

VILLAGE OF KEY BISCAYNE, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2008

Prepared by:

THE FINANCE DEPARTMENT

VILLAGE OF KEY BISCAYNE, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2008

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INTRODUCTORY SECTION



V I L L A G E O F K E Y B I S C A Y N E

Office of the Village Manager

Village Council

Robert L. Vernon, *Mayor*
Michael Davey, *Vice Mayor*
Enrique Garcia
Robert Gusman
Michael E. Kelly
Jorge E. Mendia
Thomas Thornton

Village Manager

Genaro "Chip" Iglesias

July 2009

To the Honorable Mayor, Members of the Village
Council and Citizens of the Village of Key Biscayne:

The Government Finance Officers Association (GFOA) recommends that all units of local government publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) in the United States and audited in accordance with auditing standards generally accepted in the United States and in accordance with Government Auditing Standards by a firm of licensed certified public accountants. Pursuant to that recommendation, we hereby issue the comprehensive annual financial report of the Village of Key Biscayne for the fiscal year ended September 30, 2008.

This report consists of management's representation concerning the finances of the Village of Key Biscayne. 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 Village of Key Biscayne has established a comprehensive internal framework that is designed both to protect the Village's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Village of Key Biscayne's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Village of Key Biscayne'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 firm of Rachlin LLP (formerly Rachlin Cohen & Holtz LLP), licensed certified public accountants has audited the Village of Key Biscayne's financial statements. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the Village of Key Biscayne for the fiscal year ended September 30, 2008 are free of material misstatement. The independent audit involved examining, on a test basis,

evidence supporting the amount 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 Village of Key Biscayne's financial statements for the fiscal year ended September 30, 2008, 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 requires 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 Village of Key Biscayne's MD&A can be found immediately following the report of the independent certified public accountants.

Profile of the Government

The Village of Key Biscayne, incorporated in 1991, is located on the southern most barrier island of the United States, Miami-Dade County, Florida approximately 7.5 miles off the coast of Miami, Florida. The Village of Key Biscayne occupies a land area of 1.25 square miles situated between Crandon Park and Bill Baggs State Recreation Area. The Village serves a population of approximately 11,100. The Village of Key Biscayne receives tax levies on real and personal property located inside its boundaries.

The Village of Key Biscayne has operated under the council-manager form of government since incorporation. Policymaking and legislative authority are vested in a governing council consisting of the mayor and six other council members. The Council is responsible among other things, for passing ordinances and resolutions, adopting the annual budget, appointing the Village Manager and Village Clerk. The Village Manager is responsible for carrying out the policies and ordinances of the Council, for overseeing the daily operations of the government, and for appointing the heads of various departments.

The Village of Key Biscayne offers a wide range of services, including, police protection, fire and emergency medical service, public works maintenance, a full service building, planning and zoning department, parks and recreation activities, solid waste collection, and a comprehensive storm water management system. Certain services are provided through the County School System and the County Library System through Miami-Dade County.

The annual budget serves as a foundation for the Village of Key Biscayne's financial planning and control. All departments of the Village are required to submit requests for appropriations to the Village Manager and these requests are the initiation of developing the proposed budget. The Village Manager then presents this proposed budget to the Council for review. The Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than September 30, the close of the Village's fiscal year. The appropriated budget is prepared by fund and department. No department may legally expend in excess of the amount appropriated for that department within an individual fund. The Village Manager may make transfers of appropriations within a department. Transfers of appropriations between departments or funds

require the approval of the Village Council. The Village Council approves supplemental appropriations. Budget to actual comparisons are provided in this report for the general fund for which an appropriated annual budget has been adopted. The general fund, budget to actual report, is presented in the required supplemental information section of this report.

Local Economy

The Village of Key Biscayne enjoys a favorable economic environment and local indicators to continued future stability. This exclusive community is comprised of well-educated and involved citizens who take a genuine interest in the social, business, cultural and governing aspects of their Village. The Village is comprised of affluent exclusive residential housing stock and three major shopping centers. There is no industrial area in the community.

Long-Term Financial Planning

The Village has completed drainage improvements on Woodcrest, Buttonwood and Harbor Drive, as well as, Phase Three of the Crandon Blvd Improvement Project. Several public works projects have also been completed recently. Another major capital asset includes the completion of the Monaco Fountain. Among continuing programs is the Village's Beach Renourishment program.

The Village utilizes a comprehensive living projection five years into the future to assess revenue trends and expenditure needs to assure a balanced stable financial program avoiding millage rate increases while addressing the various goals and objectives of the community. Additionally, the Village has been modifying its 5-Year Capital Planning by prioritizing needs based on its expected available resources determined by its 5-Year financial forecast. This effort is also identifying capital purchases that will be needed to continue its critical core public safety services, as well, other departmental needs.

Cash Management Policies and Practices

The Village's Cash Management strategy emphasizes immediate funds collection and deposit into the appropriate fund utilizing ACH debit or wire transfer methods in over 90% of all funds received. Cash is transferred to a centralized clearing account for all payments at the point of payment. The clearing account maintains a zero balance exclusive of these transfers. Currently, the Village's investment policy follows Chapter 218, Florida Statutes. Cash in any of the fund's operating accounts are swept into an overnight repurchase agreement, properly collateralized in accordance with Chapter 280, Florida statutes. Surplus cash is invested in certificates of deposit with qualified depositories, and with the State Board of Administration. Investment objectives are the preservation of principal, liquidity in accordance with planned cash flows, and return on investment in that order.

Risk Management

The Village is exposed to various risks of loss related to torts, theft of or damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The

Village participates in the Florida League of Cities Municipal Insurance Trust for workers' compensation, liability and property insurance. Flood insurance is provided by the Florida State Flood Insurance Pool.

Pension Benefits

The Village of Key Biscayne sponsors a defined contribution 401(a) pension plan with the International City Managers' Association, Retirement Corporation (ICMA). Each full time employee can contribute up to six percent (6%) of his or her pay to the plan; the Village contributes twelve percent (12%). In addition, the Village sponsors a 457 deferred compensation plan in which the employees may contribute on a voluntary basis.

A defined benefit pension plan is available to all firefighters and sworn police officers. This plan is under the direction of a separate board of trustees, two of which are police and fire department employees. Complete details of this plan can be found in Note 13 of the basic financial statements.

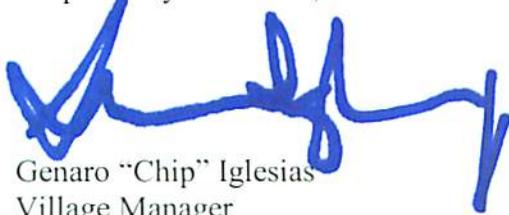
Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Village of Key Biscayne for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2007. This was the sixteenth consecutive year that the Village 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 Program's requirements and 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 all departments of the Village of Key Biscayne. We would like to express our appreciation to all members of all of the departments who assisted and contributed to the preparation of this report. We would also like to express our appreciation to Rachlin LLP, our independent auditors, for their assistance and efforts in helping the Village prepare the CAFR. Appreciation is also extended to the Mayor and the Village Council for their unfailing support for maintaining the highest standards of professionalism in the management of the Village of Key Biscayne's finances.

Respectfully submitted,



Genaro "Chip" Iglesias
Village Manager

VILLAGE OF KEY BISCAYNE, FLORIDA

VILLAGE OFFICIALS

SEPTEMBER 30, 2008

VILLAGE COUNCIL

Robert Vernon, Mayor
Michael Davey, Vice-Mayor

Jorge Mendia
Enrique Garcia
Robert Gusman
Thomas Thornton
Michael E. Kelly

VILLAGE MANAGER

Genaro “Chip” Iglesias

VILLAGE CLERK

Conchita H. Alvarez, CMC

VILLAGE ATTORNEY

Weiss Serota Helfman Pastoriza Cole & Boniske, P.A.

FINANCE DIRECTOR

Beatrice Galeano, P.A.

VILLAGE AUDITORS

MarcumRachlin, a division of Marcum LLP
Accountants ▪ Advisors

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Village of Key Biscayne
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

**VOTERS OF
KEY BISCAIYNE**

**Village
Council**

Local Planning
Agency

Village Clerk

Special Master

Village Manager

Village Attorney

Police/Fire
Retirement
Board

Executive Asst
to the
Manager

Department of
Building,
Zoning and
Planning

Public Safety
Department

Department of
Parks and
Recreation

Department of
Public
Works

Department of
Finance and
Administrative
Services

Building

Fire Rescue

Special Events

Village Engineer

Finance/
Accounting

Zoning

Police

Sports and
Athletics

Contract
Supervisor

Personnel/
Benefits

Planning

Programs
and Tours

Stormwater
Management

Risk
Management

Code Assistance

Senior
Coordinator

Refuse
Collection
and Recycling

Maintenance

Key Biscayne
FLORIDA

FINANCIAL SECTION

**REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor, Village Council and Village Manager
Village of Key Biscayne, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Key Biscayne, Florida (the Village) as of September 30, 2008 and for the fiscal year then ended, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 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 purposes of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes 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, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Key Biscayne, Florida as of September 30, 2008 and the respective changes in the financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 29, 2009 on our consideration of the Village'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.

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FLORIDA ■ NEW YORK ■ NEW JERSEY ■ CONNECTICUT ■ GRAND CAYMAN

Honorable Mayor, Village Council and Village Manager
Village of Key Biscayne, Florida
Page Two

Management's Discussion and Analysis and the required supplementary information on pages 3 through 10 and pages 45 through 48, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Key Biscayne's basic financial statements. The introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Marcum Rachlin

a division of Marcum LLP
Miami, Florida
July 29, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS
(MD&A)

Management's Discussion and Analysis

As Management of the Village of Key Biscayne, we offer readers of the Village of Key Biscayne's (the Village) financial statements this narrative overview and analysis of the financial activities of the Village of Key Biscayne for the fiscal year ended September 30, 2008. We encourage readers to consider information presented here in conjunction with additional information that we have furnished in our letter of transmittal which can be found on pages i-v of this report.

Financial Highlights

- The assets of the Village of Key Biscayne exceeded its liabilities at the close of the most recent fiscal year by \$55,313,241 (net assets).
- The Village's total net assets increased by \$11,441,764, this increase is attributable to the increase of property taxes received due to an increase in the assessed taxable values of properties in the Village, increases in revenues from the Key Biscayne Community Center programs and increased code compliance activities.
- At the close of the current fiscal year, the Village of Key Biscayne's governmental funds reported an ending fund balance of \$13,379,777, an increase of \$3,031,804 in comparison with the prior year. The total amount of fund balance is either reserved or designated for spending at the Council's direction.
- The Village incurred \$5,000,000 of new debt (short-term note payable) during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Village of Key Biscayne's basic financial statements. The Village of Key Biscayne's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required 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 Village of Key Biscayne's finances, in a manner similar to a private sector business.

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

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets 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 periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Village of Key Biscayne that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and

charges (business-type activities). The governmental activities of the Village of Key Biscayne include general government, police, public works, building planning & zoning, fire and parks and recreation.

The government-wide financial statements include only the Village of Key Biscayne itself (known as the primary government).

The government-wide financial statements can be found on pages 11 and 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 Village of Key Biscayne, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Village of Key Biscayne has two fund categories, the governmental funds and the proprietary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statement focus on near-term inflows and outflows of spend able resources as well as on balances of spend able 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 the 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 Village of Key Biscayne maintains three governmental funds, the general fund, a special revenue fund and a capital projects fund.

The Village of Key Biscayne adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

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

Proprietary Funds. The Village maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses enterprise funds to account for its Stormwater, Solid Waste Collection and Sanitary Sewer Construction operations.

The basic proprietary fund financial statements can be found on pages 16-18 of this report.

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

The basic fiduciary fund financial statements can be found on pages 19-20 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 to 44 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including budgetary comparisons and the Village's progress in funding its obligation to provide pension benefits to its employees.

Required supplementary information can be found on pages 45 to 48 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village's, assets exceeded liabilities by \$55,313,241 at the close of the most recent fiscal year.

A portion of the Village's assets, \$86,055,808 or 83.04%, reflects its investment in capital assets (e.g., land and equipment). The Village of Key Biscayne uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Our analysis of the financial statements of the Village begins below. The Statement of Net Assets and the Statement of Activities report information about the Village's activities that will help answer questions about the position of the Village. A comparative analysis is provided.

Governmental Activities. Governmental activities increased the Village of Key Biscayne fund balances by approximately \$6,415,130. This net overall increase was attributable to an increase in property tax revenues due to increased assessed values of Key Biscayne real estate in general and increased code enforcement activities. All other governmental activities increased fund balance as follows:

- Property taxes increased by \$1,383,260 (7.41 percent) during the year. Most of this increase is the product of a minor number of new units completed and on the tax roll for the first time, along with renovated homes with increased assessed values, and residential and commercial resales.
- Most department salaries increased 9 percent due to the Village's salary step program, which in fiscal year 2008 reflected a 5 percent increase in salaries and a 3 percent increase for a cost of living increase. The fire department salaries increase 10 percent due to labor negotiations.
- Debt service remained fairly level compared to the prior year, with a minor addition for interest on new debt in the prior year.

For the most part, increases in expenses closely paralleled inflation and growth in the scope of services.

Net Assets

A summary of the Village's net assets is presented in Table A-1 and a summary of the changes in net assets is presented in Table A-2.

**Table A - 1
Summary of Net Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current assets	\$ 15,152,443	\$ 13,162,063	\$ 3,522,363	\$ 510,553	\$ 18,674,806	\$ 13,672,616
Capital assets, net	<u>70,341,556</u>	<u>67,505,258</u>	<u>15,714,252</u>	<u>8,414,889</u>	<u>86,055,808</u>	<u>75,920,147</u>
Total assets	<u>85,493,999</u>	<u>80,667,321</u>	<u>19,236,615</u>	<u>8,925,442</u>	<u>104,730,614</u>	<u>89,592,763</u>
Current liabilities	<u>4,026,890</u>	<u>5,002,055</u>	<u>6,116,628</u>	<u>447,508</u>	<u>10,143,518</u>	<u>5,449,563</u>
Noncurrent liabilities	<u>34,118,516</u>	<u>35,527,705</u>	<u>5,155,339</u>	<u>5,539,920</u>	<u>39,273,855</u>	<u>41,067,625</u>
Investment in capital assets, net of related debt	36,139,953	31,422,358	10,174,333	2,505,881	46,314,286	33,928,239
Restricted	284,639	261,813	-	-	284,639	261,813
Unrestricted	<u>10,924,001</u>	<u>8,453,390</u>	<u>(2,209,685)</u>	<u>432,133</u>	<u>8,714,316</u>	<u>8,885,523</u>
Total net assets	<u>\$47,348,593</u>	<u>\$40,137,561</u>	<u>\$7,964,648</u>	<u>\$2,938,014</u>	<u>\$55,313,241</u>	<u>\$43,075,575</u>

