Belle Isle Long-Term Debt

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Capital Lease Payable	\$ 11,023	\$ 64,755
Charter School Note Payable	123,813	-
Bonds Payable	10,160,000	10,350,000
	<u>\$ 10,294,836</u>	<u>\$ 10,414,755</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Next Year's Budget and Rates

During the current fiscal year, the fund balance in the general fund increased to \$2,549,632 and \$303,662 of this balance was appropriated for spending in 2017.

Requests for Information

This financial report is designed to provide a general overview of the *City of Belle Isle's* finances for all those with an interest in the government's finances. Questions concerning any of the information should be addressed to the office of the Finance Manager, *City of Belle Isle*, 1600 Nela Avenue, Belle Isle, FL 32809.

BASIC FINANCIAL STATEMENTS

CITY OF BELLE ISLE, FLORIDA

STATEMENT OF NET POSITION

September 30, 2016

	Governmental Activities
Assets:	
Cash	\$ 4,911,365
Investments	3,077,851
Due from other governments	165,127
Prepaid items	113,381
Capital assets:	
Not being depreciated	2,218,357
Being depreciated, net	15,611,184
Total assets	<u>26,097,265</u>
Liabilities:	
Accounts payable	86,108
Accrued liabilities	460,265
Matured bonds and interest payable	418,050
Deposits	19,610
Unearned revenue	78,667
Noncurrent liabilities:	
Due within one year	188,740
Due in more than one year	10,183,123
Total liabilities	<u>11,434,563</u>
Deferred Inflows:	
Deferred credit on debt refunding	4,544
Total deferred inflows of resources	<u>4,544</u>
Net Position:	
Net investment in capital assets	8,475,455
Restricted for:	
Debt service	167,154
Stormwater	606,257
Charter Schools	2,654,317
Other purposes	146,853
Unrestricted	2,608,122
Total net position	<u>\$ 14,658,158</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF BELLE ISLE, FLORIDA

STATEMENT OF ACTIVITIES

Year Ended September 30, 2016

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges For Services	Operating and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General Government	\$ 1,326,981	\$ -	\$ -	\$ (1,326,981)
Public Safety	2,669,212	56,471	8,319	(2,592,797)
Physical Environment	1,273,663	1,040,533	222,512	22,298
Human Services	9,161,001	199,136	137,357	(8,485,014)
Interest on Long-term debt	644,253	957,249	-	312,996
Total governmental activities	<u>\$ 15,075,110</u>	<u>\$ 2,253,389</u>	<u>\$ 368,188</u>	<u>(12,069,498)</u>
General Revenues:				
Taxes:				
Property taxes				2,574,866
Franchise and utility taxes				388,501
Intergovernmental- unrestricted				10,611,076
Unrestricted investment earnings				14,500
Miscellaneous				146,161
Total general revenues				<u>13,735,104</u>
Change in net position				<u>1,665,606</u>
Net Position - beginning				<u>12,992,552</u>
Net Position - ending				<u>\$ 14,658,158</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF BELLE ISLE, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2016

	General Fund	Debt Service Fund	Cornerstone Charter High School *	Cornerstone Charter Academy *	Total Nonmajor Funds	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 2,492,915	\$ 1,625,657	\$ 10,513	\$ 20,807	\$ 761,473	\$ 4,911,365
Investments	33,467	-	633,000	2,411,384	-	3,077,851
Due from other funds	-	-	22,669	-	-	22,669
Due from other governments	143,947	-	8,400	12,780	-	165,127
Prepaid items	-	-	38,656	73,275	1,450	113,381
Total assets	<u>\$ 2,670,329</u>	<u>\$ 1,625,657</u>	<u>\$ 713,238</u>	<u>\$ 2,518,246</u>	<u>\$ 762,923</u>	<u>\$ 8,290,393</u>
Liabilities:						
Accounts payable	\$ 76,295	\$ -	\$ -	\$ -	\$ 9,813	\$ 86,108
Accrued liabilities	24,792	-	114,679	320,794	-	460,265
Due to other funds	-	-	-	22,669	-	22,669
Matured bonds payable	-	140,000	-	-	-	140,000
Matured interest payable	-	278,050	-	-	-	278,050
Unearned revenue	-	78,667	-	-	-	78,667
Deposits	19,610	-	-	-	-	19,610
Total liabilities	<u>120,697</u>	<u>496,717</u>	<u>114,679</u>	<u>343,463</u>	<u>9,813</u>	<u>1,085,369</u>
Fund Balances:						
Nonspendable	-	-	38,656	73,275	1,450	113,381
Restricted for:						
Debt service	-	1,128,940	-	-	-	1,128,940
Charter schools	-	-	559,903	2,101,508	-	2,661,411
Transportation impacts	-	-	-	-	132,076	132,076
Stormwater	-	-	-	-	606,257	606,257
Law enforcement education	-	-	-	-	13,327	13,327
Assigned for:						
Subsequent expenditures	303,662	-	-	-	-	303,662
Unassigned	<u>2,245,970</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,245,970</u>
Total fund balances	<u>2,549,632</u>	<u>1,128,940</u>	<u>598,559</u>	<u>2,174,783</u>	<u>753,110</u>	<u>7,205,024</u>
Total Liabilities and Fund Balances	<u>\$ 2,670,329</u>	<u>\$ 1,625,657</u>	<u>\$ 713,238</u>	<u>\$ 2,518,246</u>	<u>\$ 762,923</u>	

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

Capital assets used in governmental activities are not fund resources and, therefore, are not reported in the funds

17,829,541

Some liabilities and deferred inflows, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds

(10,376,407)

Net position of governmental activities

\$ 14,658,158

* As of June 30, 2016

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF BELLE ISLE, FLORIDA

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

Year Ended September 30, 2016

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Cornerstone Charter High School *</u>	<u>Cornerstone Charter Academy *</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Taxes:						
Property taxes	\$ 2,574,866	\$ -	\$ -	\$ -	\$ -	\$ 2,574,866
Franchise and utility	388,501	-	-	-	-	388,501
Licenses and permits	214,627	-	-	-	-	214,627
Intergovernmental	1,570,122	-	2,769,987	7,023,190	-	11,363,299
Charges for services	546,000	-	-	199,136	306,236	1,051,372
Impact fees	6,010	-	-	-	5,720	11,730
Fines and forfeitures	17,207	-	-	-	1,204	18,411
Investment income	3,563	792	-	-	10,145	14,500
Miscellaneous	43,064	957,249	77,585	34,017	-	1,111,915
Total revenues	<u>5,363,960</u>	<u>958,041</u>	<u>2,847,572</u>	<u>7,256,343</u>	<u>323,305</u>	<u>16,749,221</u>
Expenditures:						
Current:						
General government	1,136,552	-	-	-	-	1,136,552
Public safety	2,573,304	-	-	-	4,630	2,577,934
Physical environment	1,064,246	856,311	-	-	203,984	2,124,541
Human services	-	-	2,647,257	6,771,604	-	9,418,861
Debt service:						
Principal	123,732	140,000	-	22,187	-	285,919
Interest and other charges	47,036	555,898	-	4,788	-	607,722
Bond issuance costs	37,786	-	-	-	-	37,786
Total expenditures	<u>4,982,656</u>	<u>1,552,209</u>	<u>2,647,257</u>	<u>6,798,579</u>	<u>208,614</u>	<u>16,189,315</u>
Excess (deficiency) of revenues over expenditures	<u>381,304</u>	<u>(594,168)</u>	<u>200,315</u>	<u>457,764</u>	<u>114,691</u>	<u>559,906</u>
Other Financing Sources(Uses):						
Refunding bonds issued	935,000	-	-	-	-	935,000
Premium on refunding bonds issued	21,036	-	-	-	-	21,036
Notes payable issued	-	-	-	146,000	-	146,000
Payment to refunded bond escrow	(918,250)	-	-	-	-	(918,250)
Total other financing sources	<u>37,786</u>	<u>-</u>	<u>-</u>	<u>146,000</u>	<u>-</u>	<u>183,786</u>
Net change in fund balances	419,090	(594,168)	200,315	603,764	114,691	743,692
Fund Balances - beginning	<u>2,130,542</u>	<u>1,723,108</u>	<u>398,244</u>	<u>1,571,019</u>	<u>638,419</u>	<u>6,461,332</u>
Fund Balances - ending	<u>\$ 2,549,632</u>	<u>\$ 1,128,940</u>	<u>\$ 598,559</u>	<u>\$ 2,174,783</u>	<u>\$ 753,110</u>	<u>\$ 7,205,024</u>

* As of June 30, 2016

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF BELLE ISLE, FLORIDA

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

Year Ended September 30, 2016

Net Change in Fund Balances - total governmental funds	\$	743,692
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which capital outlays of \$2,280,545 was more than depreciation of \$1,430,037 in the current period.	850,508
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In the statement of activities, only the loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold.	(13,329)
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Governmental funds report debt proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of debt as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which proceeds exceeded re-payments in the current period.

Refunding bonds issued	\$ (935,000)	
Premium on refunding bonds issued	(21,036)	
Note payable issued	(146,000)	
Principal repayments	285,919	
Payment to escrow agent for refunding	<u>918,250</u>	102,133

Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds.	<u>(17,398)</u>
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Change in Net Position of Governmental Activities	<u>\$</u>	<u>1,665,606</u>
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The accompanying Notes to Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS



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NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2016

Note 1 - Summary of Significant Accounting Policies:

The *City of Belle Isle, Florida* (the "City") was incorporated April 25, 1924 under the Laws of Florida 75-329. The City operates under a commission/manager form of government, with an appointed City Manager, seven elected City Commissioners, and a separately elected Mayor. The City provides the following services as authorized by its charter: public safety (fire and law enforcement), highways and streets, sanitation, parks and recreation, public improvements, planning and zoning, and general administrative services. The City also provides to its residents educational facilities with the two (2) Charter Schools that it owns and operates. The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The more significant of the City's accounting policies are described below.