**Table A - 2
Summary of Changes in Net Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues:						
Program revenues:						
Charges for services	\$ 3,234,686	\$ 3,060,790	\$ 1,029,904	\$ 1,030,221	\$ 4,264,590	\$ 4,091,011
Operating grants and contributions	251,180	799,493	-	-	251,180	799,493
Capital grants and contributions	-	-	5,460,763	-	5,460,763	-
General revenues:						
Property taxes	20,051,239	18,667,979	-	-	20,051,239	18,667,979
Utility taxes	2,760,802	2,231,193	-	-	2,760,802	2,231,193
Franchise fees	1,064,666	1,113,194	-	-	1,064,666	1,113,194
Unrestricted intergovernmental revenue	2,265,243	1,000,265	-	-	2,265,243	1,000,265
Investment income and miscellaneous	<u>346,531</u>	<u>641,115</u>	<u>48,202</u>	<u>49,086</u>	<u>394,733</u>	<u>690,201</u>
Total revenues	<u>29,974,347</u>	<u>27,514,029</u>	<u>6,538,869</u>	<u>1,079,307</u>	<u>36,513,216</u>	<u>28,593,336</u>
Expenses:						
General government	3,213,273	3,781,396	-	-	3,213,273	3,781,396
Public safety	11,672,048	9,909,449	-	-	11,672,048	9,909,449
Parks and recreation	3,633,233	3,077,624	-	-	3,633,233	3,077,624
Public works	2,046,776	1,589,444	-	-	2,046,776	1,589,444
Building, zoning and planning	1,529,272	1,447,968	-	-	1,529,272	1,447,968
Interest on long-term debt	1,436,481	1,505,253	-	-	1,436,481	1,505,253
Stormwater	-	-	911,500	693,135	911,500	693,135
Solid waste collection	-	-	619,823	571,246	619,823	571,246
Sanitary sewer construction	-	-	9,046	9,454	9,046	9,454
Total expenses	<u>23,531,083</u>	<u>21,311,134</u>	<u>1,540,369</u>	<u>1,273,835</u>	<u>25,071,452</u>	<u>22,584,969</u>
Changes in net assets before transfers	6,443,264	6,202,895	4,998,500	(194,528)	11,441,764	6,008,367
Transfers	<u>(28,134)</u>	<u>(28,133)</u>	<u>28,134</u>	<u>28,133</u>	<u>-</u>	<u>-</u>
Changes in net assets after transfers	<u>6,415,130</u>	<u>6,174,762</u>	<u>5,026,634</u>	<u>(166,395)</u>	<u>11,441,764</u>	<u>6,008,367</u>
Net assets, beginning, as previously reported	40,137,561	33,962,799	2,938,014	3,104,409	43,075,575	37,067,208
Prior period adjustment	<u>795,902</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>795,902</u>	<u>-</u>
Net assets, beginning, as restated	<u>40,933,463</u>	<u>33,962,799</u>	<u>2,938,014</u>	<u>3,104,409</u>	<u>43,871,477</u>	<u>37,067,208</u>
Net assets, ending	<u>\$47,348,593</u>	<u>\$40,137,561</u>	<u>\$7,964,648</u>	<u>\$2,938,014</u>	<u>\$55,313,241</u>	<u>\$43,075,575</u>

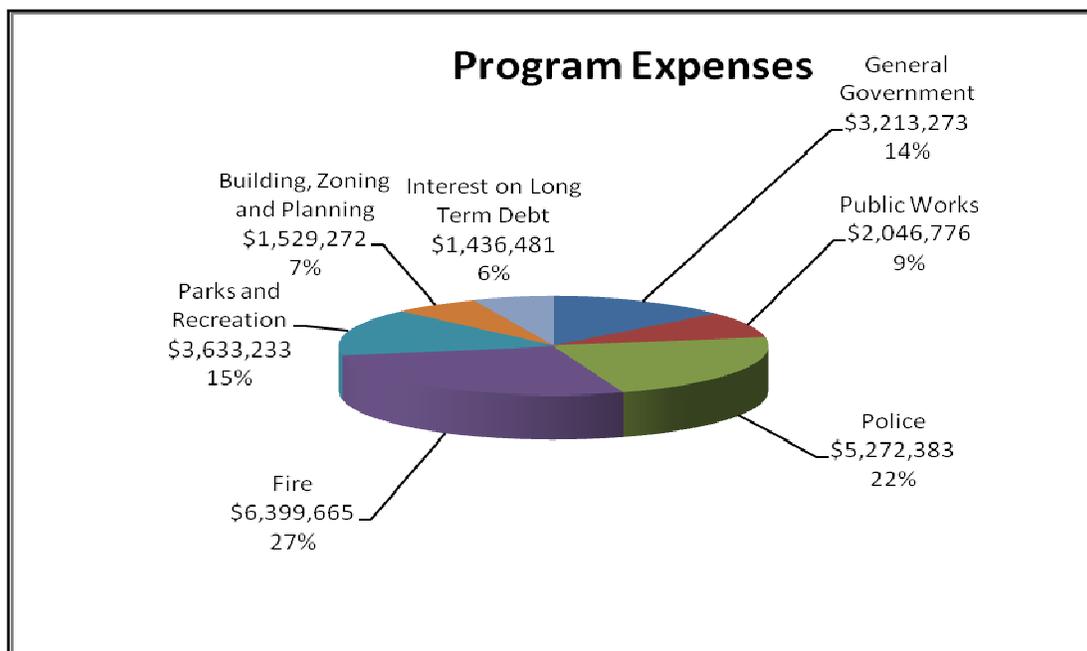
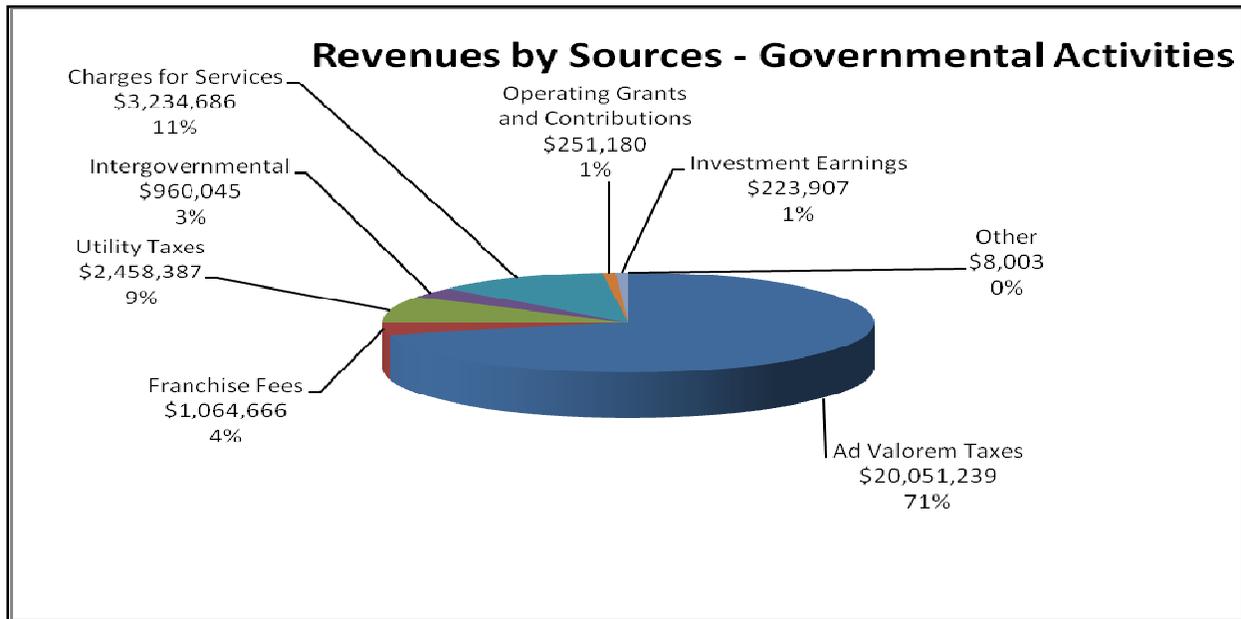
The Village's net assets increased by \$11,237,666 during the current fiscal year. This increase represents the results of operations for a full 12-month period with no capital contributions from outside sources.

Business-type Activities

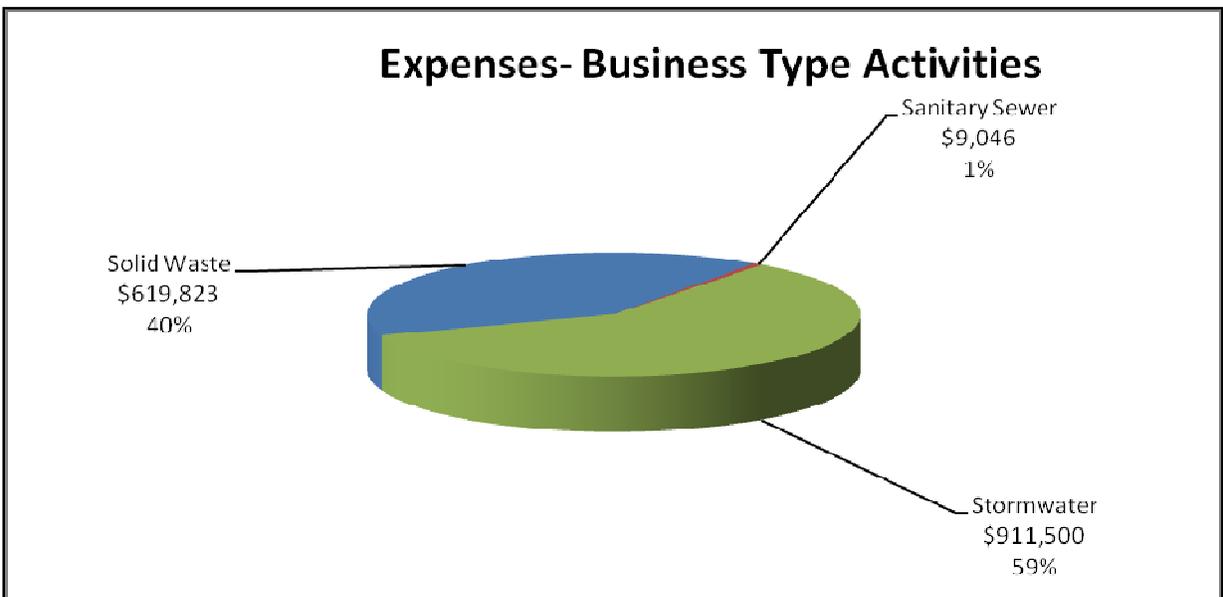
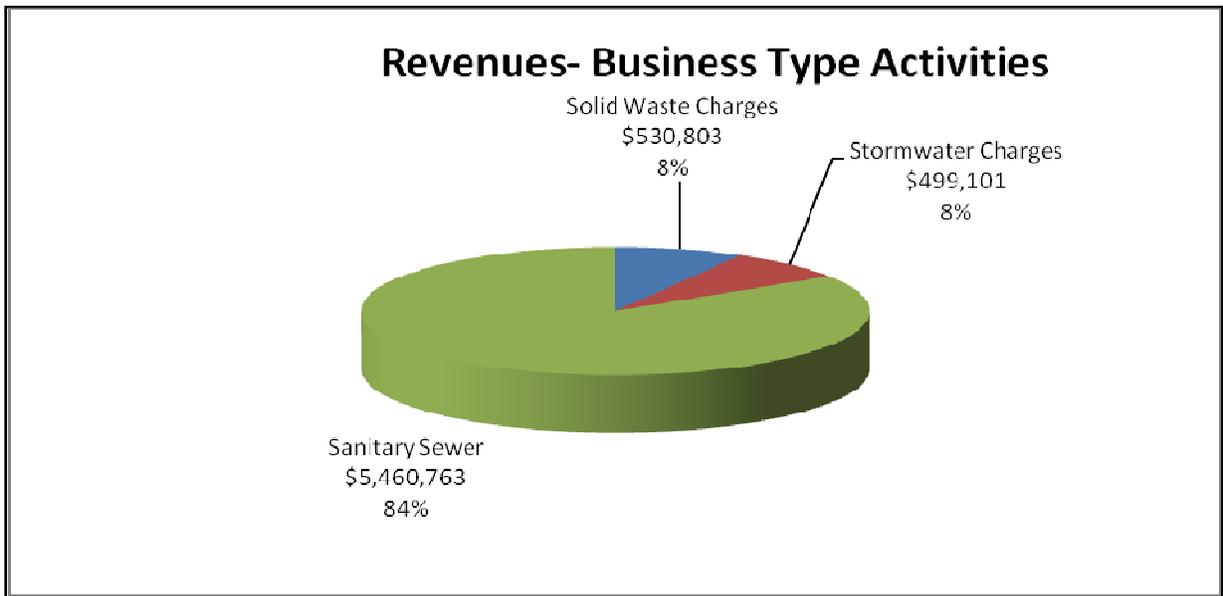
Business-type activities increased the Village's net assets by \$5,026,634.

- In fiscal 2008, one of the three business-type activities reflected operational profits.
- The Stormwater Utility Fund reflected a net loss of \$376,824, due mainly to depreciation expense in the amount of \$273,919. Also reflected in this loss is an increase in General and Administrative expenses due to extensive maintenance performed on the stormwater.
- The Solid Waste Collection Fund reported a net loss of \$87,278, due mainly to increased contractual costs.
- The Sanitary Sewer Construction Fund is has resumed construction activity which is currently in progress.

Governmental Activities



Business-type Activities



As noted earlier, the Village of Key Biscayne uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Village of Key Biscayne’s governmental funds is to provide information on near-term inflows, outflows, and balances of spend able resources. Such information is useful in assessing the Village’s financing requirements.

At the end of the current fiscal year, fund balance of the general fund was \$11,298,178, an increase of \$1,422,762 in comparison with the prior year. The increase was primarily caused by an increase in property values of 7.32% All of this is either reserved or designated for specific uses: (1) emergencies (\$4,000,001), (2) Building Inspection Costs (\$554,819), (3) Compensated Absences (\$595,916), (4) Law Enforcement Seizures (\$284,639), (5) Playing Field Acquisitions (\$416,403), (6) Fire Rescue Transport Fees (\$171,839), (7) Working Capital Reserves (\$1,000,000), (8) Police/Administration Building Reserve (\$13,632), (9) Fire Station Building

Reserve (\$13,632), (10) Community Center Equipment Reserve (\$50,000), (11) Fire Vehicles Replacement Reserve (\$50,000), (12) Master Plan Initiatives (\$1,873,764), (13) Capital Lease (\$298,682), (14) Prepaid Items (\$261,373), (15) Roadway Improvements (\$175,000), (16) Recreation Facilities (\$300,000), (17) Capital Improvement Plan (\$1,130,089) and (18) Fire Rescue Reserve - Urban Area Security Initiative (UASI) (\$18,389) and (19) Police Labor (\$90,000).

The general fund is the chief operating fund of the Village of Key Biscayne. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 41.92 percent of total general fund expenditures.

A summary of the general fund's condensed balance sheet and statement of revenues, expenditures and changes in fund balance is presented in Table B-1 and B-2 for September 30, 2008 and 2007, is shown as follows:

**Table B-1
Summary of Condensed Balance Sheet**

	<u>2008</u>	<u>2007</u>
Total assets	<u>\$ 12,794,042</u>	<u>\$ 11,623,098</u>
Total liabilities	\$ 1,495,864	\$ 1,747,682
Reserved or designated fund balance	<u>11,298,178</u>	<u>9,875,416</u>
Total liabilities and fund balance	<u>\$ 12,794,042</u>	<u>\$ 11,623,098</u>

**Table B-2
Summary of Condensed Statement of Revenues,
Expenditures and Changes in Fund Balances**

	<u>2008</u>	<u>2007</u>
Total revenues	\$ 28,252,113	\$ 26,592,900
Total expenditures	<u>22,389,637</u>	<u>20,686,819</u>
Excess of revenues over expenditures	<u>\$ 5,862,476</u>	<u>\$ 5,906,081</u>

The Special Revenue Fund was established to account for the construction and future maintenance of the Village's roadways. Bond revenue is the source of funding for construction of roadways, while the local option gas tax funds maintenance and the transportation surtax funds debt service.

At present, the fund shows a negative fund balance due to phase three of the Crandon Boulevard Improvement Project, which was to be corrected with the Series 2006 Roadway Improvement Revenue Bonds, issued in late December 2006. The remainder of the negative fund balance will be eliminated with receipt of the County bridge toll revenues and State XOXO and FDOT funds receipts.

The Capital Improvement Fund receives an annual budgeted transfer from the general fund to fund capital construction of infrastructure at various locations on the island. All transfers are allocated to specific projects by management and the council during the annual budgeting process. The fund balance increased by \$1,828,470 during the current fiscal period. Fund balance is comprised of funds allocated to named projects with varied stages of completion.

General Fund Budgetary Highlights

There were three departments with significant budget to actual variances: Village Attorney, Fire and, Parks and Recreation. These variances were caused by the following:

- Attorney - excess code enforcement litigation in addition to negotiations with both police and fire unions
- Fire – approval of the collective bargaining agreement with the fire union. As a result, all related salaries/benefits were made whole retroactively from fiscal year 2006 through fiscal year 2008.
- Parks and Recreation - the acquisition of the sports program (Key Biscayne Athletic Club).

Capital Assets

As of September 30, 2008, the Village's capital assets net of accumulated depreciation amounted to \$86,055,808. The total increase in capital assets for the fiscal year was as follows:

Major capital asset events during the fiscal year included the following:

- Completion of drainage improvements on Woodcrest, Buttonwood and Harbor Drives.
- Completion of the Crandon Blvd Improvement. Project, phase three
- Continuation of the Beach Renourishment program
- Completion of the Monaco Fountain

Additional information on the Village's capital assets can be found in Note 7 on pages 31-32 of this report.

Debt Administration

At September 30, 2008, the Village had bonded debt outstanding of \$39,527,729. Of this amount, \$7,046,131 represents bonds secured solely by specified revenue sources (Transportation Tax Revenue Bonds and Road Improvement Revenue Bonds). The remainder is special obligation bonds that are secured by non-ad Valorem revenues through covenants to budget and appropriate.

The Village's total net debt outstanding increased by \$5,000,000 due to the short-term additional borrowing required for the Sewer Project construction.

Additional information on the Village's long-term debt can be found in Note 9 on pages 33-38 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Miami-Dade County is currently 5.9 percent, which is an increase from a rate of 4.2 percent a year ago. This is favorable to the state's average unemployment rate of 10.2 percent as well as the national average rate of 9.5 percent. The Village's average rate is current at 3.1 percent, a decrease from a rate of 3.2 percent a year ago.
- The occupancy rate of the Village's retail rentals has remained stable for the past several years.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the Village of Key Biscayne's budget for the 2009 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Village of Key Biscayne's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Village Manager, 88 West McIntyre Street, Key Biscayne, Florida 33149

BASIC FINANCIAL STATEMENTS

VILLAGE OF KEY BISCAYNE, FLORIDA

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2008

	<u>Governmental</u> <u>Activities</u>	<u>Business-</u> <u>type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 9,358,864	\$ 2,601,072	\$ 11,959,936
Receivables, net	2,872,081	3,047,424	5,919,505
Prepays	261,373	-	261,373
Internal balances	2,126,133	(2,126,133)	-
Negative net pension obligation	121,512	-	121,512
Other assets	20,769	-	20,769
Restricted assets:			
Cash and cash equivalents	65,633	-	65,633
Investments	326,078	-	326,078
Capital assets not being depreciated	34,685,349	8,662,321	43,347,670
Capital assets being depreciated, net	<u>35,656,207</u>	<u>7,051,931</u>	<u>42,708,138</u>
Total assets	<u>85,493,999</u>	<u>19,236,615</u>	<u>104,730,614</u>
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	745,690	702,889	1,448,579
Accrued interest payable	328,080	-	328,080
Payable to pension plan	566	-	566
Unearned revenue	561,714	29,159	590,873
Deposits	20,000	-	20,000
Short-term revenue note payable	-	5,000,000	5,000,000
Noncurrent liabilities:			
Due within one year	2,370,840	384,580	2,755,420
Due in more than one year	<u>34,118,516</u>	<u>5,155,339</u>	<u>39,273,855</u>
Total liabilities	<u>38,145,406</u>	<u>11,271,967</u>	<u>49,417,373</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	36,139,953	10,174,333	46,314,286
Restricted for law enforcement	284,639	-	284,639
Unrestricted	<u>10,924,001</u>	<u>(2,209,685)</u>	<u>8,714,316</u>
Total net assets	<u>\$ 47,348,593</u>	<u>\$ 7,964,648</u>	<u>\$ 55,313,241</u>

See notes to basic financial statements.

VILLAGE OF KEY BISCAYNE, FLORIDA

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2008

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 3,213,273	\$ 1,320,004	\$ 18,967	\$ -	\$ (1,874,302)	\$ -	\$ (1,874,302)
Public works	2,046,776	-	232,213	-	(1,814,563)	-	(1,814,563)
Police	5,272,383	14,203	-	-	(5,258,180)	-	(5,258,180)
Fire	6,399,665	146,588	-	-	(6,253,077)	-	(6,253,077)
Parks and recreation	3,633,233	1,620,787	-	-	(2,012,446)	-	(2,012,446)
Building, zoning and planning	1,529,272	133,104	-	-	(1,396,168)	-	(1,396,168)
Interest on long-term debt	1,436,481	-	-	-	(1,436,481)	-	(1,436,481)
Total governmental activities	23,531,083	3,234,686	251,180	-	(20,045,217)	-	(20,045,217)
Business-type activities:							
Stormwater	911,500	499,101	-	-	-	(412,399)	(412,399)
Solid waste	619,823	530,803	-	-	-	(89,020)	(89,020)
Sanitary sewer	9,046	-	-	5,460,763	-	5,451,717	5,451,717
Total business-type activities	1,540,369	1,029,904	-	5,460,763	-	4,950,298	4,950,298
Total	\$ 25,071,452	\$ 4,264,590	\$ 251,180	\$ 5,460,763	(20,045,217)	4,950,298	(15,094,919)
General revenues:							
Property taxes					20,051,239	-	20,051,239
Franchise fees based on gross receipts					1,064,666	-	1,064,666
Utility taxes					1,534,379	-	1,534,379
Communications services tax					1,226,423	-	1,226,423
Unrestricted intergovernmental revenue					2,265,243	-	2,265,243
Unrestricted investment earnings					346,531	48,202	394,733
Transfers					(28,134)	28,134	-
Total general revenues					26,460,347	76,336	26,536,683
Change in net assets					6,415,130	5,026,634	11,441,764
Net assets - beginning, as previously reported					40,137,561	2,938,014	43,075,575
Prior period adjustment (see Note 16)					795,902	-	795,902
Net assets - beginning, as restated					40,933,463	2,938,014	43,871,477
Net assets, ending					\$ 47,348,593	\$ 7,964,648	\$ 55,313,241

See notes to basic financial statements.

VILLAGE OF KEY BISCAYNE, FLORIDA

BALANCE SHEET GOVERNMENTAL FUNDS

SEPTEMBER 30, 2008

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Improvements</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 4,398,777	\$ -	\$ 4,960,087	\$ 9,358,864
Receivables, net	1,038,366	833,715	-	1,872,081
Due from other governments		1,000,000	-	1,000,000
Due from other funds	6,769,448	-	455,954	7,225,402
Prepaid items	261,373	-	-	261,373
Restricted cash and cash equivalents	-	65,633	-	65,633
Restricted investments	326,078	-	-	326,078
Total assets	<u>\$ 12,794,042</u>	<u>\$ 1,899,348</u>	<u>\$ 5,416,041</u>	<u>\$ 20,109,431</u>

LIABILITIES AND FUND BALANCES

Liabilities:				
Accounts payable and accrued liabilities	\$ 538,185	\$ 3,514	\$ 203,991	\$ 745,690
Due to other funds	72,984	4,597,457	428,828	5,099,269
Payable to pension plan	566	-	-	566
Deposits	20,000	-	-	20,000
Deferred revenue	864,129	-	-	864,129
Total liabilities	<u>1,495,864</u>	<u>4,600,971</u>	<u>632,819</u>	<u>6,729,654</u>
Fund balances:				
Reserved (Note 12)	11,298,178	-	-	11,298,178
Unreserved, undesignated reported in:				
Special revenue fund	-	(2,701,623)	-	(2,701,623)
Capital improvements	-	-	4,783,222	4,783,222
Total fund balances (deficit)	<u>11,298,178</u>	<u>(2,701,623)</u>	<u>4,783,222</u>	<u>13,379,777</u>
Total liabilities and fund balances	<u>\$ 12,794,042</u>	<u>\$ 1,899,348</u>	<u>\$ 5,416,041</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	70,341,556
A negative net pension obligation (NPO) is not considered to represent a financial asset and therefore is not reported in the governmental funds	121,512
Long-term receivables are not available to pay for current period expenditures and, therefore, are not reported in the funds	302,415
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore not reported in the funds	<u>(36,796,667)</u>
Net assets of governmental activities	<u>\$ 47,348,593</u>

See notes to basic financial statements.

VILLAGE OF KEY BISCAYNE, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Improvements</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 20,051,239	\$ -	\$ -	\$ 20,051,239
Utility taxes	1,534,379	-	-	1,534,379
Communications services tax	924,008	-	-	924,008
Franchise fees	1,064,666	-	-	1,064,666
Licenses and permits	1,240,290	-	-	1,240,290
Intergovernmental	960,045	1,305,198	-	2,265,243
Charges for services	1,994,396	-	-	1,994,396
Interest	223,907	1,621	113,000	338,528
Grants	251,180	-	-	251,180
Other income	8,003	-	-	8,003
Total revenues	<u>28,252,113</u>	<u>1,306,819</u>	<u>113,000</u>	<u>29,671,932</u>
Expenditures:				
Current:				
General government	2,329,647	-	-	2,329,647
Fire	5,744,775	-	-	5,744,775
Police	4,863,765	-	-	4,863,765
Public works	1,720,689	-	-	1,720,689
Building, zoning and planning	1,513,019	-	-	1,513,019
Parks and recreation	3,335,004	-	32,634	3,367,638
Capital outlay	357,329	1,927,088	2,459,379	4,743,796
Debt service:				
Principal	1,379,605	300,386	-	1,679,991
Interest and fiscal charges	1,145,804	298,772	-	1,444,576
Total expenditures	<u>22,389,637</u>	<u>2,526,246</u>	<u>2,492,013</u>	<u>27,407,896</u>
Excess (deficiency) of revenues over expenditures	<u>5,862,476</u>	<u>(1,219,427)</u>	<u>(2,379,013)</u>	<u>2,264,036</u>
Other financing sources (uses):				
Transfers in	-	-	4,533,094	4,533,094
Transfers out	(4,561,228)	-	-	(4,561,228)
Total other financing sources (uses)	<u>(4,561,228)</u>	<u>-</u>	<u>4,533,094</u>	<u>(28,134)</u>
Net change in fund balances	1,301,248	(1,219,427)	2,154,081	2,235,902
Fund balances (deficit), beginning, as previously reported	9,875,416	(2,482,196)	2,954,753	10,347,973
Prior period adjustment (see Note 16)	121,514	1,000,000	(325,612)	795,902
Fund balances (deficit), beginning, as restated	<u>9,996,930</u>	<u>(1,482,196)</u>	<u>2,629,141</u>	<u>11,143,875</u>
Fund balances (deficit), ending	<u>\$ 11,298,178</u>	<u>\$ (2,701,623)</u>	<u>\$ 4,783,222</u>	<u>\$ 13,379,777</u>

See notes to basic financial statements.

VILLAGE OF KEY BISCAYNE, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2008

Amounts reported for governmental activities in the statement of activities
(Page 12) are different because:

Net change in fund balances - total governmental funds (Page 14) \$ 2,235,902

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

The details of the difference are as follows:

Capital outlay	\$ 4,414,364	
Depreciation expense	<u>(1,562,118)</u>	
Net adjustment		2,852,246

Under the modified accrual basis of accounting used in the governmental funds, revenues are not recognized until funds are measurable and available to finance current expenditures. In the statement of activities, however, which is presented on the accrual basis, revenues are reported when earned.

The detail of the difference is as follows:

Communications services tax proceeds		302,415
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

The detail of the differences are as follows:

Debt payments		1,881,539
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Some expenses reported in the statement of activities do not require current financial resources and, therefore, are not reported as expenditures in governmental funds.

The details of the difference is:

Compensated absences	(829,790)	
Accrued interest expense	(8,095)	
Debt issuance cost	(2,768)	
Negative net pension obligation	<u>(16,319)</u>	
		<u>(856,972)</u>

Change in net assets of governmental activities (Page 12)		<u>\$ 6,415,130</u>
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See notes to basic financial statements.

VILLAGE OF KEY BISCAYNE, FLORIDA

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

SEPTEMBER 30, 2008

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Stormwater Utility System</u>	<u>Sanitary Sewer Construction</u>	<u>Solid Waste (A Nonmajor Fund)</u>	<u>Totals</u>
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ 310,976	\$ 2,129,689	\$ 160,407	\$ 2,601,072
Accounts receivables, net	158,099	2,369,972	519,353	3,047,424
Due from other funds	-	428,828	-	428,828
Total current assets	469,075	4,928,489	679,760	6,077,324
Noncurrent assets:				
Capital assets not being depreciated	-	8,662,321	-	8,662,321
Capital assets being depreciated, net	7,051,931	-	-	7,051,931
Total noncurrent assets	7,051,931	8,662,321	-	15,714,252
Total assets	7,521,006	13,590,810	679,760	21,791,576
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable and accrued liabilities	33,146	620,432	49,311	702,889
Due to other funds	117,775	2,039,397	397,789	2,554,961
Deferred revenue	-	-	29,159	29,159
Short-term revenue bonds payable	-	5,000,000	-	5,000,000
Current portion of revenue bonds payable	365,000	19,580	-	384,580
Total current liabilities	515,921	7,679,409	476,259	8,671,589
Noncurrent liabilities:				
Revenue bonds	4,835,000	-	-	4,835,000
Revolving loan	-	320,339	-	320,339
Total noncurrent liabilities	4,835,000	320,339	-	5,155,339
Total liabilities	5,350,921	7,999,748	476,259	13,826,928
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	1,851,931	8,322,402	-	10,174,333
Unrestricted (deficit)	318,154	(2,731,340)	203,501	(2,209,685)
Total net assets	\$ 2,170,085	\$ 5,591,062	\$ 203,501	\$ 7,964,648

See notes to basic financial statements.

VILLAGE OF KEY BISCAYNE, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	<u>Business-type Activities -</u> <u>Enterprise Funds</u>			<u>Totals</u>
	<u>Stormwater Utility System</u>	<u>Sanitary Sewer Construction</u>	<u>Solid Waste (A Nonmajor Fund)</u>	
Operating revenues:				
Charges for services	\$ 499,101	\$ -	\$ 530,803	\$ 1,029,904
Operating expenses:				
General and administrative	407,738	-	619,823	1,027,561
Depreciation	273,919	-	-	273,919
Total operating expenses	<u>681,657</u>	<u>-</u>	<u>619,823</u>	<u>1,301,480</u>
Operating loss	<u>(182,556)</u>	<u>-</u>	<u>(89,020)</u>	<u>(271,576)</u>
Non-operating revenues (expenses):				
Grants	-	5,460,763	-	5,460,763
Interest income	35,575	5,887	1,742	43,204
Other income	-	4,998	-	4,998
Interest expense	<u>(229,843)</u>	<u>(9,046)</u>	<u>-</u>	<u>(238,889)</u>
Total non-operating revenues (expenses)	<u>(194,268)</u>	<u>5,462,602</u>	<u>1,742</u>	<u>(190,687)</u>
Income (loss) before transfers	(376,824)	5,462,602	(87,278)	(462,263)
Transfers in	<u>-</u>	<u>28,134</u>	<u>-</u>	<u>28,134</u>
Change in net assets	(376,824)	5,490,736	(87,278)	(434,129)
Net assets, beginning	<u>2,546,909</u>	<u>100,326</u>	<u>290,779</u>	<u>2,938,014</u>
Net assets, ending	<u>\$ 2,170,085</u>	<u>\$ 5,591,062</u>	<u>\$ 203,501</u>	<u>\$ 2,503,885</u>

See notes to basic financial statements.