Financial Reporting Entity - The City's financial reporting entity comprises the City of Belle Isle as the primary government with two blended component units. Blended component units are separate legal entities that meet component unit criteria described by the Government Accounting Standards Board (GASB). Cornerstone Charter High School and Cornerstone Charter Academy are considered blended component units since their governing body is substantially the same as the City's elected commission and there is a financial burden relationship between them. The Charter Agreement with the School Board of Orange County indicates that the charter is between the School Board and the City of Belle Isle. The City of Belle Isle established The City of Belle Isle Charter Schools, Inc., a not-for-profit organization under the laws of Florida, to execute and hold the Charter and operate the Charter Schools on behalf of the City. Both Charter Schools were audited by other auditors who issued audit reports for the year ended June 30, 2016. These audited financial statements may be obtained from the management company Academia.

Government-Wide and Fund Financial Statements - The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. Since the City has no business-type activities, only governmental activities are reported on the government-wide financial statements.

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

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 revenues as soon as all eligibility requirements imposed by the provider have been met.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued):

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued) - 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 government considers revenues to be available if they are collected with 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

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

The government reports the following major governmental funds:

The *General Fund* is the City's primary operating fund, and is always classified as a major fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

The *Debt Service Fund* is used to account for the lease revenue received from the Charter Schools included as blended component units. The lease revenue is used to pay the debt service on the Series 2012 Lease Revenue Bonds issued by the City in October 2012 as well as repairs and maintenance to the Schools as required by the lease agreement.

Cornerstone Charter High School special revenue fund accounts for revenues received from Orange County School District through the Florida Education Finance Program (FEFP) restricted to operation of the charter high school.

Cornerstone Charter Academy special revenue fund accounts for revenues received from Orange County School through the FEFP restricted to operation of the charter academy.

The government reports the following nonmajor governmental funds:

Transportation impact fee special revenue fund is used to account for collected impact fees on new development which are restricted for transportation related improvements.

Stormwater special revenue fund is used to account for stormwater management operations and related capital improvements.

Law enforcement education special revenue fund is used to account for revenues received pursuant to Florida Statutes, which imposes a \$2.00 court cost against persons convicted for violations of criminal statutes. Funds must be used to educate and train law enforcement personnel.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued):

Assets, Liabilities, Deferred Outflows/Inflows, and Net Position/Fund Balance

Deposits and Investments - The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with original maturities of three months or less from the date of acquisition.

Investments for the City are reported at fair value within the fair value hierarchy established in accordance with GASB Statement No 72, *Fair Value Measurement and Application*, except for the position in the Florida State Board of Administration's Local Government Surplus Investment Pool (LGIP). In accordance with state law, the LGIP operate in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the LGIP's qualify as a 2a7-like pools and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The Florida State Board of Administration is subject to regulatory oversight by the State of Florida, although it is not registered with the SEC. The City's investments consist of investments authorized per their investment policy adopted in accordance with section 218.415, Florida Statutes.

Prepaid items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as an expenditure when consumed rather than when purchased.

Capital assets - Capital assets, which include property, plant equipment and infrastructure assets (e.g., roads, sidewalks and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$750 and an estimated useful life in excess of one year. The Charter Schools capitalize assets with a cost of \$2,000 or more. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued):**Assets, Liabilities, Deferred Outflows/Inflows, and Net Position/Fund Balance (Continued) -**

Capital assets (continued) - Land and construction in progress are not depreciated. The other property, plant, equipment and infrastructure of the City is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	40
Improvements	5 - 15
Infrastructure	25 - 40
Machinery & Equipment	5 - 15
Equipment & Textbooks-Charter Schools	3 - 5
Intangibles	3 - 5

Compensated Absences - The City's personnel policies permit full time employees to accrue personal leave time based upon length of service with the City. This paid time off (PTO) may be used for vacation, sick leave, or doctor appointments. Unused PTO will be paid to employees upon separation from City service at 100% after completion of one year of service. For governmental activities, compensated absences are generally liquidated by the General Fund. A liability for these amounts is reported in the general fund only if they have matured, for example, due to employee retirements.

Long Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of premiums or discounts.

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, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any item that qualifies for reporting in this category for the year ended September 30, 2016.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued):

Assets, Liabilities, Deferred Outflows/Inflows, and Net Position/Fund Balance (Continued) -

Deferred Outflows/Inflows of Resources (continued) - In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category, a deferred credit on debt refunding. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

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

Fund Balance Policies - Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Commission is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued):**Assets, Liabilities, Deferred Outflows/Inflows, and Net Position/Fund Balance (Continued) -**

Fund Balance Policies (continued) - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Commission is authorized to assign fund balance. The commission may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities as of the financial statement date and the reported amounts of revenues and expenses or expenditures during the reporting period. Actual results could differ from those estimates.

New GASB Statement Implemented - In fiscal year 2016, the City implemented GASB Statement No. 72, *Fair Value Measurement and Application*. This statement updates the disclosure requirements for investments. There was no effect on beginning balances of the City.

Note 2 - Reconciliation of Government-Wide and Fund Financial Statements:***A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position.***

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$10,371,863 difference are as follows:

Bonds Payable	\$ 10,160,000
Add: Issuance premium (to be amortized over life of debt)	21,036
Add: Deferred credit on refunding (to be amortized over life of debt)	4,544
Note Payable	123,813
Capital Lease Payable	11,023
Compensated Absences	55,991
	<hr/>
	<u>\$ 10,376,407</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2016

Note 2 - Reconciliation of Government-Wide and Fund Financial Statements (Continued):***B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities.***

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation states that "some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$17,398 decrease are as follows:

Compensated Absences	\$ (18,653)
Accrued Interest	489
Amortization of Premium	<u>766</u>
Net Adjustment to Decrease Net Changes in Fund Balances	<u>\$ (17,398)</u>

Note 3 - Stewardship, Compliance and Accountability:***A. Budgetary Information***

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

1. On or before the first Commission meeting in August, the City Manager submits to the City Commission 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 for all of the City's funds.
2. Public hearings are conducted at the City Hall to obtain taxpayer comments. Prior to September 30, the budget is legally enacted through passage of a resolution.
3. The City cannot legally exceed the budget; however, the City Manager is authorized to transfer budgeted amounts within a department. Any revisions that change the total expenditures of any department must be approved by the City Commission. The legal level of budgetary control is the department level.
4. Formal budgetary integration is employed as a management control device during the year for all of the City's funds.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2016

Note 3 - Stewardship, Compliance and Accountability (Continued):***A. Budgetary Information (Continued)***

5. Budgeted amounts presented in the accompanying financial statements have been adjusted for legally authorized revisions of the annual budget during the year. Encumbrance accounting is not employed. Unexpended and unencumbered appropriations lapse at the end of the fiscal year and are reappropriated in the ensuing year.

Note 4 - Cash and Investments:

Following are the components of the City's cash and investments at September 30, 2016:

Cash	\$ 4,911,365
Investments	3,077,851
	<hr/>
	\$ 7,989,216
	<hr/>

Deposits - All of the City's deposits are at institutions which are Qualified Public Depositories pursuant to Florida Statutes. Therefore, all bank deposits are entirely insured or collateralized by the Federal Depositary Insurance Corporation (FDIC) and the Bureau of Collateral Securities, Division of Treasury.

Investments - The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

Under GASB 72, assets or liabilities are classified into one of three levels. Level 1 is the most reliable and is based on quoted price for identical assets, or liabilities, in an active market. Level 2 uses significant other observable inputs when obtaining quoted prices for identical or similar assets, or liabilities, in markets that are not active. Level 3 is the least reliable, and uses significant unobservable inputs that uses the best information available under the circumstances, which includes the City's own data in measuring unobservable inputs.

The Charter Schools have the following recurring fair value measurements as of June 30, 2016:

- Government money market mutual funds of \$3,044,384 valued using Level 2 inputs.

Since the Charter Schools are not-for-profit corporations, they are not required by Florida Statutes to have an investment policy like the City.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2016

Note 4 - Cash and Investments (Continued):

Investments (Continued) - The City's investment policies are governed by State Statutes and City ordinances. City ordinance allows investments in any financial institution that is a qualified public depository of the State of Florida as identified by the State Treasurer, in accordance with Chapter 280 of the Florida Statutes. Authorized investments are:

1. The State Board of Administration Local Government Investment Pool (SBA);
2. Securities and Exchange Commission Registered Money Market Funds;
3. Savings accounts and certificates of deposit in state-certified qualified public depositories;
4. The Florida Municipal Investment Trust, administered by the Florida League of Cities, Inc.
5. U.S. Government Agency Securities and U.S. Treasury Bills, Notes and Bonds;
6. Overnight bank sweep accounts.

The SBA is not a registrant with the Securities and Exchange Commission (SEC); however, the State of Florida does provide regulatory oversight. The Board has adopted operating procedures consistent with the requirements for a 2a-7 fund for the Florida Prime Fund; therefore, the pool net asset value per share can be used as fair value for financial reporting.

Investments made by the *City of Belle Isle* at September 30, 2016 are summarized below. In accordance with GASB 31, investments are reported at amortized cost, which approximates fair value.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Weighted Average Maturity</u>
Florida PRIME	\$ 33,467	AAAm	70 days

Credit Risk:

The City's investment policy limits credit risk by restricting authorized investments to those described above.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2016

Note 4 - Cash and Investments (Continued):

Custodial Credit Risk:

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires that bank deposits be secured as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida, and creates the Public Deposits Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At September 30, 2016, all of the City's bank deposits were in qualified public depositories.

The Charter Schools' deposits are insured by the FDIC only for amounts up to \$250,000 per depositor, per financial institution. Both Schools are charter schools under the City of Belle Isle Charter Schools, Inc. All School bank accounts are opened under the ownership of City of Belle Isle Charter Schools, Inc., therefore, bank balances at times may potentially be in excess of FDIC coverage. At June 30, 2016, bank balances in potential excess of FDIC coverage totaled \$28,699.

For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2016, none of the investments listed are exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk:

The City's investment policy requires diversification, but does not specify limits on types of investments.

Interest Rate Risk:

The City's investment policy does not specifically address interest rate risk; however, the general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and in general, avoid speculative investments. The City manages its exposure to declines in fair values by investing primarily in pooled investments that have a weighted average maturity of less than three months.

Note 5 - Property Tax:

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and payable by March 31. The County bills and collects property taxes. Collections of the property taxes by the county and remittance of them to the City are accounted for in the general fund. City property tax revenues are recognized when levied to the extent that they result in current receivables.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2016

Note 5 - Property Tax (Continued):

The City is permitted by the Municipal Finance Law of the State to levy taxes up to \$10 per \$1,000 of assessed valuation for general governmental services other than the payment of principal and interest on long-term debt and in unlimited amounts for the payment of principal and interest on long-term debt. The combined tax rate to finance general governmental services for the year ended September 30, 2016, was 4.4018 per \$1,000 which means the City has a tax margin of 5.5982 per \$1,000 and could raise up to \$3,436,857 before discount, additional each year from the present assessed valuation of \$613,921,842 before the limit is reached.

Note 6 - Charter School Management Agreements:

Both Cornerstone Charter High School and Cornerstone Charter Academy have entered into a management agreement with Academia Central Florida, LLC, a professional charter school management company. Academia provides management and administrative services to the Charter Schools including, but not limited to, facility design, staffing recommendations, human resource coordination, regulatory compliance, legal and corporate upkeep, maintenance of the books and records, bookkeeping, budgeting, and financial reporting.

The agreements between the Schools and Academia calls for a fee of \$700 per full time equivalent (FTE) student per year. The agreement is for a period of five years, through June 30, 2020, and unless terminated by the Board of Directors shall be renewed along with any renewals to the Charter Agreement. The Charter Agreement with The School Board of Orange County, Florida expires on June 30, 2027.

CITY OF BELLE ISLE, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2016

Note 7 - Capital Assets:

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

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets, not being depreciated:				
Land	\$ 1,385,823	\$ 832,534	\$ -	\$ 2,218,357
Total capital assets, not being depreciated	<u>1,385,823</u>	<u>832,534</u>	<u>-</u>	<u>2,218,357</u>
Capital Assets, being depreciated:				
Buildings	7,776,250	-	-	7,776,250
Improvements	1,268,107	-	-	1,268,107
Machinery & equipment	1,338,140	89,187	(91,632)	1,335,695
Equipment & textbooks-Charter schools	4,062,459	929,198	-	4,991,657
Intangibles	48,858	-	-	48,858
Infrastructure	<u>8,019,390</u>	<u>429,626</u>	<u>-</u>	<u>8,449,016</u>
Total capital assets being depreciated	<u>22,513,204</u>	<u>1,448,011</u>	<u>(91,632)</u>	<u>23,869,583</u>
Less Accumulated Depreciation for:				
Buildings	(882,734)	(194,447)	-	(1,077,181)
Improvements	(545,337)	(73,569)	-	(618,906)
Machinery & equipment	(1,083,218)	(121,527)	78,303	(1,126,442)
Equipment & textbooks-Charter schools	(1,700,819)	(671,338)	-	(2,372,157)
Intangibles	(29,663)	(8,661)	-	(38,324)
Infrastructure	<u>(2,664,894)</u>	<u>(360,495)</u>	<u>-</u>	<u>(3,025,389)</u>
Total accumulated depreciation	<u>(6,906,665)</u>	<u>(1,430,037)</u>	<u>78,303</u>	<u>(8,258,399)</u>
Total capital assets being depreciated, net	<u>15,606,539</u>	<u>17,974</u>	<u>(13,329)</u>	<u>15,611,184</u>
Governmental activities capital assets, net	<u>\$ 16,992,362</u>	<u>\$ 850,508</u>	<u>\$ (13,329)</u>	<u>\$ 17,829,541</u>

Depreciation expenses were charged to functions/programs of the City as follows:

General Government	\$ 193,615
Public Safety	121,808
Physical Environment	443,276
Human Services	<u>671,338</u>
	<u>\$ 1,430,037</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2016

Note 8 - Retirement Plans:

Employees Defined Contribution Plans - The City is a participant in the Florida Municipal Pension Trust Fund, a multiple employer 401(a) defined contribution plan. The plan is established and administered by and can be amended under the authority of the Florida League of Cities, Inc. All full-time employees not employed by the Charter Schools are eligible to participate in the plan after one year of service. As soon as an employee is eligible to participate in the plan, contributions are made by the City. Under this plan, the City contributes 4% of the employees' eligible wages. The contribution rate is established by the City Commission. Employees do not participate in the plan funding. Employees are 100% vested upon completion of one year of service. No fixed benefits are paid or payable upon retirement. At September 30, 2016, there were 28 participants in the plan.

During the year ended September 30, 2016, the City contributed \$25,922 to the plan. Forfeitures of unvested balances totaling \$25,967 were used to reduce the City's contribution. The total contribution is approximately 4% of the current year's covered payroll. The City has no unfunded liability under this plan.

Both of the Charter Schools included in these financial statements participate in the ADP Total Source Retirement Savings Plan, which is established and can be amended by the plan sponsor, ADP Total Source Group, Inc. The plan is a multiple employer 401(k) plan and all full-time Charter School employees who have been employed for at least one year are eligible. This plan permits voluntary contributions from employees, based on a salary reduction agreement, and provide for discretionary employer matching contributions up to 4% of employees' compensation. At September 30, 2016, there were 35 participants in the plan. Employer contributions for the year ended June 30, 2016 totaled \$15,237 and \$43,925 for the Charter High School and Charter Academy, respectively.

Deferred Compensation Plan - The City also participates in the Florida Municipal Pension Trust Fund 457(b) Deferred Compensation Plan, a multiple employer plan created in accordance with Internal Revenue Code Section 457 (the 457 Plan). The 457 Plan, available to all full-time employees immediately upon employment, permits participants to defer a portion of their current salary until future years. The plan is established and administered by, and can be amended under the authority of the Florida League of Cities, Inc. The City is not required and does not contribute to the 457 Plan. At September 30, 2016, there were 7 active plan participants. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All assets of these plans are held in trust for the exclusive benefit of plan participants and their beneficiaries, and are not accounted for in the City's financial statements.

Note 9 - Other Postemployment Benefits:

Pursuant to Resolution 10-15, the City has elected not to make continuation of group health insurance through the City's current provider available to retirees and eligible dependents.

CITY OF BELLE ISLE, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2016

Note 10 - Long-Term Debt:

Long-term debt activity for the year ended September 30, 2016 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Capital Leases	\$ 64,755	\$ -	\$ (53,732)	\$ 11,023	\$ 10,356
Charter School Note Payable	-	146,000	(22,187)	123,813	27,785
Revenue Bonds	10,350,000	935,000	(1,125,000)	10,160,000	145,000
Unamortized Premium	8,560	21,036	(8,560)	21,036	-
Compensated Absences	37,338	21,839	(3,186)	55,991	5,599
	<u>\$ 10,460,653</u>	<u>\$ 1,123,875</u>	<u>\$ (1,212,665)</u>	<u>\$ 10,371,863</u>	<u>\$ 188,740</u>

Capital Lease - The City has entered into lease agreements as lessee for financing the acquisition of equipment. These lease agreements qualify as capital leases for accounting purposes, and therefore have been recorded at the present value of the minimum lease payments of the inception date. A summary of equipment acquired through capital lease is as follows:

	Governmental Activities
Equipment	\$ 135,443
Less: Accumulated depreciation	(126,187)
	<u>\$ 9,256</u>

The future minimum lease obligations of the minimum lease payments at September 30, 2016 are as follows:

Year Ending September 30,	Governmental Activities
2017	10,686
2018	671
Total Minimum Lease Payments	11,357
Less: amount representing interest	(334)
Present Value of Minimum Lease Payments	<u>\$ 11,023</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2016

Note 10 - Long-Term Debt (Continued):

Charter School Academy Note Payable - The Charter School Academy obtained a term loan for improvements on August 11, 2015. The note bears interest at a rate of 4.07%, with monthly principal and interest payments through maturity on August 11, 2020. Total principal and interest remaining as of the school's fiscal year end of June 30, 2016 is \$134,806. For the year ended June 30, 2016, interest paid was \$4,788.

Revenue Bonds - The City has entered into a loan agreement with the Florida Municipal Loan Council (FMLC), whereby the FMLC issued Revenue Bonds and made loans to several cities including Belle Isle. The purpose of this loan was to provide funds for various capital improvements.