VILLAGE OF KEY BISCAYNE, FLORIDA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	<u>Business-type Activities -</u>			
	<u>Enterprise Funds</u>			
	<u>Stormwater</u>	<u>Sanitary</u>	<u>Solid</u>	
	<u>Utility</u>	<u>Sewer</u>	<u>Waste</u>	
	<u>System</u>	<u>Construction</u>	<u>(A Nonmajor</u>	<u>Totals</u>
	<u>Fund)</u>			
Cash flows from operating activities:				
Receipts from customers and users	\$ 484,797	\$ -	\$ 420,796	\$ 905,593
Payments to suppliers	(636,123)	-	(552,212)	(1,188,335)
Net cash used by operating activities	(151,326)	-	(131,416)	(282,742)
Cash flows from non-capital financing activities:				
Transfers from other funds	-	28,134	-	28,134
Net cash provided by non-capital financing activities	-	28,134	-	28,134
Cash flows from capital and related financing activities:				
Net payments on revolving loan	(350,000)	(19,089)	-	(369,089)
Proceeds from short term revenue bonds	-	5,000,000	-	5,000,000
Grant proceeds	-	2,661,963	-	2,661,963
Payments for construction in progress	-	(5,543,158)	-	(5,543,158)
Other income	-	4,998	-	4,998
Interest paid	(229,843)	(9,046)	-	(238,889)
Net cash provided (used by) capital and related financing activities	(579,843)	2,095,668	-	(1,146,138)
Cash flows from investing activities:				
Interest received	35,575	5,887	1,742	43,204
Net cash provided by investing activities	35,575	5,887	1,742	43,204
Net increase (decrease) in cash and cash equivalents	(695,594)	2,129,689	(129,674)	1,304,421
Cash and cash equivalents, beginning	1,006,570	-	290,081	1,296,651
Cash and cash equivalents, ending	\$ 310,976	\$ 2,129,689	\$ 160,407	\$ 2,601,072
Reconciliation of operating loss to net cash provided (used) by operating activities:				
Operating loss	\$ (182,556)	\$ -	\$ (89,020)	\$ (271,576)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation	273,919	-	-	273,919
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	(33,813)	-	(110,007)	(143,820)
Interest receivable	19,509	-	-	19,509
Increase (decrease) in:				
Accounts payable	33,146	-	1,635	34,781
Deferred revenue	-	-	2,999	2,999
Due to other funds	(261,531)	-	62,977	(198,554)
Total adjustments	31,230	-	(42,396)	(11,166)
Net cash used by operating activities	\$ (151,326)	\$ -	\$ (131,416)	\$ (282,742)

See notes to basic financial statements.

VILLAGE OF KEY BISCAYNE, FLORIDA

STATEMENT OF FIDUCIARY NET ASSETS PENSION TRUST FUND

SEPTEMBER 30, 2008

ASSETS

Contributions receivable:	
Village (including State)	\$ 121,323
Employees	24,887
Total contributions receivable	<u>146,210</u>
Investments, at fair value:	
Money market funds	529,201
Common stocks	2,435,222
Mutual funds	<u>7,233,603</u>
Total investments	<u>10,198,026</u>
Total assets	10,344,236

LIABILITIES AND NET ASSETS

Payables	<u>940</u>
Net assets held in trust for pension benefits	<u>\$ 10,343,296</u>

See notes to basic financial statements.

VILLAGE OF KEY BISCAYNE, FLORIDA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS PENSION TRUST FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2008

ADDITIONS

Contributions:

Plan members	\$ 622,972
Village (including State)	<u>1,050,016</u>
Total contributions	<u>1,672,988</u>

Investment income (losses):

Net depreciation in the fair value of investments	(1,392,812)
Interest and dividends	<u>192,040</u>
Net investments losses	<u>(1,200,772)</u>
Total additions	<u>472,216</u>

DEDUCTIONS

Benefits paid	286,158
Administrative expenses	<u>111,994</u>
Total deductions	<u>398,152</u>

Change in net assets 74,064

Net assets, beginning 10,269,232

Net assets, ending \$ 10,343,296

See notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Key Biscayne, Florida (the Village), located in Miami-Dade County, is a political subdivision of the State of Florida. The Village, which was incorporated in 1991, operates under a Council-Manager form of government. In addition to the general government function, the Village provides its residents with public works, public safety (police and fire), parks and recreation, building, zoning and planning functions, sanitation and stormwater management. The Village does not provide educational or hospital facilities; those services are provided by the Miami-Dade County School Board and Miami-Dade County, respectively.

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

A. Financial Reporting Entity

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

B. Government-Wide and Fund Financial Statements

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

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

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

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

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

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Village reports the following major governmental funds:

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

The *Special Revenue Fund* accounts for the revenues received from the transportation surtax and expenditures for related transportation costs.

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

The Village reports the following major proprietary funds in the basic financial statements:

The *Stormwater Utility Fund* accounts for the construction and maintenance of the Village's stormwater system.

The *Sanitary Sewer Fund* accounts for the development and construction of a municipal sanitary sewer system to the unsewered areas of the community.

Additionally, the Village reports the following fund types:

The *Pension Trust Fund* is used to account for the Village's single-employer defined benefit pension plan covering substantially all of its police officers and firefighters.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Village has the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

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

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

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The Village's cash and cash equivalents include cash on hand, and certificates of deposit with original maturities of three months or less from the date of acquisition and a repurchase agreement. All other investments, including pension investments, are recorded at fair value. Fair value is determined by quoted market prices.

2. Receivables and Payables

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

3. Capital assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., utility plant, roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$750 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. All infrastructure assets have been capitalized since inception of the Village.

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

3. Capital assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed. No such costs were capitalized in 2008.

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

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

4. Compensated absences

It is the Village's policy to permit employees to accumulate within certain limits, earned but unused vacation time and sick leave, which will be paid to employees upon separation from Village service. All vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. In the governmental funds, a liability is recorded only for vacation and sick leave payouts for employee separations that occurred prior to September 30, 2008 and were subsequently paid with current available financial resources. The general fund typically is used to liquidate the liability for compensated absences.

5. Long-term obligations

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

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

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

5. Long-Term Obligations (Continued)

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 debt service expenditures.

6. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts of assets, liabilities, disclosures of contingent liabilities, revenues and expenditures/expenses reported in the financial statements and accompanying notes. These estimates include assessing the collectability of receivables, the realization of pension obligations and the useful lives of capital assets. Although these estimates as well as all estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

7. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance, where noted, represent tentative management plans that are subject to change.

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

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. 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 \$36,796,667 difference are as follows:

Bonds payable	\$ 33,987,810
Debt issuance cost	(20,769)
Capital leases payable	213,793
Compensated absences	2,287,753
Accrued interest payable	328,080
	<u>\$ 36,796,667</u>

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits

In addition to insurance provided by the Federal Depository Insurance Corporation, all deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, *Florida Security for Public Deposits Act*, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are insured or collateralized with securities held by the entity or its agent in the entity's name.

Investments

The Village is authorized to invest in obligations of the U.S. Treasury, its agencies, instrumentalities and the Local Government Surplus Funds Trust Fund administered by the State Board of Administration. The investments follow the investment rules defined in Florida Statutes Chapter 218.415. The investment policy defined in the statutes attempts to promote, through state assistance, the maximization of net interest earnings on invested surplus funds of local units of governments while limiting the risk to which the funds are exposed.

Investments – Village

As of September 30, 2008, the Village had the following investments with its corresponding maturities in its portfolio:

<u>Investments</u>	Investment Maturities (In Years)	
	<u>Fair</u> <u>Value</u>	<u>Less</u> <u>Than 1</u>
Repurchase agreements	<u>\$3,414,174</u>	<u>3,414,174</u>

Interest Rate Risk

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

Credit Risk

State law and the Village's investment policy limits investments in bonds, U.S. treasuries and agency obligations, or other evidences of indebtedness to the top ratings issued by nationally recognized statistical rating organizations (NRSRO) of the United States. The Village's repurchase agreements are collateralized by U.S. agency obligations and were all rated AAA under Standard & Poor's ratings and AAA under Moody's ratings.

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments – Village (Continued)

Concentration of Credit Risk

As of September 30, 2008, the value of each position held in the Village's portfolio comprised less than 5% of the Village investment assets.

Investments – Pension Plan

As of September 30, 2008, the Village's Defined Benefit Pension Plan had the following investments with its corresponding maturities in its portfolio:

<u>Investments</u>	<u>Investment Maturities (In Years)</u>				
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>10+</u>
Bond mutual funds	<u>\$3,530,729</u>	<u>\$88,268</u>	<u>\$2,333,812</u>	<u>\$688,492</u>	<u>\$420,157</u>

Interest Rate Risk

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

Credit Risk

State law and the Plan's investment policy limits investments in bonds, stocks, or other evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States, any state or organized territory of the United States, or the District of Columbia, provided the corporation is listed on any one or more of the recognized national stock exchanges or on the National Market System of the NASDAQ Stock Market and in the case of bonds only, holds a rating in one of the three highest classifications by a major rating service. The Plan's investment policy limits fixed income investments to a rating no lower than Standard & Poor's BBB or Moody's BAA.

The Plan's bond mutual funds were all rated "A" or better under Standard & Poor's ratings and at least "A" under Moody's ratings.

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments – Pension Plan (Continued)

Concentration of Credit Risk

The Plan's investment policy prohibits equity and fixed income securities concentrations greater than 5% and 10%, respectively, in any one issuer with the exception of U.S. government or agency issues. As of September 30, 2008, the value of each position held in the Plan's portfolio comprised less than 5% of Plan investment assets.

Risks and Uncertainties

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

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

NOTE 4. RECEIVABLES

Receivables as of September 30, 2008 for the Village's individual major funds, nonmajor funds and fiduciary fund in the aggregate, including the allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Storm- water</u>	<u>Sanitary Sewer</u>	<u>Solid Waste</u>	<u>Pension Trust Fund</u>	<u>Total</u>
Customers billed	\$ -	\$ -	158,099	-	540,993	\$ -	\$ 699,092
Contributions	-	-	-	-	-	146,210	146,210
Property taxes	311,391	-	-	-	-	-	311,391
Interest	2,495	-	-	-	-	-	2,495
Intergovernmental	144,117	833,715	-	-	-	-	977,832
Other	580,363	-	-	2,369,972	-	-	2,950,335
Due from other governments	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>
Gross receivables	2,038,366	833,715	158,099	2,369,972	540,993	146,210	6,087,355
Less allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,640)</u>	<u>-</u>	<u>(21,640)</u>
Net total receivables	<u>\$ 2,038,366</u>	<u>\$ 833,715</u>	<u>\$ 158,099</u>	<u>\$ 2,369,972</u>	<u>\$ 519,353</u>	<u>\$ 146,210</u>	<u>\$ 6,065,715</u>

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 5. PROPERTY TAXES

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

Property taxes levied each November 1, by the Village and all other taxing authorities within the County, are centrally billed and collected by Miami-Dade County, with remittances to the Village of their proportionate share of collected taxes. Taxes for the fiscal year beginning October 1 are billed in the month of November, subject to a 1% per month discount for the period November through February, and are due no later than March 31. On April 1, unpaid amounts become delinquent with interest and penalties added thereafter. Beginning June 1, tax certificates representing delinquent taxes with interest and penalties are sold by Miami-Dade County, with remittance to the Village for its share of those receipts. At September 30, 2008, there were no material delinquent taxes.

NOTE 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of September 30, 2008 is as follows:

Due from/to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special revenue	\$ 4,597,457
	Sanitary sewer	1,656,427
	Solid Waste	397,789
	Stormwater utility	117,775
Capital improvement	Sanitary sewer	382,970
	General	72,984
Sanitary Sewer	Capital Improvement	428,828
		<u>\$ 7,654,230</u>

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

Interfund transfers:

	Transfers In			<u>Total</u>
	<u>Fund</u>	<u>Improvement</u>	<u>Sewer</u>	
Transfers out:				
General fund	\$ -	\$ 4,533,094	\$ 28,134	\$ 4,561,228

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

Transfers are used to move unrestricted general fund revenues to finance various capital projects in accordance with budgetary authorizations.

NOTE 7. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 21,833,837	\$ -	\$ -	\$ 21,833,837
Construction in progress	<u>10,711,571</u>	<u>2,139,941</u>	<u>-</u>	<u>12,851,512</u>
Total capital assets, not being depreciated	<u>32,545,408</u>	<u>2,139,941</u>	<u>-</u>	<u>34,685,349</u>
Capital assets, being depreciated:				
Buildings	23,727,322	498,386	-	24,225,708
Improvements other than buildings	14,878,443	1,264,066	-	16,142,509
Furniture, fixtures and equipment	<u>5,151,754</u>	<u>593,280</u>	<u>(97,257)</u>	<u>5,647,777</u>
Total capital assets, being depreciated	<u>43,757,519</u>	<u>2,355,732</u>	<u>(97,257)</u>	<u>46,015,994</u>
Less accumulated depreciation for:				
Buildings	(2,417,570)	(479,571)	-	(2,897,141)
Improvements other than buildings	(3,322,438)	(334,005)	-	(3,656,443)
Furniture, fixtures and equipment	<u>(3,057,661)</u>	<u>(748,542)</u>	<u>-</u>	<u>(3,806,203)</u>
Total accumulated depreciation	<u>(8,797,669)</u>	<u>(1,562,118)</u>	<u>-</u>	<u>(10,359,787)</u>
Total capital assets, being depreciated, net	<u>34,959,850</u>	<u>793,614</u>	<u>(97,257)</u>	<u>35,656,207</u>
Governmental activities capital assets, net	<u>\$ 67,505,258</u>	<u>\$ 2,933,555</u>	<u>\$ (97,257)</u>	<u>\$ 70,341,556</u>
Business-type activities:				
Capital assets, not being depreciated:				
Construction in progress	<u>\$ 1,089,039</u>	<u>\$ 7,573,282</u>	<u>\$ -</u>	<u>\$ 8,662,321</u>
Total capital assets, not being depreciated	<u>1,089,039</u>	<u>7,573,282</u>	<u>-</u>	<u>8,662,321</u>
Capital assets, being depreciated:				
Stormwater utility system	<u>10,056,660</u>	<u>-</u>	<u>-</u>	<u>10,056,660</u>
Total capital assets, being depreciated	<u>10,056,660</u>	<u>-</u>	<u>-</u>	<u>10,056,660</u>
Less accumulated depreciation for:				
Stormwater utility system	<u>(2,730,810)</u>	<u>(273,919)</u>	<u>-</u>	<u>(3,004,729)</u>
Total accumulated depreciation	<u>(2,730,810)</u>	<u>(273,919)</u>	<u>-</u>	<u>(3,004,729)</u>
Total capital assets, being depreciated, net	<u>7,325,850</u>	<u>(273,919)</u>	<u>-</u>	<u>7,051,931</u>
Business-type activities capital assets, net	<u>\$ 8,414,889</u>	<u>\$ 7,299,363</u>	<u>\$ -</u>	<u>\$ 15,714,252</u>

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 7. CAPITAL ASSETS (Continued)

Depreciation expense was charged as functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 323,126
Police	305,649
Fire	325,408
Public works	326,087
Building, zoning and planning	16,253
Parks	<u>265,595</u>
Total depreciation expense - governmental activities	<u>\$ 1,562,118</u>

Business-type activities:

Stormwater	<u>\$ 273,919</u>
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NOTE 8. SHORT-TERM DEBT INSTRUMENTS AND LIQUIDITY

On August 15, 2008, the Village issued a short-term water and sewer revenue note in an aggregate principal amount not to exceed \$5,000,000 for the purpose of financing a portion of the costs of sewer system improvements within the Village, financing architectural, engineering, environmental, legal, and other planning costs related thereto, and paying costs of issuance of the note. The note is secured by a covenant to budget and appropriate from legally available non-ad valorem revenues of the Village and is expected to be repaid over one year. Interest will accrue on the outstanding principal balance from its date of issuance payable on February 12, 2009 and upon maturity, August 12, 2009, at an interest rate equal to 2.69% per annum. Total interest paid over the life of note will be \$136,368.