The Series 2006 loan is secured by a covenant to appropriate in the annual budget the amount of non-ad valorem revenues to satisfy repayment. The Series 2006 loan was refunded in 2016.

Advance Refunding - On September 27, 2016, the City issued \$935,000 of FMLC Refunding and Improvement Revenue Bonds, Series 2016 with interest rates ranging from 2.0% to 4.0% to refund the Series 2006 loan which had interest rates ranging from 4.0% to 5.0%. The \$935,000 loan is secured by a covenant to appropriate in the annual budget the amount of non-ad valorem revenues to satisfy repayment. The net proceeds of \$918,250 (including a \$21,036 premium and after payment of \$37,786 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payments on the refunded bonds. As a result, the 2006 Series loan is considered defeased and the related liability has been removed from the statement of net position.

The reacquisition price was less than the net carrying amount of the old debt by \$4,544. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt. The refunding was undertaken to reduce total future debt service payments. The transaction resulted in an economic gain of \$48,950 and a reduction of \$54,853 in future debt service payments.

Series 2012 Charter School Lease Revenue Bonds - In October 2012, the City of Belle Isle issued Charter School Lease Revenue Bonds, Series 2012, in the amount of \$9,625,000. The proceeds of the Bonds were used to finance the costs of acquisition of charter school facilities located within the City of Belle Isle. The City is leasing these facilities to the City of Belle Isle Charter Schools, Inc. pursuant to the Lease Agreement dated October 1, 2012. The Charter Schools are obligated to make base rent payments under the Lease in a total amount sufficient to pay all sinking fund installments of the 2012 Bonds until maturity in 2042. Under the Lease, all Charter School revenues are pledged to the payment of base rent to the City. See Note 14 for further discussion of Lease. The average annual debt service on these Bonds is \$700,000 per year. These Series 2012 Bonds are limited obligations of the City of Belle Isle payable solely out of the pledged revenues and neither the property, the full faith and credit, nor the taxing power of the City, is pledged as security for the payment of the Bonds.

CITY OF BELLE ISLE, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2016

Note 10 - Long-Term Debt (Continued):

Total principal and interest remaining on the Series 2012 Bonds as of September 30, 2016 is \$18,806,575. For the year ended September 30, 2016, principal and interest paid was \$696,100 and total pledged revenue for the year was \$957,249.

Revenue bonds outstanding at year end are as follows:

Governmental Activities	Interest Rates and Dates	Maturity	Original Amount	Balance September 30, 2016
Charter School Lease Revenue Bonds, Series 2012	5.50% - 6.00% (4/1 & 10/1)	10/1/2042	<u>\$ 9,625,000</u>	\$ 9,225,000
FMLC Refunding Revenue Bonds, Series 2016	2.00% - 4.00% (4/1 & 10/1)	10/1/2026	<u>\$ 935,000</u>	935,000
Total				<u>\$ 10,160,000</u>

Annual debt service requirements to maturity for the note and bonds are as follows:

Year Ending September, 30	Governmental Activities Principal	Interest
2017	\$252,936	\$577,644
2018	268,955	566,441
2019	280,156	553,740
2020	296,406	540,365
2021	285,360	527,077
2022 - 2026	1,590,000	2,424,375
2027 - 2031	1,450,000	2,029,200
2032 - 2036	1,940,000	1,538,700
2037 - 2041	2,600,000	882,000
2042	1,320,000	79,200
	<u>\$ 10,283,813</u>	<u>\$ 9,718,742</u>

Note 11 - Line of Credit:

The City entered into a revolving line of credit agreement with a financial institution on July 19, 2012 for the amount of \$750,000. The interest rate is the Wall Street Journal prime rate plus 50% floating with a floor of 4.5%. Repayment terms are interest only due monthly with maturity date of 12 months. The line of credit is unsecured. At September 30, 2016, the City had \$750,000 available on the line of credit to draw down.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2016

Note 12 - Risk Management:

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; and natural disasters. Risk of loss from the above is transferred by the City to various commercial insurers through the purchase of insurance. There has been no significant reduction in insurance coverage from the previous year. There have been no settlements in excess of insurance coverage in any of the prior three fiscal years.

Note 13 - Contingencies:

During the ordinary course of its operations, the City is a party to various claims, legal actions, and complaints. In addition, although the outcome of these lawsuits is not presently determinable, in the opinion of the City's management and legal counsel, these matters are not anticipated to have a material financial impact on the City.

Note 14 - Lease Agreement:

On October 1, 2012, the City of Belle Isle Charters Schools Inc. (the "Schools") entered into an educational facilities lease agreement with the City of Belle Isle. Pursuant to the Lease, the Schools are obligated to make payments of "Incremental Rent" to the City. Annual incremental rent shall equal \$700 multiplied by the total enrolled students for the schools, with minimum rent equaling the debt service requirements for the year. The Schools must also meet certain requirements and covenants under the lease agreement, including maintaining a "Debt Service Coverage Ratio" of at least 1.20 and maintaining 45 days cash and unrestricted available funds on hand. These covenants were met during the year ended September 30, 2016. The City received rent of \$957,249 during the year ended September 30, 2016. The City's budget for FYE 2016 includes annual rent to be received of \$969,500 based on an estimated student count of 1385. The estimated future minimum payments to be received by the City are as follows:

Fiscal Year Ending	Amount
2017	\$ 969,500
2018	969,500
2019	969,500
2020	969,500
2021	969,500
2022 - 2026	4,847,500
2027 - 2031	4,847,500
2032 - 2036	4,847,500
2037 - 2041	4,847,500
2042	1,939,000
	<u>\$ 26,176,500</u>

CITY OF BELLE ISLE, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2016

Note 14 - Lease Agreement (Continued):

Following is a schedule of cost and accumulated depreciation of capital assets under the operating lease:

Land and Buildings	\$ 7,946,512
Accumulated Depreciation	<u>(679,651)</u>
Capital Assets Held for Lease	<u><u>\$ 7,266,861</u></u>

Note 15 - Evaluation of Subsequent Events:

The City has evaluated subsequent events through the date of the independent auditor's report, the date which the financial statements were available to be issued.

Effective October 1, 2016, the City's contribution rate to the 401(a) plan increased to 10% of eligible salary for police officers and 7% of for all other eligible employees.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BELLE ISLE, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND

Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property taxes	\$ 2,568,182	\$ 2,568,182	\$ 2,574,866	\$ 6,684
Franchise fees and utility taxes	371,361	371,361	388,501	17,140
Licenses and permits	95,720	170,907	214,627	43,720
Intergovernmental	1,531,017	1,574,413	1,570,122	(4,291)
Fines and forfeitures	13,000	13,000	17,207	4,207
Charges for services	530,870	530,870	546,000	15,130
Impact fees	-	-	6,010	6,010
Investment income	400	400	3,563	3,163
Miscellaneous	11,500	11,500	43,064	31,564
Total revenues	<u>5,122,050</u>	<u>5,240,633</u>	<u>5,363,960</u>	<u>123,327</u>
Expenditures:				
Current:				
General government:				
Legislative	56,135	56,135	30,381	25,754
Executive	7,600	7,600	2,103	5,497
Finance and administrative	540,952	540,952	528,824	12,128
Other general government	537,609	612,796	575,244	37,552
Total general government	<u>1,142,296</u>	<u>1,217,483</u>	<u>1,136,552</u>	<u>80,931</u>
Public safety:				
Law enforcement	1,438,380	1,481,776	1,336,218	145,558
Fire control	1,237,395	1,237,395	1,237,086	309
Total public safety	<u>2,675,775</u>	<u>2,719,171</u>	<u>2,573,304</u>	<u>145,867</u>
Physical environment:				
Roads and streets	632,268	662,557	605,756	56,801
Solid waste disposal	460,000	460,000	458,490	1,510
Total physical environment	<u>1,092,268</u>	<u>1,122,557</u>	<u>1,064,246</u>	<u>58,311</u>
Debt service:				
Principal	123,732	123,732	123,732	-
Interest	47,416	47,416	47,036	380
Total debt service	<u>171,148</u>	<u>171,148</u>	<u>170,768</u>	<u>380</u>
Total expenditures	<u>5,081,487</u>	<u>5,230,359</u>	<u>4,944,870</u>	<u>285,489</u>
Excess (deficiency) of revenues over expenditures	<u>40,563</u>	<u>10,274</u>	<u>419,090</u>	<u>408,816</u>
Net change in fund balance	40,563	10,274	419,090	408,816
Fund Balance - beginning	2,130,542	2,130,542	2,130,542	-
Fund Balance - ending	<u>\$ 2,171,105</u>	<u>\$ 2,140,816</u>	<u>\$ 2,549,632</u>	<u>\$ 408,816</u>

CITY OF BELLE ISLE, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CORNERSTONE CHARTER HIGH SCHOOL

Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 2,757,340	\$ 2,764,855	\$ 2,769,987	\$ 5,132
Miscellaneous	76,000	76,000	77,585	1,585
Total revenues	2,833,340	2,840,855	2,847,572	6,717
Expenditures:				
Current:				
Human services	2,539,674	2,697,804	2,647,257	50,547
Total expenditures	2,539,674	2,697,804	2,647,257	50,547
Excess (deficiency) of revenues over expenditures	293,666	143,051	200,315	57,264
Net change in fund balance	293,666	143,051	200,315	57,264
Fund Balance - beginning	398,244	398,244	398,244	-
Fund Balance - ending	\$ 691,910	\$ 541,295	\$ 598,559	\$ 57,264