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 9. LONG-TERM DEBT

The following is a summary of changes in long-term liabilities of the Village for governmental activities for the year ended September 30, 2008:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Bonds payable:					
Land acquisition and capital improvement revenue bonds, Series 1999	\$ 8,040,000	\$ -	\$ (455,000)	\$ 7,585,000	\$ 475,000
Land acquisition and capital improvement revenue bonds, Series 2000	8,800,000	-	(440,000)	8,360,000	465,000
Capital improvement bonds, Series 2002	8,681,284	-	(414,676)	8,266,608	451,434
Land acquisition and capital improvement revenue bonds, Series 2004	2,800,000	-	(69,929)	2,730,071	286,476
Transportation tax revenue bonds, Series 2005	3,500,000	-	(95,956)	3,404,044	147,645
Transportation tax revenue bonds, Series 2006	<u>3,846,275</u>	<u>-</u>	<u>(204,188)</u>	<u>3,642,087</u>	<u>212,583</u>
Total bonds payable	<u>35,667,559</u>	<u>-</u>	<u>(1,679,749)</u>	<u>33,987,810</u>	<u>2,038,138</u>
Other liabilities:					
Capital leases	415,341	-	(201,548)	213,793	114,287
Compensated absences	<u>1,457,963</u>	<u>922,343</u>	<u>(92,553)</u>	<u>2,287,753</u>	<u>218,415</u>
Total other liabilities	<u>1,873,304</u>	<u>922,343</u>	<u>(294,101)</u>	<u>2,501,546</u>	<u>332,702</u>
Governmental activities long-term liabilities	<u>\$ 37,540,863</u>	<u>\$ 922,343</u>	<u>\$ (1,973,850)</u>	<u>\$ 36,489,356</u>	<u>\$ 2,370,840</u>

Land Acquisition and Capital Improvement Revenue Bonds

On July 23, 1999, the Village issued \$10,000,000 Land Acquisition and Capital Improvement Revenue Bonds, Series 1999, the proceeds of which were used for the acquisition of property and financing of the construction of the Civic Center project. The bonds mature on July 23, 2019. The Village has pledged non-ad valorem revenues to secure payment of the principal and interest on the bonds. The bonds are due in annual principal installments. Interest accrues at 4.715% per annum.

Debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2009	\$ 475,000	\$ 346,435	\$ 821,435
2010	500,000	323,449	823,449
2011	525,000	299,285	824,285
2012	550,000	273,942	823,942
2013	580,000	247,302	827,302
2014-2018	3,400,000	786,715	4,186,715
2019	<u>1,555,000</u>	<u>75,809</u>	<u>1,630,809</u>
	<u>\$ 7,585,000</u>	<u>\$ 2,352,937</u>	<u>\$ 9,937,937</u>

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 9. LONG-TERM DEBT (Continued)

Capital Improvement Revenue Bonds

On July 11, 2000, the Village issued a second series of \$10,000,000 Capital Improvement Revenue Bonds, Series 2000, the proceeds of which were used for the acquisition of property and financing of the construction of the Civic Center project. The bonds mature on July 11, 2020. The Village has pledged non-ad valorem revenues to secure payment of the principal and interest on the bonds. The bonds are due in annual principal installments. Interest accrues at 5.24% per annum.

Debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2009	\$ 465,000	\$ 425,881	\$ 890,881
2010	490,000	400,860	890,860
2011	515,000	374,529	889,529
2012	540,000	346,888	886,888
2013	570,000	317,806	887,806
2014-2018	3,330,000	1,095,946	4,425,946
2019-2020	<u>2,450,000</u>	<u>197,027</u>	<u>2,647,027</u>
	<u>\$8,360,000</u>	<u>\$3,158,937</u>	<u>\$11,518,937</u>

On November 1, 2002, the Village issued Capital Improvement Revenue Bonds, Series 2002 for the purpose of financing a portion of the cost of construction and equipping of a community center including a parking garage and swimming pool. The bonds mature on November 1, 2022. The Village has pledged non-ad valorem revenues to secure payment of the principal and interest on the bonds. Interest is due quarterly at a rate of 3.95% up to November 1, 2012. From November 1, 2012 to maturity, the interest rate will become a variable rate based on certain indices.

Debt service to maturity is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2009	\$ 451,434	\$ 289,765	\$ 741,199
2010	467,860	273,339	741,199
2011	484,883	256,316	741,199
2012	502,526	238,673	741,199
2013	520,811	220,388	741,199
2014-2018	2,902,485	803,510	3,705,995
2019-2023	<u>2,936,609</u>	<u>242,259</u>	<u>3,178,868</u>
	<u>\$8,266,608</u>	<u>\$2,324,250</u>	<u>\$10,590,858</u>

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE9. LONG-TERM DEBT (Continued)

Land Acquisition and Capital Improvement Revenue Bonds

On December 12, 2004, the Village issued \$2,800,000 of capital improvement and land acquisition revenue bonds, Series 2004 for the purpose of completing the road construction associated with the new administration, fire and community center buildings. The bonds mature on November 1, 2022. The Village has pledged non-ad valorem revenues to secure payment of the principal and interest on the bonds. The bonds are due in quarterly principal installments. Interest accrues at 3.83% per annum.

Debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2009	\$ 286,476	\$ 100,480	\$ 386,956
2010	297,607	89,349	386,956
2011	140,107	80,195	220,302
2012	145,551	74,751	220,302
2013	151,206	69,096	220,302
2014-2018	848,315	252,657	1,100,972
2019-2023	<u>860,809</u>	<u>76,016</u>	<u>936,825</u>
	<u>\$2,730,071</u>	<u>\$742,544</u>	<u>\$3,472,615</u>

Transportation Tax Revenue Bonds

On July 15, 2005, the Village issued Transportation Tax Revenue Bonds, Series 2005, for the purpose of financing a portion of the costs of road improvements within the Village (Crandon Boulevard Improvements – Phase II). The issuance was established similar to bond anticipation notes where the principal amount is the lesser of \$3,500,000 or the advances made under the bond. Only the amount advanced becomes an obligation of the Village. During the fiscal year ended September 30, 2006, the Village drew down the remaining \$3,450,000. The Village has pledged Transportation Tax Revenues to secure payment of the principal and interest on the bonds. For the fiscal year ended September 30, 2008, debt service represents approximately 78% of the pledged revenue. The bonds mature on July 1, 2025 and are due in quarterly principal installments. Interest accrues at 4.09% per annum.

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 9. LONG-TERM DEBT (Continued)

Transportation Tax Revenue Bonds (Continued)

Debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2009	\$ 147,645	\$ 138,219	\$ 285,864
2010	204,001	130,084	334,085
2011	212,474	121,612	334,086
2012	169,602	113,313	282,915
2013	160,687	105,161	265,848
2014-2018	900,424	428,860	1,329,284
2019-2023	1,103,593	225,698	1,329,291
2024-2025	505,618	26,115	531,733
	<u>\$3,404,044</u>	<u>\$1,289,062</u>	<u>\$4,693,106</u>

Road Improvement Revenue Bonds

On December 14, 2006, the Village issued Road Improvement Revenue Bonds, Series 2006, for the purpose of financing a portion of the costs of road improvements within the Village (Crandon Boulevard Improvements – Phase III), financing architectural, engineering, environmental, legal, and other planning costs. The bonds mature on December 1, 2021. The Village has pledged toll revenues to secure payment of the principal and interest on the bonds. For the fiscal year ended September 30, 2008, debt service represents approximately 49% of the pledged revenue. The bonds are due in quarterly principal installments. Interest accrues at 4.05% per annum.

Debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2009	\$ 212,583	\$ 144,542	\$ 357,125
2010	221,325	135,800	357,125
2011	230,425	126,700	357,125
2012	239,900	117,224	357,124
2013	249,765	107,360	357,125
2014-2018	1,411,587	374,039	1,785,626
2019-2022	1,076,502	72,927	1,149,429
	<u>\$3,642,087</u>	<u>\$1,078,592</u>	<u>\$4,720,679</u>

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 9. LONG-TERM DEBT (Continued)

Capital Leases

On June 16, 2003, the Village entered into a Master Lease agreement, with a local financial institution as lessee for financing the acquisition of Village vehicles and equipment for the Fire-Rescue Department with a fair value of \$880,963. The amount of the lease obligation is \$691,744 and final payment is due on November 15, 2009. Lease payments are due annually. Interest accrues at 2.994% per annum.

On December 15, 2004, the Village entered into a Master Lease agreement for financing the acquisition of Village vehicles and equipment for the Police Department with a fair value of \$378,413. The amount of the lease obligation was \$380,726 and the final payment was made in December 2007.

On January 10, 2005, the Village entered into a Master Lease agreement for financing the acquisition of a Village vehicle and equipment for the Police Department with a fair value of \$23,744. The amount of the lease obligation is \$23,744 and final payment is due on January 10, 2009. Lease payments are due annually. Interest accrues at 4.20% per annum.

The future minimum lease obligations and the net present value of the minimum lease payments as of September 30, 2008 were as follows:

Fiscal year ending September 30:	
2009	\$ 114,287
2010	<u>109,137</u>
Total minimum lease payments	223,424
Less amount representing interest	<u>(9,631)</u>
Present value of minimum lease payments	<u>\$ 213,793</u>

The following is a summary of changes in long-term liabilities of the Village for business-type activities for the year ended September 30, 2008:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Business-type Activities					
Bonds and loan payable:					
Stormwater utility revenue bonds	\$ 5,550,000	\$ -	\$(350,000)	\$ 5,200,000	\$ 365,000
Revolving loan	<u>359,008</u>	<u>-</u>	<u>(19,089)</u>	<u>339,919</u>	<u>19,580</u>
Total bonds and loan payable	<u>5,909,008</u>	<u>-</u>	<u>(369,089)</u>	<u>5,539,919</u>	<u>384,580</u>
Business-type activities					
long-term liabilities	<u>\$ 5,909,008</u>	<u>\$ -</u>	<u>\$ (369,089)</u>	<u>\$ 5,539,919</u>	<u>\$ 384,580</u>

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 9. LONG-TERM DEBT (Continued)

Stormwater Utility Revenue Bonds

On January 26, 1999, the Village issued \$7,200,000 Stormwater Utility Revenue Bonds, Series 1999, the proceeds of which were used to pay the principal of the \$7,200,000 Bond Anticipation Notes, Series 1995. The bonds mature on January 26, 2019. The Village has pledged stormwater utility fees and non-ad valorem revenues to secure payment of the principal and interest on the bonds. The bonds are due in annual principal installments on October 1st. Interest accrues at 4.13% per annum.

Debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2009	\$ 365,000	\$ 214,760	\$ 579,760
2010	385,000	199,686	584,686
2011	405,000	183,785	588,785
2012	425,000	167,058	592,058
2013	445,000	149,506	594,506
2014-2018	2,580,000	453,269	3,033,269
2019	<u>595,000</u>	<u>24,573</u>	<u>619,573</u>
	<u>\$ 5,200,000</u>	<u>\$ 1,392,637</u>	<u>\$ 6,592,637</u>

State Revolving Fund Loan

In June 1996, the Village entered into a loan agreement in the amount of \$887,983 for the financing of the planning and engineering of the proposed sanitary sewer construction project under a State Revolving Fund Loan. The proceeds were received in fiscal year 1998. The loan is payable in semi-annual payments over 20 years beginning on April 15, 2003 at an interest rate of 2.56% per annum. The loan matures on October 15, 2022.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2009	\$ 19,580	\$ 8,554	\$ 28,134
2010	20,084	8,050	28,134
2011	20,602	7,532	28,134
2012	21,133	7,001	28,134
2013	21,677	6,457	28,134
2014-2018	117,058	23,613	140,671
2019-2023	<u>119,786</u>	<u>7,736</u>	<u>127,522</u>
	<u>\$ 339,920</u>	<u>\$ 68,943</u>	<u>\$ 408,863</u>

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 10. COMMITMENTS AND CONTINGENCIES

Litigation

The Village is involved in several lawsuits incidental to its operations, the outcome of which, in the opinion of management and legal counsel, would not have a material adverse effect on the financial condition of the Village.

Grants Contingency

Federal and State programs in which the Village participates are subject to audit by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. In the opinion of management, future disallowances of grant expenditures, if any, would not have a material adverse effect on the financial condition of the Village.

Construction Commitment

The Village has outstanding construction commitments of approximately \$6,000,000 for its sanitary sewer project.

NOTE 11. DEFICIT FUND BALANCE

The Special Revenue Fund has a deficit fund balance of \$3,701,623 which is being funded from the General Fund and from revenues derived from an interlocal agreement with Miami-Dade County over a period of approximately 12 years.

NOTE 12. RESERVED FUND BALANCES

As of September 30, 2008, fund balances in the general fund have been reserved for the following purposes:

Emergencies	\$ 4,000,001
Master Plan initiatives	1,873,764
Working capital	1,000,000
Playing fields	416,403
Capital Improvement Plan	1,130,089
Compensated absences	595,916
Recreation facilities	300,000
Capital lease	298,682
Building inspections	554,819
Law enforcement seizures	284,639
Prepays	261,373
Roadway improvements	175,000
Police Labor	90,000
Fire Grant Revenue (UASI)	18,389
Community Center equipment	50,000
Fire vehicle replacements	50,000
Fire Rescue Transport Fees	171,839
Police/Administration building	13,632
Fire Station building	13,632
	<u>\$ 11,298,178</u>

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 13. DEFINED CONTRIBUTION PLANS

The Village as a single-employer contributes to the Village of Key Biscayne Money Purchase Plans, which are defined contribution plans created in accordance with Internal Revenue Code Section 401(a). Under one Plan, which is available to Village employees, the Village contributes 12% and the employees contribute 6%. Under the second plan, which is available only to sworn or certified police officers and firefighters, the Village contributes 12% and there is no employee contribution. Beginning October 1, 1997, the police officers and firefighters, which elected to participate in the defined benefit pension plan (see Note 14), were no longer eligible to contribute to the 401(a) plan. Employer contributions for the fiscal year ended September 30, 2008 were \$446,750 while the employee contributions were \$140,735. Amendments to the Plan must be authorized by the Village Council.

NOTE 14. DEFINED BENEFIT PENSION PLAN

Plan Description

Effective October 1, 1997, the Village established a single-employer Public Employee Retirement System (PERS) to provide pension benefits for its police officers and firefighters. The PERS is considered to be part of the Village's financial reporting entity and is included in the Village's financial reports as a pension trust fund. The Plan was created under Village Ordinance 97-21. The latest available actuarial valuation is as of October 1, 2007. The PERS does not issue a stand-alone financial report for the Plan.

Under this plan, all full-time police officers and firefighters employed by the Village are eligible to participate. The monthly retirement benefit is equal to 3% of the average final compensation for each year of service. The calculation for the average final compensation is computed as one-twelfth of the average salary of the five highest years within the last ten years of credited service. Credited service is determined by the total number of years employed by the Village since August 1, 1993. Amendments to the Plan must be authorized by the Village Council.