CITY OF BELLE ISLE, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CORNERSTONE CHARTER ACADEMY

Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 6,876,888	\$ 7,001,362	\$ 7,023,190	\$ 21,828
Charges for services	177,000	177,000	199,136	22,136
Miscellaneous	30,000	30,000	34,017	4,017
Total revenues	7,083,888	7,208,362	7,256,343	47,981
Expenditures:				
Current:				
Human services	6,620,710	6,867,607	6,771,604	96,003
Debt service:				
Principal	-	22,000	22,187	(187)
Interest	-	5,000	4,788	212
Total expenditures	6,620,710	6,894,607	6,798,579	96,028
Excess (deficiency) of revenues over expenditures	463,178	313,755	457,764	144,009
Other Financing Sources (Uses):				
Proceeds from notes payable	125,000	146,000	146,000	-
Total other financing sources (uses)	125,000	146,000	146,000	-
Net change in fund balance	588,178	459,755	603,764	144,009
Fund Balance - beginning	1,571,019	1,571,019	1,571,019	-
Fund Balance - ending	\$ 2,159,197	\$ 2,030,774	\$ 2,174,783	\$ 144,009

CITY OF BELLE ISLE, FLORIDA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended September 30, 2016

The governmental funds' budgets are prepared on a budgetary basis, whereby the City may include a portion of the prior year's fund balance represented by unappropriated liquid assets remaining in the fund as a budgeted revenue in the succeeding year. The results of operations on a GAAP basis do not recognize the fund balance allocation as revenue as it represents prior periods' excess of revenues over expenditures. Also, the City does not budget for financing activities relating to the acquisition of capital assets or refunding of debt.

For the 2016 fiscal year, the following adjustments were necessary to convert General Fund expenditures on the GAAP basis to the budgetary basis:

	Expenditures	Other Financing Sources (Uses)
GAAP Basis	\$ 4,982,656	\$ 37,786
Nonbudgeted Bond Proceeds and Premium	-	(956,036)
Nonbudgeted Payment to Refunded Bond Escrow	-	918,250
Nonbudgeted Bond Issuance Transactions	(37,786)	-
Budgetary Basis	<u>\$ 4,944,870</u>	<u>\$ -</u>



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MAJOR GOVERNMENTAL FUNDS

Debt Service Fund

Debt Service Fund

- This fund was established to account for the lease revenue received from the Charter Schools included as blended component units. The lease revenue is used to pay the debt service on the Series 2012 Lease Revenue Bonds issued by the City in October 2012 and repairs and maintenance as required by the bond agreement.

CITY OF BELLE ISLE, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND

Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Investment income	\$ -	\$ -	\$ 792	\$ 792
Miscellaneous	840,000	840,000	957,249	117,249
Total revenues	840,000	840,000	958,041	118,041
Expenditures:				
Current:				
Physical environment	100,000	932,554	856,311	76,243
Debt service:				
Principal	140,000	140,000	140,000	-
Interest	556,100	556,100	555,898	202
Total expenditures	796,100	1,628,654	1,552,209	76,445
Excess (deficiency) of revenues over expenditures	43,900	(788,654)	(594,168)	194,486
Fund Balance - beginning	1,723,108	1,723,108	1,723,108	-
Fund Balance - ending	<u>\$ 1,767,008</u>	<u>\$ 934,454</u>	<u>\$ 1,128,940</u>	<u>\$ 194,486</u>

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

- | | |
|---|---|
| Transportation Impact Fee
Special Revenue Fund | - This fund is used to account for collected impact fees on new development which are restricted for use in funding road construction directly related to new growth. |
| Stormwater Special
Revenue Fund | - This fund is used to account for stormwater management operations and related capital improvements. |
| Law Enforcement
Education Special Revenue
Fund | - This fund is used to account for revenues received pursuant to Florida Statutes which imposes a \$2.00 court cost against persons convicted for violations of criminal statutes. Funds must be used to educate and train law enforcement personnel. |

CITY OF BELLE ISLE, FLORIDA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

September 30, 2016

Special Revenue Funds				
	Transportation Impact Fee	Stormwater	Law Enforcement Education	Total Nonmajor Governmental Funds
Assets:				
Cash and cash equivalents	\$ 132,076	\$ 616,070	\$ 13,327	\$ 761,473
Prepaid items	-	-	1,450	1,450
Total assets	<u>\$ 132,076</u>	<u>\$ 616,070</u>	<u>\$ 14,777</u>	<u>\$ 762,923</u>
Liabilities:				
Accounts payable	\$ -	\$ 9,813	\$ -	\$ 9,813
Total liabilities	<u>-</u>	<u>9,813</u>	<u>-</u>	<u>9,813</u>
Fund Balances:				
Nonspendable	-	-	1,450	1,450
Restricted for:				
Transportation impacts	132,076	-	-	132,076
Stormwater	-	606,257	-	606,257
Law enforcement education	-	-	13,327	13,327
Total fund balances	<u>132,076</u>	<u>606,257</u>	<u>14,777</u>	<u>753,110</u>
Total Liabilities and Fund Balances	<u>\$ 132,076</u>	<u>\$ 616,070</u>	<u>\$ 14,777</u>	<u>\$ 762,923</u>

CITY OF BELLE ISLE, FLORIDA

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

For the Year Ended September 30, 2016

	<u>Special Revenue Funds</u>			
	Transportation Impact Fee	Stormwater	Law Enforcement Education	Total Nonmajor Governmental Funds
Revenues:				
Charges for services	\$ -	\$ 306,236	\$ -	\$ 306,236
Impact fees	5,720	-	-	5,720
Fines and forfeitures	-	-	1,204	1,204
Investment earnings	3,382	3,382	3,381	10,145
Total revenues	9,102	309,618	4,585	323,305
Expenditures:				
Current:				
Public Safety	-	-	4,630	4,630
Physical environment	-	203,984	-	203,984
Total expenditures	-	203,984	4,630	208,614
Excess (deficiency) of revenues over expenditures	9,102	105,634	(45)	114,691
Net change in fund balances	9,102	105,634	(45)	114,691
Fund Balances - beginning	122,974	500,623	14,822	638,419
Fund Balances - ending	<u>\$ 132,076</u>	<u>\$ 606,257</u>	<u>\$ 14,777</u>	<u>\$ 753,110</u>



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**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**



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CITY OF BELLE ISLE, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - TRANSPORTATION IMPACT FEE FUND

Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Impact fees	\$ 7,150	\$ 7,150	\$ 5,720	\$ (1,430)
Investment income	400	400	3,382	2,982
Total revenues	7,550	7,550	9,102	1,552
Expenditures:				
Current:				
Physical environment	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	7,550	7,550	9,102	1,552
Net change in fund balance	7,550	7,550	9,102	1,552
Fund Balance - beginning	122,974	122,974	122,974	-
Fund Balance - ending	<u>\$ 130,524</u>	<u>\$ 130,524</u>	<u>\$ 132,076</u>	<u>\$ 1,552</u>

CITY OF BELLE ISLE, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - STORMWATER FUND

Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 306,543	\$ 306,543	\$ 306,236	\$ (307)
Investment income	400	400	3,382	2,982
Total revenues	306,943	306,943	309,618	2,675
Expenditures:				
Current:				
Physical environment:	364,200	404,750	203,984	200,766
Total expenditures	364,200	404,750	203,984	200,766
Excess (deficiency) of revenues over expenditures	(57,257)	(97,807)	105,634	203,441
Net change in fund balance	(57,257)	(97,807)	105,634	203,441
Fund Balance - beginning	500,623	500,623	500,623	-
Fund Balance - ending	\$ 443,366	\$ 402,816	\$ 606,257	\$ 203,441

CITY OF BELLE ISLE, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - LAW ENFORCEMENT EDUCATION FUND

Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Fines and forfeitures	\$ 1,200	\$ 1,200	\$ 1,204	\$ 4
Investment income	400	400	3,381	2,981
Total revenues	1,600	1,600	4,585	2,985
Expenditures:				
Current:				
Public safety	5,200	5,200	4,630	570
Total expenditures	5,200	5,200	4,630	570
Excess (deficiency) of revenues over expenditures	(3,600)	(3,600)	(45)	3,555
Net change in fund balance	(3,600)	(3,600)	(45)	3,555
Fund Balance - beginning	14,822	14,822	14,822	-
Fund Balance - ending	\$ 11,222	\$ 11,222	\$ 14,777	\$ 3,555



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STATISTICAL SECTION



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STATISTICAL SECTION

This part of the *City of Belle Isle'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 health.