Members are vested after 5 years of service. Vested employees may retire at the earlier of age 55 and the completion of five years of credited service or the age of 52 and the completion of 25 years of credited service, or at age 50 with 5 years of service with the benefit discounted 3% for each year under age 55.

Administrative costs of the plan are financed through investment earnings. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Benefits and funds are recorded when paid.

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 14. DEFINED BENEFIT PENSION PLAN (Continued)

Plan Description (Continued)

At October 1, 2007 (date of the latest actuarial valuation), Plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	<u>16</u>
Current employees:	
Vested	33
Non-vested	<u>32</u>
Total	<u>65</u>

Funding Policy

The Village’s contribution rate is adjusted each year to an amount equal to the total pension cost for the year, as determined by the most recent actuarial valuation, less the amount of revenue received from the State of Florida pursuant to Chapters 175 and 185 of the Florida Statutes. The Village’s contribution rate was 11.48% of covered payroll for the year ended September 30, 2008 which was determined by the October 1, 2006 actuarial valuation. The participant contribution rate which is fixed by ordinance is 10.5%. This funding policy is designed to limit the Village’s exposure to contribute to the Plan. State contributions are recognized as a revenue and expenditure in the general fund.

Funding Status and Funding Progress

The funded status of the plan as of October 1, 2007, the most recent actuarial valuation date, is as follows:

Actual Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL As % of Covered Payroll (b - a) / c
10/1/07	\$9,017,393	\$12,335,707	\$3,318,314	73.1%	\$5,740,991	58%

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the AAL for benefits.

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 14. DEFINED BENEFIT PENSION PLAN (Continued)

Funding Status and Funding Progress (Continued)

Additional information as of the latest actuarial valuation follows:

Valuation date	10/1/07
Contribution Rates:	
Employer	13.11%
Plan members	10.50%
Actuarial cost method	Entry age normal
Amortization method	Level percent of pay, closed
Remaining amortization	30 years
Asset valuation method	5 year Smoothed Market value
Actuarial assumptions:	
Investment rate of return*	8.5% per year compounded annually, net of investment related expenses
Projected salary increases*	9.4% to 3.5% variable
Cost of living adjustments	N/A

*Includes inflation and other general increases at 4%

Annual Pension Cost and Net Pension Asset

The annual pension cost and net pension obligation (asset) for the current year was as follows:

Annual required contribution	\$ 839,400
Interest on net pension asset	(10,680)
Adjustment to annual required contribution	<u>14,818</u>
Annual pension cost	843,538
Contributions made	<u>839,400</u>
Decrease in net pension asset	4,138
Net pension asset, beginning of year	<u>(125,650)</u>
Net pension asset, end of year	<u><u>\$(121,512)</u></u>

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 14. DEFINED BENEFIT PENSION PLAN (Continued)

Annual Pension Cost and Net Pension Asset (Continued)

The annual required contribution for the current year was determined as part of the October 1, 2006 actuarial valuation using the entry age normal funding method. The actuarial assumptions included (a) 8.5% investment rate of return (net of investment related expenses) and (b) projected salary increases of 9.4% to 3.5% variable per year. Both (a) and (b) included an inflation component of 4%. The actuarial value of assets was determined using the difference between actual and expected return recognized over five years.

Fiscal Year <u>Ended</u>	Trend Information		Net Obligation <u>(Asset)</u>
	Annual Pension Cost <u>(APC)</u>	Percentage of APC <u>Contributed</u>	
9/30/2006	\$ 733,878	99.5%	\$ (142,067)
9/30/2007	777,937	99.5%	(125,650)
9/30/2008	843,538	99.5%	(121,512)

NOTE 15. RISK MANAGEMENT

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

NOTE 16. PRIOR PERIOD ADJUSTMENT

Government-Wide

Governmental Activities:

Net assets of the governmental activities, as of October 1, 2007, were restated to correct errors noted in the prior year as follows:

Net assets - beginning, as previously reported		\$40,137,561
Correction of accrued benefits payable	\$ 121,514	
Correction of accounts payable	(325,612)	
Correction of accounts receivable	<u>1,000,000</u>	
Total adjustment		<u>795,902</u>
Net assets - beginning, as restated		<u>\$40,933,463</u>

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 16. PRIOR PERIOD ADJUSTMENT (Continued)

Governmental Funds

General Fund:

Fund balance of the General Fund, as of October 1, 2007, was restated to reflect the adjustment to add the accrued benefits payable incorrectly expensed in the year ended September 30, 2007:

Fund balance - beginning, as previously reported	\$ 9,875,416
Correction of accrued benefits payable	<u>121,514</u>
	<u>\$ 9,996,930</u>

Capital Improvement Fund:

Fund balance of the Capital Improvement Fund, as of October 1, 2007, was restated to reflect the adjustment to add the receivable for grant funds related to a cost reimbursement grant in which the funds were expensed in the year ended September 30, 2007, and therefore the revenues were to be recognized in that year:

Fund balance - beginning, as previously reported	\$ 2,954,753
Correction of accounts payable	<u>(325,612)</u>
	<u>\$ 2,629,141</u>

Special Revenue Fund:

Fund balance of the Special Revenue Fund, as of October 1, 2007, was restated to reflect the adjustment to add the accounts payable incorrectly expensed in the year ended September 30, 2007:

Fund balance - beginning, as previously reported	\$ (2,482,196)
Correction of accounts receivable	<u>1,000,000</u>
	<u>\$ (1,482,196)</u>

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF KEY BISCAYNE, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Prior Year Reserves	Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts		Amounts	
			on a GAAP Basis		on a Budgetary Basis	
Revenues:						
Property taxes	\$ 19,802,903	\$ 19,802,903	\$ 20,051,239	\$ -	\$ 20,051,239	\$ 248,336
Utility taxes	2,365,095	2,365,095	2,458,388	-	2,458,388	93,293
Franchise fees	860,000	860,000	1,064,666	-	1,064,666	204,666
Licenses and permits	1,075,000	1,075,000	1,240,290	-	1,240,290	165,290
Intergovernmental	999,000	999,000	960,045	-	960,045	(38,955)
Charges for services	1,647,968	1,647,968	1,994,396	-	1,994,396	346,428
Grants	7,500	7,500	251,180	-	251,180	243,680
Interest	-	-	223,907	-	223,907	223,907
Other income	388,500	388,500	8,003	-	8,003	(380,497)
Total revenues	27,145,966	27,145,966	28,252,114	-	28,252,114	1,106,148
Expenditures:						
Current:						
General government:						
Elected officials	468,963	468,963	429,974	-	429,974	38,989
Village Clerk	451,276	451,276	312,383	-	312,383	138,893
Administration	938,822	938,822	852,940	-	852,940	85,882
Village Attorney	383,000	383,000	734,351	(351,351)	383,000	-
Total general government	2,242,061	2,242,061	2,329,648	(351,351)	1,978,297	263,764
Public safety:						
Police	5,104,248	5,104,248	4,863,765	-	4,863,765	240,483
Fire	5,568,523	5,568,523	5,744,775	(176,252)	5,568,523	-
Total public safety	10,672,771	10,672,771	10,608,540	(176,252)	10,432,288	240,483
Public works						
Building, zoning and planning	1,921,489	1,921,489	1,720,689	-	1,720,689	200,800
Parks and recreation	1,640,675	1,640,675	1,513,019	(379,001)	1,134,018	506,657
	2,956,003	2,956,003	3,335,004	-	3,335,004	(379,001)
Debt service:						
Principal	1,586,219	1,586,219	1,379,605	-	1,379,605	206,614
Interest and fiscal charges	1,593,683	1,593,683	1,145,804	-	1,145,804	447,879
Total expenditures	22,612,901	22,612,901	22,032,309	(906,604)	21,125,705	1,487,196
Excess of revenues over expenditures	4,533,065	4,533,065	6,219,805	906,604	7,126,409	2,593,344
Other financing uses:						
Appropriation of prior years' reserves	-	-	-	(906,604)	(906,604)	(906,604)
Transfers out	(4,533,065)	(4,533,065)	(4,561,228)	-	(4,561,228)	(28,163)
Total other financing uses	(4,533,065)	(4,533,065)	(4,561,228)	(906,604)	(5,467,832)	(934,767)
Net change in fund balances	\$ -	\$ -	\$ 1,658,577	\$ -	\$ 1,658,577	\$ 1,658,577

See note to budgetary comparison schedule.

VILLAGE OF KEY BISCAYNE, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

NOTE TO BUDGETARY COMPARISON SCHEDULE

FISCAL YEAR ENDED SEPTEMBER 30, 2008

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

An annual appropriated budget is prepared for the general fund. The Village prepares a budget for its special revenue fund and its capital projects fund, however, these budgets are prepared as project budgets and not as annually appropriated budgets.

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

- (a) The Village Manager submits to the Council a proposed operating budget for the ensuing fiscal year. The operating budget includes appropriations and the means of financing them with an explanation regarding each expenditure that is not of a routine nature.
- (b) Public hearings are conducted to obtain taxpayer comments.
- (c) Prior to October 1, the budget is legally enacted through passage of an ordinance.
- (d) The Village Council, by motion, may make supplemental appropriations for the year up to the amount of revenues in excess of those estimated. During fiscal year ended September 30, 2008, there were no supplemental appropriations.
- (e) Formal budgetary integration is employed as a management control device for the general fund.
- (f) The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles (GAAP), except for certain unbudgeted expenditures of prior year reserves.
- (g) The Village Manager is authorized to transfer part or all of an encumbered appropriation balance within departments within a fund; however, any revisions that alter the total appropriations of any department or fund must be approved by the Village Council.
- (h) There were no budget amendments during fiscal year ended September 30, 2008.
- (i) The classification detail at which expenditures may not legally exceed appropriations is at the department level.

VILLAGE OF KEY BISCAYNE, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION PENSION TRUST FUND

SCHEDULE OF FUNDING PROGRESS

Actual Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL As % of Covered Payroll (b - a) / c
10/1/02	\$ 2,360,957	\$ 5,430,198	\$ 3,069,241	43.5%	\$ 3,984,900	77.0%
10/1/03	3,309,812	6,678,603	3,368,791	49.6%	4,278,629	78.7%
10/1/04	4,400,914	8,021,413	3,620,499	54.9%	4,960,542	73.0%
10/1/05	5,703,772	9,379,732	3,675,960	60.8%	5,320,018	69.1%
10/1/06	7,255,221	10,782,826	3,527,605	67.3%	5,355,088	65.9%
10/1/07	9,017,393	12,335,707	3,318,314	73.1%	5,740,991	58%

VILLAGE OF KEY BISCAYNE, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION PENSION TRUST FUND

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended September 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2003	\$ 465,562	100%
2004	515,437	100%
2005	764,420	100%
2006	729,857	100%
2007	773,701	100%
2008	810,021	100%

STATISTICAL SECTION

STATISTICAL SECTION

This part of the Village of Key Biscayne'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 Village's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends <i>These schedules contain trend information to help the reader understand how the Village's financial performance and well-being have changed over time. These schedules include:</i>	49-53
Revenue Capacity <i>These schedules contain information to help the reader assess the Village's most significant local revenue source, the property tax.</i>	54-58
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the Village's current levels of outstanding debt and the Village's ability to issue additional debt in the future.</i>	59-62
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Village's financial activities take place.</i>	63-65
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the Village's financial report relates to the services the Village provides and the activities it performs.</i>	66-67

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

VILLAGE OF KEY BISCAZYNE, FLORIDA

NET ASSETS BY COMPONENT

LAST SIX FISCAL YEARS (ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year					
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental activities:						
Invested in capital assets, net of related debt	\$ 23,889,001	\$ 26,149,714	\$ 26,284,600	\$ 28,676,266	\$ 31,422,358	\$ 36,139,953
Restricted	171,680	283,180	326,826	359,899	261,813	284,639
Unrestricted	4,161,688	2,809,659	4,302,680	4,926,634	8,453,390	10,924,001
Total governmental activities net assets	<u>28,222,369</u>	<u>29,242,553</u>	<u>30,914,106</u>	<u>33,962,799</u>	<u>40,137,561</u>	<u>47,348,593</u>
Business-type activities:						
Invested in capital assets, net of related debt	2,024,755	1,768,078	1,931,844	2,326,089	2,505,881	10,174,333
Restricted	-	-	-	-	-	-
Unrestricted	1,388,975	1,254,664	1,281,141	778,320	432,133	(2,209,685)
Total business-type activities net assets	<u>3,413,730</u>	<u>3,022,742</u>	<u>3,212,985</u>	<u>3,104,409</u>	<u>2,938,014</u>	<u>7,964,648</u>
Total government:						
Invested in capital assets, net of related debt	25,913,756	27,917,792	28,216,444	31,002,355	33,928,239	46,314,286
Restricted	171,680	283,180	326,826	359,899	261,813	284,639
Unrestricted	5,550,663	4,064,323	5,583,821	5,704,954	8,885,523	8,714,316
Total government net assets	<u>\$ 31,636,099</u>	<u>\$ 32,265,295</u>	<u>\$ 34,127,091</u>	<u>\$ 37,067,208</u>	<u>\$ 43,075,575</u>	<u>\$ 55,313,241</u>

Note: The Village implemented GASB Statement No. 34 for the fiscal year ended September 30, 2003.

VILLAGE OF KEY BISCAYNE, FLORIDA

CHANGES IN NET ASSETS
LAST SIX FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year					
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Expenses:						
Governmental activities:						
General government	\$ 5,691,379	\$ 3,614,636	\$ 2,914,734	\$ 4,252,037	\$ 3,781,396	\$ 3,213,273
Fire	4,821,645	4,738,402	4,867,525	4,947,149	5,257,789	6,399,665
Police	4,787,090	4,311,449	4,373,145	4,275,617	4,651,660	5,272,383
Building, zoning and planning	1,252,012	1,220,180	1,235,175	1,547,042	1,447,968	1,529,272
Public works	963,676	1,103,940	2,189,673	4,004,651	1,589,444	2,046,776
Parks and recreation	826,695	1,013,741	2,614,785	2,849,434	3,077,624	3,633,233
Interest on long-term debt	1,064,028	1,487,245	1,305,383	1,413,272	1,505,253	1,436,481
Total governmental activities	19,406,525	17,489,593	19,500,420	23,289,202	21,311,134	23,531,083
Business-type activities:						
Stormwater system	634,361	971,081	454,963	720,158	693,135	911,500
Solid waste collection	273,076	259,173	466,162	501,417	571,246	619,823
Sanitary sewer	6,288	15,732	10,261	9,993	9,454	9,046
Total business-type activities	913,725	1,245,986	931,386	1,231,568	1,273,835	1,540,369
Total government expenses	\$ 20,320,250	\$ 18,735,579	\$ 20,431,806	\$ 24,520,770	\$ 22,584,969	\$ 25,071,452
Program revenues:						
Governmental activities:						
Charges for services:						
General government	\$ 1,034,247	\$ 961,100	\$ 1,257,895	\$ 1,466,186	\$ 1,389,163	\$ 1,320,004
Police	110,215	197,244	212,121	40,719	21,385	14,203
Fire	5,805	6,505	7,120	50,392	40,144	146,588
Parks and recreation	29,752	35,787	1,287,806	1,512,923	1,416,707	1,620,787
Building, zoning and planning	117,705	86,455	142,550	167,802	193,391	133,104
Operating grants and contributions	99,830	-	650,679	3,559,753	799,493	251,180
Capital grants and contributions	421,085	524,736	517,643	-	-	-
Total governmental activities program revenues	1,818,639	1,811,827	4,075,814	6,797,775	3,860,283	3,485,866
Business-type activities:						
Charges for services:						
Stormwater system	531,164	520,729	518,812	517,365	509,571	499,101
Solid waste collection	313,492	284,900	533,632	531,967	520,650	530,803
Capital grants and contributions:						
Sanitary sewer	-	-	-	-	-	5,460,763
Total business-type activities program revenues	844,656	805,629	1,052,444	1,049,332	1,030,221	6,490,667
Total program revenues	\$ 2,663,295	\$ 2,617,456	\$ 5,128,258	\$ 7,847,107	\$ 4,890,504	\$ 9,976,533