<u>Contents</u>	<u>Page</u>
Financial Trends	45
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
Revenue Capacity	50
These schedules contain formation to help the reader asses the government's most significant local revenue source, the property tax.	
Debt Capacity	54
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	
There are no limitations placed upon the amount of debt the <i>City of Belle Isle</i> may issue by either the City Charter or the City's Code of Ordinances or by Florida Statutes.	
The <i>City of Belle Isle</i> has no general obligation bonds outstanding.	
Demographic and Economic Information	56
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
Operating Information	58
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	

CITY OF BELLE ISLE, FLORIDA

NET POSITION BY COMPONENT

Last Ten Fiscal Years
(accrual basis of accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Governmental Activities										
Net investment in capital assets	\$ 2,841,770	\$ 4,588,012	\$ 5,645,520	\$ 5,832,855	\$ 7,118,248	\$ 7,312,195	\$ 6,040,624	\$ 7,244,583	\$ 7,530,107	\$ 8,475,455
Restricted	1,099,267	778,479	378,961	254,287	442,964	951,727	3,166,639	2,579,822	3,369,730	3,574,581
Unrestricted	3,287,910	1,979,832	911,654	770,409	807,189	1,072,755	1,146,711	1,618,370	2,092,715	2,608,122
Total Governmental Activities Net Position	<u>\$ 7,228,947</u>	<u>\$ 7,346,323</u>	<u>\$ 6,936,135</u>	<u>\$ 6,857,551</u>	<u>\$ 8,368,401</u>	<u>\$ 9,336,677</u>	<u>\$ 10,353,974</u>	<u>\$ 11,442,775</u>	<u>\$ 12,992,552</u>	<u>\$ 14,658,158</u>

CITY OF BELLE ISLE, FLORIDA

CHANGES IN NET POSITION

Last Ten Fiscal Years
(accrual basis of accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Expenses										
Governmental Activities										
General government	\$ 1,004,664	\$ 995,667	\$ 992,184	\$ 1,037,331	\$ 1,003,552	\$ 836,317	\$ 1,425,899	\$ 1,184,379	\$ 1,181,293	\$ 1,326,981
Public safety	1,799,649	1,979,104	1,983,858	2,108,568	2,214,034	2,262,930	2,425,114	2,544,994	2,623,288	2,669,212
Physical environment	1,004,728	1,158,691	1,317,831	1,246,280	1,267,319	1,240,441	1,294,967	1,268,403	1,262,891	1,273,663
Human Services	-	-	-	-	5,428,025	5,938,563	6,579,138	8,307,234	8,579,049	9,161,001
Interest on long-term debt	98,314	106,354	97,978	94,615	83,098	82,149	594,659	628,992	616,652	644,253
Total Governmental Activities Expense	\$ 3,907,355	\$ 4,239,816	\$ 4,391,851	\$ 4,486,794	\$ 9,996,028	\$ 10,360,400	\$ 12,319,777	\$ 13,934,002	\$ 14,263,173	\$ 15,075,110

Program Revenues										
Governmental Activities:										
Charges for services:										
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,978	\$ -	\$ -	\$ -	\$ -
Public safety	82,202	150,089	94,515	19,798	22,065	20,800	38,077	40,943	54,125	56,471
Physical environment	185,990	168,283	167,983	626,175	814,619	750,586	822,231	853,785	847,737	1,040,533
Human services	-	-	-	-	126,182	143,114	152,388	180,380	190,147	199,136
Interest on long-term debt	-	-	-	-	-	-	698,135	862,972	928,900	957,249
Operating grants and contributions	252,390	210,139	194,172	194,615	689,780	560,001	771,226	436,178	384,248	368,188
Capital grants and contributions	1,199,787	226,727	22,500	36,485	415,585	377,504	304,156	608,518	619,626	384,035
Total Governmental Activities Program Revenues	\$ 1,720,369	\$ 755,238	\$ 479,170	\$ 877,073	\$ 2,068,231	\$ 1,870,983	\$ 2,786,213	\$ 2,982,776	\$ 3,024,783	\$ 3,005,612

Total Governmental Activities Net Expense	\$ (2,186,986)	\$ (3,484,578)	\$ (3,912,681)	\$ (3,609,721)	\$ (7,927,797)	\$ (8,489,417)	\$ (9,533,564)	\$ (10,951,226)	\$ (11,238,390)	\$ (12,069,498)
---	----------------	----------------	----------------	----------------	----------------	----------------	----------------	-----------------	-----------------	-----------------

General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
Property taxes	\$ 2,088,933	\$ 2,102,260	\$ 2,122,775	\$ 2,152,842	\$ 2,397,747	\$ 2,386,130	\$ 2,392,337	\$ 2,479,107	\$ 2,506,520	\$ 2,574,866
Franchise and utility taxes	386,624	395,482	435,928	439,093	438,427	395,910	409,916	410,408	405,135	388,501
Intergovernmental-unrestricted	1,104,420	1,017,572	921,409	921,752	6,390,668	6,647,812	7,725,730	8,995,459	9,784,811	10,611,076
Investment income and Miscellaneous	431,644	86,640	22,381	17,450	211,805	27,841	49,285	155,053	91,701	160,661
Total Governmental Activities	\$ 4,011,621	\$ 3,601,954	\$ 3,502,493	\$ 3,531,137	\$ 9,438,647	\$ 9,457,693	\$ 10,577,268	\$ 12,040,027	\$ 12,788,167	\$ 13,735,104

Change in Net Position										
Governmental Activities	\$ 1,824,635	\$ 117,376	\$ (410,188)	\$ (78,584)	\$ 1,510,850	\$ 968,276	\$ 1,043,704	\$ 1,088,801	\$ 1,549,777	\$ 1,665,606

CITY OF BELLE ISLE, FLORIDA

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE

Last Ten Fiscal Years
(accrual basis of accounting)

	Property Tax	Franchise Fees and Utility Tax	Total
2007	2,088,933	386,624	2,475,557
2008	2,102,260	395,482	2,497,742
2009	2,121,051	412,874	2,533,925
2010	2,152,842	439,093	2,591,935
2011	2,397,747	438,427	2,836,174
2012	2,382,619	388,468	2,771,087
2013	2,392,337	409,916	2,802,253
2014	2,479,107	410,408	2,889,515
2015	2,506,520	405,135	2,911,655
2016	2,574,866	388,501	2,963,367

Source Orange County Tax Collector

CITY OF BELLE ISLE, FLORIDA

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011*</u>	<u>2012*</u>	<u>2013*</u>	<u>2014*</u>	<u>2015*</u>	<u>2016*</u>
General Fund										
Reserved	\$ 382,227	\$ 385,653	\$ -	\$ -						
Unreserved	2,134,491	1,574,689	943,699	785,854						
Total General fund	<u>\$ 2,516,718</u>	<u>\$ 1,960,342</u>	<u>\$ 943,699</u>	<u>\$ 785,854</u>						
All Other Governmental Funds										
Reserved	\$ 717,040	\$ 392,826	\$ -	\$ -						
Unreserved, reported in:										
Special Revenue funds	170,834	430,538	378,961	254,287						
Total All Other Governmental Funds	<u>\$ 887,874</u>	<u>\$ 823,364</u>	<u>\$ 378,961</u>	<u>\$ 254,287</u>						
General Fund										
Nonspendable	\$ -	\$ 171,605	\$ 1,815	\$ -	\$ 1,353	\$ -	\$ 520	\$ -		
Assigned	822,976	719,039	532,657						303,662	
Unassigned	-	224,677	543,735		1,641,803	2,130,022	2,245,970			
Total General Fund	<u>\$ 822,976</u>	<u>\$ 1,115,321</u>	<u>\$ 1,078,207</u>	<u>\$ 1,643,156</u>	<u>\$ 2,130,542</u>	<u>\$ 2,549,632</u>				
All Other Governmental Funds										
Nonspendable	\$ -	\$ 61,250	\$ 277,303	\$ 153,226	\$ 123,979	\$ 113,381				
Assigned	-	-	-	-	-	-	-	-		
Restricted	692,964	895,277	2,889,336	3,387,740	4,206,811	4,542,011				
Total All Other Governmental Funds	<u>\$ 692,964</u>	<u>\$ 956,527</u>	<u>\$ 3,166,639</u>	<u>\$ 3,540,966</u>	<u>\$ 4,330,790</u>	<u>\$ 4,655,392</u>				

* Implementation of GASB Statement No. 54

CITY OF BELLE ISLE, FLORIDA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues:										
Taxes:										
Property	\$ 2,088,933	\$ 2,102,260	\$ 2,122,775	\$ 2,152,842	\$ 2,397,747	\$ 2,386,130	\$ 2,392,337	\$ 2,479,107	\$ 2,506,520	\$2,574,866
Franchise and utility	386,624	395,482	435,928	439,093	438,427	395,910	409,916	410,408	405,135	388,501
Licenses and permits	39,604	25,522	8,235	40,366	151,377	114,745	119,342	134,284	158,170	214,627
Intergovernmental revenues	2,556,597	1,454,438	1,138,081	1,152,852	7,823,267	7,585,317	8,692,337	10,028,321	10,766,686	11,363,299
Charges for services	142,096	134,016	146,988	561,417	629,298	772,144	826,483	888,487	893,399	1,051,372
Impact fees	4,290	8,745	12,760	24,255	34,045	7,315	29,138	4,394	14,075	11,730
Fines and forfeitures	82,202	150,089	94,515	19,935	21,611	20,296	37,733	47,943	26,365	18,411
Investment income	217,601	83,174	9,396	12,487	3,646	6,359	4,739	1,725	4,267	14,500
Miscellaneous	214,043	13,233	12,985	4,963	7,460	40,460	742,956	1,038,364	1,032,434	1,111,915
Total revenues	5,731,990	4,366,959	3,981,663	4,408,210	11,506,878	11,328,676	13,254,981	15,033,033	15,807,051	16,749,221
Expenditures:										
General government	3,616,583	1,378,561	1,484,293	1,032,000	1,006,852	879,717	8,815,568	988,079	991,080	1,136,552
Public safety	1,799,649	1,979,104	2,189,801	2,136,974	2,221,937	2,273,447	2,453,318	2,547,179	2,531,847	2,577,934
Physical environment	1,990,489	1,260,211	1,547,861	1,154,566	1,290,521	860,574	1,251,898	862,239	1,179,457	2,124,541
Human services	-	-	-	-	6,354,123	6,092,366	6,852,622	8,913,168	8,981,368	9,418,861
Debt Service:										
Principal	259,915	272,780	287,512	284,324	315,127	575,355	298,326	339,634	250,210	285,919
Interest	106,270	114,785	106,387	103,865	92,519	91,309	600,563	630,970	617,878	607,722
Bond issuance costs	32,818	-	-	-	-	-	434,688	-	-	37,786
Total expenditures	7,805,724	5,005,441	5,615,854	4,711,729	11,281,079	10,772,768	20,706,983	14,281,269	14,551,840	16,189,315
Excess Revenues Over Expenditures	(2,073,734)	(638,482)	(1,634,191)	(303,519)	225,799	555,908	(7,452,002)	751,764	1,255,211	559,906
Other Financing Sources:										
Capital lease	45,261	17,596	173,145	21,000	-	-	-	87,512	21,999	-
Bonds/Notes issued	1,480,000	-	-	-	250,000	-	9,625,000	100,000	-	1,081,000
Premium on bonds	15,326	-	-	-	-	-	-	-	-	21,036
Payment to refunded bond escrow	15,326	-	-	-	-	-	-	-	-	(918,250)
Total other financing sources	1,540,587	17,596	173,145	21,000	250,000	-	9,625,000	187,512	21,999	183,786
Net change in fund balance	\$ (533,147)	\$ (620,886)	\$ (1,461,046)	\$ (282,519)	\$ 475,799	\$ 555,908	\$ 2,172,998	\$ 939,276	\$ 1,277,210	\$ 743,692
Debt service as a % of noncapital expenditures	10.02%	9.13%	9.19%	8.99%	3.78%	6.52%	11.54%	7.47%	6.61%	6.70%

CITY OF BELLE ISLE, FLORIDA

ASSESSED VALUE AND ESTIMATED VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

Fiscal Year	Real Property	Personal Property	Total * Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2007	569,227,451	15,679,104	584,906,555	3.6655	941,699,554	62.11%
2008	620,697,374	16,023,977	636,721,351	3.4068	629,330,040	98.84%
2009	615,305,721	17,587,224	632,892,945	3.5378	687,514,038	92.06%
2010	576,519,592	18,456,856	594,976,448	3.7432	618,183,229	96.25%
2011	547,396,958	18,999,294	566,396,252	4.4018	591,737,558	95.72%
2012	541,210,654	18,248,983	559,459,637	4.4018	561,857,096	99.57%
2013	543,214,623	18,057,560	561,272,183	4.4018	562,034,022	99.86%
2014	562,918,210	18,467,610	581,385,820	4.4018	584,568,215	99.46%
2015	585,089,524	17,762,519	602,852,043	4.4018	603,075,188	99.96%
2016	595,651,703	17,857,310	613,509,013	4.4018	614,146,295	99.90%

Source:

Orange County Property Appraiser

* Breakdown between residential & commercial not available

CITY OF BELLE ISLE, FLORIDA

PROPERTY TAX RATES DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Fiscal Years

Fiscal Year	Direct(1)		Overlapping(2)				Total Direct & Overlapping Rates	
	City of Belle Isle	Orange County	School Board	County Library	St. Johns WMD	Lake Conway MSTU		
2007	3.6655	5.1639	7.1690	0.4325	0.4620	0.4729	17.3658	
2008	3.4068	4.4347	7.1500	0.3748	0.4158	0.4107	16.1928	
2009	3.5378	4.4347	7.1500	0.3748	0.4158	0.4107	16.3238	
2010	3.7432	4.4347	7.6730	0.3748	0.4158	0.4107	17.0522	
2011	4.4018	4.4347	7.8940	0.3748	0.4158	0.4107	17.9318	
2012	4.4018	4.4347	8.5450	0.3748	0.3313	0.4107	18.4983	
2013	4.4018	4.4347	8.4780	0.3748	0.3313	0.4107	18.4313	
2014	4.4018	4.4347	8.3620	0.3748	0.3283	0.4107	18.3123	
2015	4.4018	4.4347	8.4740	0.3748	0.3164	0.4107	18.4124	
2016	4.4018	4.4347	8.2180	0.3748	0.3023	0.4107	18.1423	

Millage Rates (\$1 per \$1,000 of taxable value)

- (1) The direct rate is for operating millage. There is no debt service millage.
- (2) Overlapping rates are those of local and county governments that apply to property owners within the City of Belle Isle.

Source: Orange County Tax Collector

CITY OF BELLE ISLE, FLORIDA

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

	2016			2007		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Taxpayer						
Belle Isle Commons	\$ 6,929,864	1	1.13%	\$ 8,775,042	3	1.50%
Duke Energy Florida	6,341,991	2	1.03%	-	-	-
Legacy Holdings	6,156,913	3	1.00%	-	-	-
Regal Marine	6,085,291	4	0.99%	12,591,759	1	2.15%
Sri Balaji Hotels	5,213,408	5	0.85%	-	-	-
Capital Lodging LLC	3,863,056	6	0.63%	-	-	-
McCoy Federal Credit Union	3,539,337	7	0.58%	3,492,101	7	0.60%
Marketing Business Associates	3,015,703	8	0.49%	-	-	-
Siddhi-Vinayak Inc.	2,732,896	9	0.45%	-	-	-
Harrell Roberts	2,396,284	10	0.39%	-	-	-
M/I Homes of Orlando, LLC	-	-	-	10,741,400	2	1.84%
Lee Leo	-	-	-	7,481,112	4	1.28%
McCoy Condo Investments, LLC	-	-	-	2,758,534	9	0.47%
Efesos Properties, Inc. (Winn Dixie)	-	-	-	3,561,336	6	0.61%
Tandiono Ferry	-	-	-	4,294,084	5	0.73%
E-Z Rent A Car, Inc.	-	-	-	2,869,116	8	0.49%
Conway Crest Development, LLC	-	-	-	2,625,411	10	0.45%
Ontario, Inc.	-	-	-	-	-	-
	<u>\$ 46,274,743</u>		<u>7.54%</u>	<u>\$ 59,189,895</u>		<u>10.12%</u>

Source: Orange County Property Appraiser
2007 City of Belle Isle CAFR

CITY OF BELLE ISLE, FLORIDA

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

	Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	2,146,612	2,088,933	97.31%	1,232	2,090,165	97.37%
2008	2,169,182	2,102,260	96.91%	1,576	2,103,836	96.99%
2009	2,239,049	2,119,584	94.66%	2,576	2,122,190	94.78%
2010	2,227,116	2,144,861	96.31%	-	2,144,861	96.99%
2011	2,493,163	2,390,974	95.90%	1,454	2,392,428	95.96%
2012	2,462,629	2,386,130	96.89%	-	2,386,130	96.89%
2013	2,471,814	2,392,337	96.78%	-	2,392,337	96.78%
2014	2,566,675	2,479,107	96.59%	-	2,479,107	96.78%
2015	2,653,634	2,506,520	94.46%	-	2,506,520	94.46%
2016	2,702,361	2,574,866	95.28%	-	2,574,866	95.28%

CITY OF BELLE ISLE, FLORIDA

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

	Governmental Activities		Total Primary Government	Percentage of Personal Income ¹	Per Capita
	Revenue Bonds	Capital Leases			
2007	2,775,000	66,771	2,841,771	1.36%	483
2008	2,540,000	46,587	2,586,587	1.24%	440
2009	2,300,000	172,220	2,472,220	1.33%	435
2010	2,045,000	163,896	2,208,896	0.87%	337
2011	1,785,000	108,769	1,893,769	0.77%	316
2012	1,510,000	58,414	1,568,414	0.54%	257
2013	10,860,328	45,088	10,905,416	4.24%	1703
2014	10,559,326	92,966	10,652,292	3.89%	1659
2015	10,358,560	64,755	10,423,315	3.63%	1613
2016	10,181,036	11,023	10,192,059	3.89%	1558

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

- 1 See Demographic and Economic Statistics for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

CITY OF BELLE ISLE, FLORIDA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of September 30, 2016

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Overlapping General Obligation Debt:			
Orange County Board of County Commissioners	\$ -		\$ -
Orange County School Board	-		-
St. John's River Management District	-		-
Direct debt	10,315,872	100%	10,315,872
Total direct and overlapping debt	<u>\$ 10,315,872</u>		<u>\$ 10,315,872</u>

Note:

(1) Ratio of assessed valuation of taxable property in overlapping unit to that within the City of Belle Isle.

CITY OF BELLE ISLE, FLORIDA

PLEDGE - REVENUE COVERAGE

Last Ten Fiscal Years

Fiscal Year Ended Sept 30,	2002C Revenue Bonds				2003B Revenue Bonds				2012 Lease Revenue Bonds			
	Half-Cent Sales Tax	Debt Service		Coverage	Communication Service Taxes	Debt Service		Coverage	Lease Revenue	Debt Service		Coverage
		Principal	Interest			Principal	Interest			Principal	Interest	
2007	828,086	90,000	29,082	6.95	259,064	95,000	26,034	2.14	-	-	-	-
2008	779,290	90,000	24,546	6.80	259,206	95,000	22,262	2.21	-	-	-	-
2009	688,169	95,000	22,030	5.88	300,757	95,000	21,472	2.58	-	-	-	-
2010	694,066	100,000	17,850	5.89	276,677	100,000	18,860	2.33	-	-	-	-
2011	751,309	105,000	11,625	6.44	255,377	100,000	14,956	2.22	-	-	-	-
2012	776,496	110,000	6,800	6.65	252,981	105,000	11,816	2.17	698,135	-	532,373	1.31
2013	833,187	115,000	2,300	7.10	266,822	110,000	12,788	2.17	862,972	125,000	570,400	1.24
2014	-	-	-	-	248,568	110,000	2,888	2.20	928,900	135,000	563,526	1.33
2015	-	-	-	-	-	-	-	-	957,249	140,000	555,898	1.38
2016	-	-	-	-	-	-	-	-	-	-	-	-

Notes:

The City made last payment on 2002C debt in 2013.