VILLAGE OF KEY BISCAYNE, FLORIDA

(Continued)

CHANGES IN NET ASSETS
(Continued)

LAST SIX FISCAL YEARS
(ACCURAL BASIS OF ACCOUNTING)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Net (expense) revenue:						
Governmental activities	\$ (17,587,886)	\$ (15,677,766)	\$ (15,424,606)	\$ (16,491,427)	\$ (17,450,851)	\$ (20,045,217)
Business-type activities	(69,069)	(440,357)	121,058	(182,236)	(243,614)	4,950,298
Total net expense	\$ (17,656,955)	\$ (16,118,123)	\$ (15,303,548)	\$ (16,673,663)	\$ (17,694,465)	\$ (15,094,919)
General revenues:						
Governmental activities:						
Taxes:						
Property taxes	\$ 11,317,161	\$ 12,770,711	\$ 13,360,251	\$ 14,830,238	\$ 18,667,979	\$ 20,051,239
Utility taxes	2,251,876	2,219,118	1,488,002	1,549,601	1,467,392	1,534,379
Franchise fees	611,502	677,203	705,810	1,088,929	1,113,194	1,064,666
Communications services tax	-	-	746,400	797,054	763,801	1,226,423
Intergovernmental	776,869	821,883	978,304	996,092	1,000,265	2,265,243
Investment earnings	82,286	110,562	255,611	306,339	641,115	346,531
Miscellaneous	200,561	126,607	281,657	-	-	-
Transfers	(9,737)	(28,134)	(28,135)	(28,133)	(28,133)	(28,134)
Total governmental activities	15,230,518	16,697,950	17,787,900	19,540,120	23,625,613	26,460,347
Business-type activities:						
Investment earnings	22,163	21,235	41,050	45,527	49,086	48,202
Transfers	9,737	28,134	28,135	28,133	28,133	28,134
Total business-type activities	31,900	49,369	69,185	73,660	77,219	76,336
Total general revenues	\$ 15,262,418	\$ 16,747,319	\$ 17,857,085	\$ 19,613,780	\$ 23,702,832	\$ 26,536,683
Change in net assets:						
Governmental activities	\$ (2,357,368)	\$ 1,020,184	\$ 2,363,294	\$ 3,048,693	\$ 6,174,762	\$ 6,415,130
Business-type activities	(37,169)	(390,988)	190,243	(108,576)	(166,395)	5,026,634
Total change in net assets	\$ (2,394,537)	\$ 629,196	\$ 2,553,537	\$ 2,940,117	\$ 6,008,367	\$ 11,441,764

Note: The Village implemented GASB Statement No. 34 for the fiscal year ended September 30, 2003.

VILLAGE OF KEY BISCAYNE, FLORIDA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST SIX FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
General fund:						
Reserved	\$ 2,967,382	\$ 4,677,188	\$ 5,754,277	\$ 6,874,310	\$ 9,875,416	\$ 11,298,178
Unreserved	1,000,177	275,000	-	-	-	-
Total general fund	3,967,559	4,952,188	5,754,277	6,874,310	9,875,416	11,298,178
All other governmental funds:						
Reserved	-	-	-	-	-	-
Unreserved, reported in:						
Special revenue fund	198,563	513,862	(638,221)	(1,496,749)	(2,482,196)	(2,701,623)
Capital projects funds	905,611	(489,979)	881,595	1,421,014	2,954,753	4,783,222
Total all other governmental funds	1,104,174	23,883	243,374	(75,735)	472,557	2,081,599
Total governmental funds	\$ 5,071,733	\$ 4,976,071	\$ 5,997,651	\$ 6,798,575	\$ 10,347,973	\$ 13,379,777

Note: The Village implemented GASB Statement No. 34 for the fiscal year ended September 30, 2003.

VILLAGE OF KEY BISCAWAYNE, FLORIDA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST SIX FISCAL YEARS

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year					
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Revenues:						
Ad valorem taxes	\$ 11,317,161	\$ 12,770,711	\$ 13,360,251	\$ 14,830,238	\$ 18,667,979	\$ 20,051,239
Franchise fees	611,502	677,203	1,452,210	1,885,983	1,113,194	1,064,666
Utility taxes	2,251,876	2,219,118	1,488,002	1,549,601	2,231,193	1,534,379
Licenses and permits	970,001	961,100	1,040,130	1,196,853	1,298,133	1,240,290
Intergovernmental revenue	999,391	1,031,805	1,495,947	1,756,083	1,593,718	3,189,251
Charges for services	327,723	325,651	1,867,362	2,041,169	1,762,657	1,994,396
Grants	99,830	-	650,679	2,799,762	206,040	251,180
Investment income	82,286	110,562	255,611	306,339	632,355	338,528
Miscellaneous	399,124	441,761	281,657	-	8,762	8,003
Total revenues	<u>17,058,894</u>	<u>18,537,911</u>	<u>21,891,849</u>	<u>26,366,028</u>	<u>27,514,031</u>	<u>29,671,932</u>
Expenditures:						
Current:						
General government	1,829,501	1,712,899	2,136,375	2,239,052	2,543,134	2,329,647
Fire	4,046,269	4,462,601	4,749,407	5,117,176	5,122,699	5,744,775
Police	4,305,474	4,113,946	4,605,148	4,388,362	4,590,962	4,863,765
Public works	963,247	1,098,250	2,183,774	4,002,609	1,587,460	1,720,689
Building, planning and zoning	1,245,119	1,212,290	1,238,376	1,544,696	1,455,193	1,513,019
Parks and recreation	782,065	952,261	2,193,633	2,634,887	2,830,020	3,367,638
Capital outlay	5,108,330	10,664,348	4,527,998	6,432,271	6,830,844	4,743,796
Debt service:						
Principal retirement	1,415,000	1,583,924	1,161,298	1,214,646	1,418,401	1,679,991
Interest and other fiscal charges	1,064,028	1,135,384	1,300,596	1,413,272	1,556,396	1,444,576
Total expenditures	<u>20,759,033</u>	<u>26,935,903</u>	<u>24,096,605</u>	<u>28,986,971</u>	<u>27,935,109</u>	<u>27,407,896</u>
Excess (deficiency) of revenues over expenditures	<u>(3,700,139)</u>	<u>(8,397,992)</u>	<u>(2,204,756)</u>	<u>(2,620,943)</u>	<u>(421,078)</u>	<u>2,264,036</u>
Other financing sources (uses):						
Transfers in	938,652	819,251	1,245,653	1,731,583	6,697,854	4,533,094
Transfers out	(948,389)	(847,385)	(1,273,788)	(1,759,716)	(6,725,988)	(4,561,228)
Bonds issued	1,657,090	8,330,462	2,850,000	3,450,000	4,000,000	-
Capital lease proceeds	-	-	404,471	-	-	-
Total other financing sources (uses)	<u>1,647,353</u>	<u>8,302,328</u>	<u>3,226,336</u>	<u>3,421,867</u>	<u>3,971,866</u>	<u>(28,134)</u>
Net change in fund balances	<u>\$ (2,052,786)</u>	<u>\$ (95,664)</u>	<u>\$ 1,021,580</u>	<u>\$ 800,924</u>	<u>\$ 3,550,788</u>	<u>\$ 2,235,902</u>
Debt service as a percentage of non-capital expenditures	11.94%	10.10%	10.22%	9.07%	10.65%	9.21%

Note: The Village implemented GASB Statement No. 34 for the fiscal year ended September 30, 2003.

VILLAGE OF KEY BISCAIYNE, FLORIDA

GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE

LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

Fiscal <u>Year</u>	Ad Valorem <u>Taxes</u>	Franchise <u>Taxes</u>	Utility <u>Taxes</u>	Inter- <u>governmental*</u>	Communications <u>Services Tax**</u>	<u>Total</u>
1999	\$ 7,012,714	\$ 740,031	\$ 1,621,473	\$ 807,924	-	\$ 10,182,142
2000	7,799,633	729,998	1,723,902	889,704	-	11,143,237
2001	8,737,608	738,513	1,772,208	930,169	-	12,178,498
2002	9,569,030	639,072	2,258,931	971,136	904,475	14,342,644
2003	11,317,161	611,502	2,251,876	999,391	825,739	16,005,669
2004	12,770,711	677,203	2,219,118	1,031,805	770,637	17,469,474
2005	13,360,125	705,810	2,234,402	1,140,599	746,400	18,187,336
2006	14,830,238	1,088,929	1,549,601	1,756,083	797,054	20,021,905
2007	18,667,979	1,113,194	1,467,392	1,593,718	763,801	23,606,084
2008	20,051,239	1,064,666	610,371	3,189,251	924,008	25,839,535

Source: Village of Key Biscayne Finance Department.

*Includes half-cent sales tax and state revenue sharing.

**Communications services tax became effective October 1, 2001, replacing utility taxes and franchise fees on telephone and cable TV.

VILLAGE OF KEY BISCAIYNE, FLORIDA

NET ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

Fiscal Year Ended <u>September 30,</u>	Real Property			Total Net Assessed <u>Value</u>	Total Direct Tax <u>Rate</u>
	<u>Residential Property</u>	<u>Commercial Property</u>	<u>Personal Property</u>		
1999	\$ 2,137,666,293	\$ 67,704,896	\$ 27,086,715	\$ 2,232,457,904	3.606
2000	2,394,282,542	75,832,533	28,934,086	2,499,049,161	3.606
2001	2,618,160,883	82,923,284	30,749,478	2,731,833,645	3.606
2002	3,128,872,469	99,098,715	31,948,797	3,259,919,981	3.606
2003	3,506,812,044	111,068,946	43,233,556	3,661,114,546	3.606
2004	3,713,841,630	117,626,058	43,867,688	3,875,335,376	3.606
2005	4,115,175,292	130,346,736	41,852,920	4,287,374,948	3.606
2006	5,421,393,923	166,638,240	47,020,078	5,635,052,241	3.606
2007	6,173,257,097	294,540,559	46,315,146	6,514,112,802	3.450
2008	6,040,318,378	326,676,816	38,432,567	6,405,427,760	3.200

Note: Property in the Village is reassessed each year. Property is assessed at actual value, therefore, the assessed values are equal to actual value. Tax rates are per \$1,000 of assessed value.

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

VILLAGE OF KEY BISCAYNE, FLORIDA

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS

Fiscal Year	Village of Key Biscayne			Overlapping Rates (1)						Total Direct and Overlapping Rates				
	Tax Roll Year	General Operations	Debt Service	Total Village	Miami-Dade County		Miami-Dade Schools		Florida Inland Navigation District		South Florida Water Management	Other		
					Operating Millage	Debt Service Millage	Total County Millage	Operating Millage	Debt Service Millage	Total School Millage				
1999	1998	3.606	-	3.606	6.023	0.837	6.860	9.182	0.978	10.160	0.047	0.597	0.434	21.704
2000	1999	3.606	-	3.606	5.809	0.816	6.625	8.654	0.990	9.644	0.044	0.597	0.421	20.937
2001	2000	3.606	-	3.606	5.751	0.652	6.403	8.702	0.915	9.617	0.041	0.597	0.451	20.715
2002	2001	3.606	-	3.606	5.713	0.552	6.265	8.528	0.848	9.376	0.039	0.697	0.451	20.434
2003	2002	3.606	-	3.606	5.889	0.390	6.279	8.482	0.770	9.252	0.039	0.697	0.451	20.324
2004	2003	3.606	-	3.606	5.969	0.285	6.254	8.418	0.682	9.100	0.039	0.597	1.086	20.682
2005	2004	3.606	-	3.606	5.935	0.285	6.220	8.090	0.597	8.687	0.039	0.597	1.030	20.179
2006	2005	3.606	-	3.606	5.835	0.285	6.120	7.947	0.491	8.438	0.039	0.597	1.014	19.814
2007	2006	3.450	-	3.450	5.615	0.285	5.900	7.691	0.414	8.105	0.039	0.597	1.008	19.099
2008	2007	3.200	-	3.200	5.220	0.285	5.505	7.533	0.264	7.797	0.035	0.535	0.511	17.582

Note: All millage rates are based on \$1 for every \$1,000 of assessed value.

Sources: Village of Key Biscayne Finance Department and Miami-Dade County Property Appraiser's Office.

(1) Overlapping rates are those of local and county governments that apply to property owners within the Village of Key Biscayne. Not all overlapping rates apply to all Village of Key Biscayne property owners (i.e. the rates for special districts apply only to the proportion of the government's property owners whose property is located within the geographic boundaries of the special district).

VILLAGE OF KEY BISCAZYNE, FLORIDA

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

Fiscal Year Ended September 30,	Total Taxes Levied for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Year's	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
1999	\$ 7,313,596	\$ 7,012,714	95.89%	\$ 10,519	\$ 7,023,233	96.03%
2000	8,050,243	7,799,633	96.89%	11,699	7,811,332	97.03%
2001	9,011,571	8,738,608	96.97%	13,108	8,751,716	97.12%
2002	9,850,992	9,515,138	96.59%	14,273	9,529,411	96.74%
2003	11,755,271	11,317,160	96.27%	16,976	11,334,136	96.42%
2004	13,201,979	12,869,711	97.48%	19,305	12,889,016	97.63%
2005	13,974,460	13,360,251	95.60%	20,040	13,380,291	95.75%
2006	15,461,356	14,830,238	95.92%	22,245	14,852,483	96.06%
2007	19,423,659	18,667,979	96.11%	28,002	18,695,981	96.25%
2008	20,591,128	20,013,549	97.20%	37,690	20,051,239	97.38%

Source: Village of Key Biscayne Finance Department and Miami-Dade County Tax Collector's Office.

VILLAGE OF KEY BISCAIYNE, FLORIDA

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

Fiscal Year Ended <u>September 30,</u>	<u>Governmental Activities</u>			<u>Business-Type Activities</u>			Percent of Personal <u>Income (1)</u>	Per <u>Capita (1)</u>
	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Loans Payable</u>	<u>Revenue Bonds</u>	<u>Total</u>	<u>Income (1)</u>		
1999	\$ -	\$ 22,290,000	\$ -	\$ 7,200,000	\$ 29,490,000	0.00%	\$ -	
2000	-	21,220,000	-	7,065,000	28,285,000	0.00%	2,742	
2001	-	30,120,000	-	6,940,000	37,060,000	0.00%	3,592	
2002	-	29,935,000	-	6,810,000	36,745,000	0.00%	3,562	
2003	-	29,271,000	-	6,625,000	35,896,000	0.00%	3,479	
2004	-	29,164,892	-	6,430,000	35,594,892	0.00%	3,450	
2005	-	30,850,606	-	6,010,000	36,860,606	0.00%	3,573	
2006	-	33,085,960	-	5,785,000	38,870,960	0.00%	3,768	
2007	-	31,695,102	-	5,200,000	36,895,102	0.00%	3,576	
2008	-	33,987,811	5,000,000	5,539,919	44,527,731	0.00%	4,238	

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

(1) See the Schedule of Demographic and Economic Statistics on page 61 for personal income and population data.

VILLAGE OF KEY BISCAYNE, FLORIDA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

The Village does not have general obligation debt.