The City made last payment on 2003B debt in 2014.

CITY OF BELLE ISLE, FLORIDA

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Fiscal Years

	Population	Personal Income ¹	Per Capita Personal Income ¹	Median Age ¹	Education Level In Years of Formal Schooling ¹	Unemployment Rate ¹
2007	5,881	208,328,544	35,424	43.0	14.3	4.50%
2008	5,881	208,328,544	35,424	43.0	14.3	4.50%
2009	5,678	185,295,852	32,634	44.8	14.2	6.77%
2010	6,553	254,236,741	38,797	43.8	14.4	12.0%
2011	5,988	245,831,352	41,054	43.7	13.4	1.80%
2012	6,111	289,673,622	47,402	32.8	14.2	9.80%
2013	6,404	257,402,376	40,194	46.1	14.3	9.90%
2014	6,422	274,090,960	42,680	47.5	14.7	7.70%
2015	6,464	286,865,856	44,379	47.3	14.8	4.80%
2016	6,541	262,320,264	40,104	47.9	14.2	4.40%

¹ Metro Orlando Economic Development Commission or U.S. Census Bureau

CITY OF BELLE ISLE, FLORIDA

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employer	2016			2007		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Regal Boats	500	1	7.64%	261	1	58%
Cornerstone Charter	108	2	1.65%	-	-	-
La Petite	17	3	0.26%	-	-	-
CVS	17	4	0.26%	20	5	4.00%
Starbucks	17	5	0.26%	15	7	3.00%
Quality Inn	17	6	0.26%	-	-	-
RaceTrac	15	7	0.23%	7	10	2.00%
Days Inn	14	8	0.21%	-	-	-
Wendys	13	9	0.20%	18	6	4.00%
Comfort Suites	12	10	0.18%	-	-	-
Winn Dixie	-	-	-	50	2	11%
Ramada Inn & Suites	-	-	-	37	3	8.00%
E-Z Rent A Car	-	-	-	21	4	5.00%
Specialists of Orlando	-	-	-	12	8	3.00%
Taco Bell	-	-	-	10	9	2.00%
Total	730	-	11.16%	451	-	100.00%

Source: Field inspection
2016 The City of Belle Isle has a population of 6541

CITY OF BELLE ISLE, FLORIDA

FULL - TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

Last Ten Fiscal Years

Function	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Government	5	5	5	5	5	4	6	5	5	5
Public Safety	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-
Public Works	5	4	3	2	2	2	2	2	2	2
Parks and Recreation	-	-	-	-	-	-	-	-	-	-
Police Department	-	-	12	12	20	14	16	16	16	16
Total	10	9	20	19	27	20	24	23	23	23

CITY OF BELLE ISLE, FLORIDA

OPERATING INDICATORS BY FUNCTION

Last Ten Fiscal Years

Function	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Government										
License/Permit Reviews	795	501	907	575	1170	1450	1195	1326	764	1056
Occupational Licenses Issued	*	*	*	*	*	*	*	100	178	185
Employees paid	70	64	99	30	27	39	41	41	40	38
Public Safety										
Parking violations	170	237	131	99	56	48	24	34	18	14
Highways & Streets										
Streets paved (miles)	23.5	24	24	22	25	25	25	25	25	25
Streets resurfaced (tons/asphalt)							7.5	7.5	7.5	7.5
Sidewalks/bike paths built or repaired (feet)	25	7085	194	262	262	1200	2200	2200	474	212.5

* Data not available

Source: City of Belle Isle Finance Dept.

CITY OF BELLE ISLE, FLORIDA

CAPITAL ASSET STATISTICS BY FUNCTION

Last Ten Fiscal Years

Function	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Highways & Streets										
Streets - paved (miles)	24	24	24	22	25	25	25	25	25	25
Streets - unpaved (miles)	0.3	0.3	0.3	0.3	0.03	0.03	0.03	0.03	0.03	0.03
Street lights	667	671	671	671	740	740	740	740	740	740
Parks and Recreation										
Parks	2	2	2	2	2	3	3	3	3	3

* Data not available

Source: City of Belle Isle Public Works Dept.

INTERNAL CONTROL AND COMPLIANCE SECTION



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

The Honorable Mayor and City Commissioners
City of Belle Isle, 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, each major fund, and the aggregate remaining fund information of the *City of Belle Isle, Florida*, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 25, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the *City of Belle Isle, Florida'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

MCDIRMIT DAVIS & COMPANY, LLC
934 NORTH MAGNOLIA AVENUE, SUITE 100 ORLANDO, FLORIDA 32803
TELEPHONE: 407-843-5406 FAX: 407-649-9339 EMAIL: INFO@MCDIRMITDAVIS.COM

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the *City of Belle Isle*'s financial statements are free of material misstatement, we performed tests on 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*.

We noted certain matters that we have reported to management of the City of Belle Isle in a separate letter dated February 25, 2017.

Purpose of the Report

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

McDiarmid Davis & Company, LLC

Orlando, Florida
February 25, 2017

MANAGEMENT LETTER

Honorable Mayor and City Commission
City of Belle Isle, Florida

Report on the Financial Statements

We have audited the financial statements of the *City of Belle Isle, Florida*, as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated February 25, 2017.

Auditor's Responsibility

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; and Chapter 10.550, Rules of the Auditor General.

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Auditor's Report on an examination conducted in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated February 25, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, require that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address the finding and recommendation 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 has been disclosed in the notes to the financial statements.

MCDIRMIT DAVIS & COMPANY, LLC

934 NORTH MAGNOLIA AVENUE, SUITE 100 ORLANDO, FLORIDA 32803
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Financial Condition

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

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the *City of Belle Isle, Florida'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.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the *City of Belle Isle, Florida* for the fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. See Appendix A.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

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

McDiernit Davis & Company, LLC

Orlando, Florida
February 25, 2017

**APPENDIX A - RECOMMENDATION TO IMPROVE
FINANCIAL MANAGEMENT**

Year Ended September 30, 2016

ML 2016-01 Segregation of Duties

Criteria - Effectively designed internal control requires adequate segregation of duties.

Condition - During our audit, we noted that the design of internal controls included adequate segregation of duties. However, due to the small organization size, the position responsible for the review function for items such as payroll and bank reconciliations is not a part of the finance department.

Cause - The design of internal control relies upon a position that is typically held by an individual with no accounting background or expertise.

Effect - Even though there is adequate segregation of duties in the design of internal control, misstatements could occur, whether due to fraud or error, and may not be identified or corrected in a timely manner.

Recommendation - The review function should be assigned to an individual with the appropriate level of expertise.



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CITY OF BELLE ISLE, FLORIDA

1600 Nela Avenue
Belle Isle, Florida 32809
(407) 851-7730 • FAX (407) 240-2222
www.cityofbelleislefl.org

February 25, 2017

McDirmitt Davis & Company, LLC.
934 North Magnolia Avenue
Suite 100
Orlando, FL 32803

Re: City of Belle Isle FYE September 30, 2016

Dear McDirmitt Davis & Company,

Your recommendation to improve financial management related to fiscal year ending September 30, 2016 was received by both the Interim City Manager and Finance Manager.

Design of Internal Control

Response: We reviewed your recommendation to assign the review function of items such as payroll and bank reconciliations to an individual with the appropriate level of expertise. At this time, due to limited staff size in the City, we do not have an additional person to fulfill the recommended role. We will take this recommendation under advisement as we move forward during the next budgetary process.

Sincerely,

April Fisher
Interim City Manager

Tracey Richardson
Finance Manager



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
THE REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES**

The Honorable Mayor and City Commissioners
City of Belle Isle, Florida

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

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

In our opinion, City of Belle Isle, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016.

McDirmit Davis & Company, LLC

Orlando, Florida
February 25, 2017

MCDIRMIT DAVIS & COMPANY, LLC
934 NORTH MAGNOLIA AVENUE, SUITE 100 ORLANDO, FLORIDA 32803
TELEPHONE: 407-843-5406 FAX: 407-649-9339 EMAIL: INFO@MCDIRMITDAVIS.COM



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Honorable Mayor and City Commission
City of Belle Isle, Florida, Florida

We have audited the financial statements of the *City of Belle Isle, Florida, Florida* for the year ended September 30, 2016, and have issued our report thereon dated February 25, 2017. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated October 9, 2015, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of significant accounting policies adopted by the City are described in Note 1 to the financial statements. During the year, the City adopted GASB Statement No. 72, *Fair Value Measurement and Application*. There was no effect on beginning balances of the City. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Management's estimate for the allowance for depreciation is based on the estimated useful lives of the capital assets. We evaluated the reasonableness of the useful lives as well as the depreciation methods in determining that it is reasonable in relation to the financial statements taken as a whole.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of our audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's financial statements or the auditor's report. No such disagreements arose during the course of our audit.

Representations Requested from Management

We have requested certain representations from management that are included in the management representation letter dated February 25, 2017.

Management Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management has informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditors.

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

Very truly yours,

McDiernit Davis & Company, LLC

Orlando, Florida
February 25, 2017



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