VILLAGE OF KEY BISCAYNE, FLORIDA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

SEPTEMBER 30, 2008

<u>Government Unit</u>	2008		
	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to the Village of Key Biscayne (1)</u>	<u>Amount Applicable to the Village of Key Biscayne</u>
Direct:			
Village of Key Biscayne	\$ 44,527,731	100.00%	\$ 44,527,731
Overlapping debt:			
Miami-Dade County	507,316,000	2.98%	15,118,017
Miami-Dade County School Board	560,574,000	2.98%	<u>16,705,105</u>
Subtotal, Overlapping Debt			31,823,122
Village of Key Biscayne Direct Debt			<u>44,527,731</u>
Total Direct and Overlapping Debt			<u>\$ 76,350,853</u>

Sources: Data provided by the Miami-Dade County Finance Department and the Miami-Dade County School Board.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the Village. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the Village of Key Biscayne. This process recognizes that, when considering the Village's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Value that is within the Village's boundaries and dividing it by the County's and School Board's total taxable assessed value. This approach was also used for the other debt.

VILLAGE OF KEY BISCAYNE, FLORIDA

PLEDGED REVENUE COVERAGE

LAST TEN FISCAL YEARS

Fiscal Year Ended <u>September 30,</u>	Non- Ad Valorem <u>Revenues</u>	<u>Debt Service</u>		<u>Coverage</u>
		<u>Principal</u>	<u>Interest</u>	
1999	\$ 5,364,921	\$ 895,000	\$ 241,329	4.72
2000	5,324,756	935,000	595,767	3.48
2001	5,777,408	975,000	631,875	3.60
2002	5,426,424	1,015,000	1,420,845	2.23
2003	5,315,452	1,415,000	590,737	2.65
2004	5,305,171	1,583,924	1,107,696	1.97
2005	7,879,761	1,161,298	1,300,596	3.20
2006	10,433,952	1,350,001	1,351,729	3.86
2007	7,924,921	1,283,285	1,302,200	3.07
2008	9,620,693	1,679,991	1,444,576	3.81

Source: Village of Key Biscayne Finance Department

VILLAGE OF KEY BISCAYNE, FLORIDA

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

<u>Year</u>	<u>Population (1)</u>	<u>Personal Income (Amounts Expressed in Thousands) (2)</u>	<u>Per Capita Personal Income (3)</u>	<u>Unemployment Rate (4)</u>
1999	-	\$ -	\$ -	5.9%
2000	10,317	-	86,599	5.6%
2001	10,317	-	86,599	5.7%
2002	10,317	-	86,599	7.4%
2003	10,317	-	86,599	7.3%
2004	10,317	-	86,599	5.0%
2005	10,317	-	89,400	3.9%
2006	10,317	-	89,400	3.8%
2007	10,317	-	89,400	3.8%
2008	10,507	-	86,599	3.1%

Sources:

(1) United States Census Bureau, 2000 Census data. Prior to 2000, data not available.

(2) Information not available.

(3) Years 2000-2004, U.S. Census 2000, Year 2005 City Data.com.

(4) U.S. Department of Labor. Rates are for Miami-Dade County.

Note: Population is based on surveys conducted during the last quarter of the calendar year. Personal income information is a total for the year. Unemployment rate information is an adjusted yearly average.

VILLAGE OF KEY BISCAYNE, FLORIDA

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

<u>Employer</u>	<u>2008</u>			<u>1999</u>		
	<u>Employees (1)</u>	<u>Rank</u>	<u>Percentage of Total Village Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Village Employment</u>
Ritz Carlton Key Biscayne	1,500	1	not known			
Winn Dixie Stores, Inc.	250	3	not known			
Village of Key Biscayne	105	4	not known			
All remaining employers are of an extremely small number						Information not available
Total	<u>1,855</u>					

Notes: (1) All amounts are estimated for timely inclusion in report. Requests for information received no response.

VILLAGE OF KEY BISCAYNE, FLORIDA

FULL-TIME EQUIVALENT VILLAGE GOVERNMENT EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Number of employees:										
General government	8	7	7	7	5	6	7	6	6	6
Public safety	71	72	72	72	74	76	79	79	79	78
Building, planning & zoning	10	16	16	16	12	12	13	13	14	13
Public works	2	3	3	3	5	5	5	5	4	4
Parks and recreation	<u>3</u>	<u>4</u>	<u>3</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>6</u>	<u>6</u>	<u>7</u>	<u>7</u>
Total number of employees	<u>94</u>	<u>102</u>	<u>101</u>	<u>102</u>	<u>100</u>	<u>103</u>	<u>110</u>	<u>109</u>	<u>110</u>	<u>108</u>

Source: Village of Key Biscayne Finance Department.

VILLAGE OF KEY BISCAYNE, FLORIDA

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

<u>Function/Program</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Public safety:										
Police:										
Police personnel and officers	38	40	40	40	40	41	40	40	40	39
Police calls for service	20,846	21,127	20,659	21,127	20,660	19,004	16,510	13,006	35,412	36,190
Parking violations	901	789	639	789	639	628	682	801	996	776
Traffic violations	2,737	2,875	2,433	2,875	2,433	3,035	1,397	1,468	1,104	946
Fire:										
Fire personnel	33	33	33	33	34	35	39	39	39	39
Fire incidents	868	1,051	485	1,050	1,114	1,148	1,403	1,103	998	1,006
Fire inspections performed	197	565	470	476	840	307	332	269	220	305
Planning and development:										
Business permits issued	2,851	2,408	1,803	2,313	2,581	3,061	3,045	3,000	3,504	3,620
Occupational licenses issued	576	598	625	729	668	428	433	475	914	1,224
Culture and recreation:										
Number of building users	-	-	-	-	-	1,250	1,600	1,400	1,400	1,300
Solid waste:										
Residential accounts	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,299

Sources: Various Village Departments.

Note: Indicators are not available for the general government function.

VILLAGE OF KEY BISCAYNE, FLORIDA

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

<u>Function/Program</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General government:										
Number of general government buildings	1	1	1	1	1	1	1	1	1	1
Public safety:										
Police:										
Police stations	1	1	1	1	1	1	1	1	1	1
Patrol units	3	3	3	3	3	3	3	3	3	3
Fire:										
Fire stations	1	1	1	1	1	1	1	1	1	1
Transportation:										
Miles of streets	22.4	22.4	22.4	22.4	22.4	22.4	22.4	22.4	22.4	22.4
Number of street lights	250	250	250	300	300	300	300	300	300	300
Number of traffic signals	4	4	4	4	4	4	4	4	4	4
Culture and recreation:										
Parks	3	3	3	3	3	3	3	3	3	3
Parks acreage	9	9	9	9	9	9	9	9	9	9
Community center	-	-	-	-	-	-	1	1	1	1
Swimming pools	-	-	-	-	-	-	1	1	1	1

Sources: Various Village Departments.

COMPLIANCE SECTION

**Report of Independent Certified Public Accountants on Internal Control over
Financial Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with *Government Auditing Standards***

Honorable Mayor, Village Council and Village Manager
Village of Key Biscayne, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Key Biscayne, Florida (the Village) as of and for the fiscal year ended September 30, 2008, and have issued our report thereon dated July 29, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as item 08-01 to be significant deficiencies in internal control over financial reporting.

Honorable Mayor, Village Council and Village Manager
Village of Key Biscayne, Florida
Page Two

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider item 08-01 in the accompanying schedule of findings and responses to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 08-02.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Village's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Mayor, Village Council, Village Manager and regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties.

a division of Marcum LLP
Miami, Florida
July 29, 2009

Management Letter in Accordance with the Rules of the Auditor General of the State of Florida

Honorable Mayor, Village Council and Village Manager
Village of Key Biscayne, Florida

We have audited the financial statements of the Village of Key Biscayne, Florida (the Village) as of and for the fiscal year ended September 30, 2008, and have issued our report thereon dated July 29, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Report of Independent Certified Public Accountants on Internal Control over Financial Reporting and on Compliance and Other Matters based on an audit of financial statements and schedule of findings and responses. Disclosures in that report and schedule, which are dated July 29, 2009, should be considered in conjunction with this management letter.

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

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Village complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, recommendations accompany this report in the schedule of findings and responses.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential. In connection with our audit, our findings accompany this report in the schedule of findings and responses.
- Section 10.554(1)(i)5., Rules of the Auditor General, requires, based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and would have an immaterial effect

on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.

- Section 10.554(1)(i)6., 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. Village of Key Biscayne was incorporated by the Laws of Florida, Act of 1955. There are no component units related to the Village.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Village did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Village for the fiscal year ended September 30, 2008, 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, 2008. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Village of Key Biscayne'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.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States require us to indicate that this letter is intended solely for the information and use of management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

a division of Marcum LLP
Miami, Florida
July 29, 2009

**MARCUM
RACHLIN**
ACCOUNTANTS & ADVISORS

August 10, 2009

Honorable Mayor, Village Council and Village Manager
Village of Key Biscayne
88 West McIntyre Street
Key Biscayne, Florida 33149

This letter serves as an addendum to the "Management Letter in Accordance with the Rules of the Auditor General of the State of Florida" dated July 29, 2009, and covering the Village of Key Biscayne's (the Village) fiscal year ended September 30, 2008.

The following comment is hereby added to and incorporated in the above-referenced management letter:

Although the Village reported a deficit unreserved and unrestricted fund balance of \$(2,701,623) as of September 30, 2008 in its special revenue fund which is used for some of its capital improvement programs (specifically its Crandon Boulevard Improvement Project), the Village had reserved fund balances in the general fund to more than cover the deficit. The Village Charter requires the Village to reserve all of the general fund unreserved fund balance on an annual basis. Of the \$11,298,178 reserved fund balance, \$1,000,000 is reserved for working capital, \$1,130,089 is reserved for the Capital Improvement Plan and \$4,000,000 is reserved for emergencies. Therefore, it appears that the Village would have sufficient funds to cover any overall deficit.

MarcumRachlin

a division of Marcum LLP
Miami, Florida



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VILLAGE OF KEY BISCAYNE, FLORIDA

SCHEDULE OF FINDINGS AND RESPONSES

FISCAL YEAR ENDED SEPTEMBER 30, 2008

PRIOR YEAR FINDING AND STATUS

The following addresses the status of financial statement finding reported in the fiscal year ended September 30, 2007 schedule of findings and responses:

Matters that are not repeated in the accompanying schedule of findings and responses:

- 06-01 – Village Credit Cards

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Material Weakness

08-01 Internal Controls Over Accounting and Financial Reporting

Criteria

Sound financial policies dictate that a formal closing process be in place for the review of transactions and balances recorded on a monthly and annual basis. Accounting tasks such as monthly reconciliations, cross-checks, and reviews play a key role in proving the accuracy of accounting data and financial information that comprise interim and year-end financial statements. A designated management individual such as the finance director must review all general ledger accounts and ensure that all supporting schedules agree to the general ledger and be at least fairly knowledgeable on the GASB pronouncements such as GASB 34 in order to be able to prepare or review and approve the year end financial statements in accordance with generally accepted accounting principles (GAAP).

Condition

Our audit procedures included the performance of various procedures on the amounts recorded as assets, liabilities, revenues, expenditures/expenses and fund balances/net assets among the various funds of the Village. During the audit process we noted the following:

- Approximately 25 journal entries in total were booked throughout the funds from the original trial balance received by the auditors including 3 prior period adjustments including several material journal entries which were identified and proposed by the auditor:
 - Entries were necessary to correct cash, accounts payable and capital assets.
 - A prior period adjustment was recorded in order to include receivables and revenues for grant funds expended in the prior year.
 - Prior period adjustments were also recorded to correct accounts payable and accrued liabilities balances.

VILLAGE OF KEY BISCAYNE, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

CURRENT YEAR FINDINGS AND RECOMMENDATIONS (Continued)

Cause

The lack of a formal closing process that incorporates a thorough review by finance department personnel of the general ledger accounts by checking the balances against the subsidiary ledger, reviewing the detail, and ensuring that all accruals have been included.

Effect

The lack of adequate internal controls over a formal closing process, which includes the thorough review of account balances by finance department personnel, resulted in misstatements in the financial statements, prepared in accordance with GAAP, which are the responsibility of management.

Recommendation

We recommend the Village, on a monthly basis, review and evaluate the transactions recorded in order to ensure the validity of amounts recorded. We recommend a detailed general ledger account analysis be performed on a monthly basis to ensure accurate recording of transactions including recording and tracking of all grants to ensure compliance with federal and/or state laws, rules or regulations.

The Village should consider developing written monthly and year end closing procedures. These procedures should include timetables outlining appropriate due dates and instructions for schedules that should be prepared. The closing procedures should be documented in a formal checklist. We also recommend that the finance department perform an analytical review of account balances with the prior year balances and budgets prior to closing the year end books and records to facilitate determining if adjustments are required.

The benefit of written procedures is that it would assist personnel in discharging their responsibilities consistently and in accordance with Village guidelines. This becomes more important as new personnel are hired by the Village to replace terminating or retiring personnel and also provides guidance for personnel when they have to assume other functions resulting from personnel vacations or other personal leave instances.

In addition, the Village should also consider engaging the services of an individual who can oversee the financial reporting process with the ability to prepare or review and approve financial statements prepared in accordance with generally accepted accounting principles. This can be a person responsible for overseeing the operations and internal controls of the finance department.

Views of Responsible Officials and Planned Corrective Actions

The Village has a written formal closing process that is designated and managed by the Finance Director. The year-end process normally takes place during the month of December for the preceding fiscal year. For fiscal year 2008 the original trial balance presented to the auditors was not fully adjusted due to the untimely death of the Village Finance Director. Therefore, the closing process was not fully completed, an uncommon occurrence. To date the financial statements are being reviewed monthly to ensure that all proper accruals are being included. The Village is currently assessing the finance department and evaluating all possible options, including obtaining additional support if necessary.

VILLAGE OF KEY BISCAYNE, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

CURRENT YEAR FINDINGS AND RECOMMENDATIONS (Continued)

Material Noncompliance

08-02 Report Filing and Federal and Florida Single Audit Identification

Criteria

Prudent practices dictate that controls be in place to insure compliance with laws, rules, and regulations including the controls to identify federal and state grants to determine if a Federal or Florida single audit is required. Also, Circular A-133, Part C - §320 requires the completion of the audit and submission of the data collection form and reporting package within the earlier of 30 days after receipt of the auditor's report or nine months after the end of the audit period. Controls must be in place to ensure compliance with laws rules and regulations.

Condition

Prior to the start of the audit, financial management stated that the Village was not subject to the Federal or Florida Single Audit for the fiscal year ended September 30, 2008. It was later noted through our procedures that there were Federal and State grant funds expended in the current and prior year which were subject to the Single Audit. In the prior year, financial management had asserted that the Village was not subject to single audit act requirements.

The Village did not submit the reporting package for the Federal Single Audit for the year ended September 30, 2007 by the due date of June 30, 2008.

Cause

Lack of adequate controls over grant accounting and reporting of the Federal and Florida Single Audit Requirements.

Effect

This caused the Village to not be in compliance with grant requirements and laws, rules, and regulations surrounding those grants which could potentially result in the loss of future grant funds.

Recommendation

We recommend that the Village implement controls to identify the grant programs that are subject to the Federal and Florida Single Audits in order to comply with the Federal and State compliance requirements and also to be able to the meet filing requirement and submit the required reports in a timely manner. In order to achieve this, we recommend the Village designate an individual to track all grants and the requirements of each.

VILLAGE OF KEY BISCAYNE, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

CURRENT YEAR FINDINGS AND RECOMMENDATIONS (Continued)

Views of Responsible Officials and Planned Corrective Actions

In previous years, grants received by the Village have not exceeded the \$500,000 threshold set by the Federal and Florida Single Audit Acts. Currently the Village is in the process of completing the Sanitary Sewer Project which is being funded through various revenue sources. The majority of the grant funds have been received throughout the current fiscal year and therefore thought to be subject to a single audit in FY2009 not when the expenses were incurred. In light of this finding, the Village has designated an individual to track all grants and their requirements.