

VILLAGE OF KEY BISCAYNE, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2009



Prepared by:
THE FINANCE DEPARTMENT

VILLAGE OF KEY BISCAYNE, FLORIDA
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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*
Enrique Garcia, *Vice Mayor*
Michael W. Davey
Robert Gusman
Michael E. Kelly
Jorge E. Mendia
Thomas Thornton

April 27, 2010

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

Village Manager

Genaro "Chip" Iglesias

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, 2009.

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 MarcumRachlin, a division of Marcum 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, 2009 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, 2009, 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 11,411. 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.

Property values were once again lower during the past year following nationwide trends. Continuing weakness in the national and state economy will constrain the growth of property tax revenues and will likely have an unfavorable impact on many of the Village's intergovernmental revenues such as sales tax and state revenue sharing.

Long-Term Financial Planning

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 Plan 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 as other departmental needs.

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

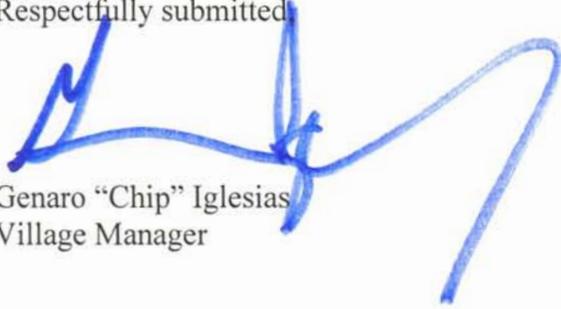
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Village of Key Biscayne for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2008. This was the

seventeenth 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 MarcumRachlin, a division of Marcum 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 BISCAAYNE, FLORIDA

VILLAGE OFFICIALS

SEPTEMBER 30, 2009

VILLAGE COUNCIL

Robert Vernon, Mayor
Enrique Garcia, Vice-Mayor

Jorge Mendia
Michael Davey
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

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, 2008

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.



A stylized handwritten signature in black ink.

President

A handwritten signature in black ink that reads "Jeffrey R. Emery".

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

INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report

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, 2009 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 of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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, 2009 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 of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 21, 2010 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Management's Discussion and Analysis and the required supplementary information on pages 3 through 10 and pages 46 through 49, 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 of America. 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. Similarly, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The information included in the introductory and statistical sections has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

a division of Marcum LLP
Miami, Florida
April 21, 2010

**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, 2009. 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-iv 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 \$68,883,100 (net assets).
- The Village's total net assets increased by \$13,569,859. This is attributable to an increase in revenues from the Key Biscayne Community Center programs and capital grants for construction.
- At the close of the current fiscal year, the Village of Key Biscayne's governmental funds reported an ending fund balance of \$17,695,512, an increase of \$4,312,735 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 \$2,067,002 of new debt 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, public works, police, fire, parks and recreation and building planning and zoning.

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 spendable 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 45 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 46 to 49 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 of Key Biscayne, assets exceeded liabilities by \$68,883,100 at the close of the most recent fiscal year.

A portion of the Village's assets, \$93,234,475 or 82%, 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 net assets by approximately \$6,497,463. This increase is attributable to the increase in revenues from the Key Biscayne Community Center programs and increased code compliance activities. All other governmental activities increased net assets as follows:

- Property taxes decreased by \$ 281,263 (1.40 percent) during the year. This decrease is the product of a substantial decline in the countywide taxable value of existing properties in Miami-Dade County.
- Capital grants decreased due to the completion of the Crandon Boulevard project.
- Most department salaries increased 10 percent due to the Village's salary step program, which in fiscal year 2009 reflected a 5 percent increase in salaries and a 3 percent increase for a cost of living increase.
- Debt service remained fairly level compared to the prior year, with a minor addition for interest on new debt.

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>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Current assets	\$ 19,648,439	\$ 15,152,443	\$ 811,128	\$ 3,522,363	\$ 20,459,567	\$ 18,674,806
Capital assets, net	70,628,369	70,341,556	22,606,106	15,714,252	93,234,475	86,055,808
Total assets	<u>90,276,808</u>	<u>85,493,999</u>	<u>23,417,234</u>	<u>19,236,615</u>	<u>113,694,042</u>	<u>104,730,614</u>
Current liabilities	4,542,106	4,026,890	1,599,476	6,116,628	6,141,582	10,143,518
Noncurrent liabilities	31,888,646	34,118,516	6,780,714	5,155,339	38,669,360	39,273,855
Investment in capital assets, net of related debt	38,482,242	36,139,953	15,383,765	10,174,333	53,866,007	46,314,286
Restricted	308,813	284,639	--	--	308,813	284,639
Unrestricted	15,055,000	10,924,001	(346,721)	(2,209,685)	14,708,279	8,714,316
Total net assets	<u>\$ 53,846,055</u>	<u>\$ 47,348,593</u>	<u>\$ 15,037,044</u>	<u>\$ 7,964,648</u>	<u>\$ 68,883,099</u>	<u>\$ 55,313,241</u>

Table A - 2
Summary of Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenues:						
Program revenues:						
Charges for services	\$ 3,543,116	\$ 3,234,686	\$ 1,126,894	\$ 1,029,904	\$ 4,670,010	\$ 4,264,590
Operating grants and contributions	157,912	251,180	--	--	157,912	251,180
Capital grants and contributions	1,709,481	--	7,302,630	5,460,763	9,012,111	5,460,763
General revenues:						
Property taxes	19,769,976	20,051,239	--	--	19,769,976	20,051,239
Utility taxes	2,647,482	2,760,802	--	--	2,647,482	2,760,802
Franchise fees	992,997	1,064,666	--	--	992,997	1,064,666
Unrestricted intergovernmental revenue	1,348,324	2,265,243	--	--	1,348,324	2,265,243
Investment income and miscellaneous	135,969	346,531	21,303	48,202	157,272	394,733
Total revenues	<u>30,305,257</u>	<u>29,974,347</u>	<u>8,450,827</u>	<u>6,538,869</u>	<u>38,756,084</u>	<u>36,513,216</u>
Expenses:						
General government	2,868,728	3,213,273	--	--	2,868,728	3,213,273
Public Safety	11,781,996	11,672,048	--	--	11,781,996	11,672,048
Parks and Recreation	4,090,555	3,633,233	--	--	4,090,555	3,633,233
Public Works	1,914,119	2,046,776	--	--	1,914,119	2,046,776
Building, Zoning and Planning	1,540,507	1,529,272	--	--	1,540,507	1,529,272
Interest on long-term debt	1,447,387	1,436,481	--	--	1,447,387	1,436,481
Stormwater	--	--	779,856	911,500	779,856	911,500
Solid waste collection	--	--	618,155	619,823	618,155	619,823
Sanitary sewer construction	--	--	144,922	9,046	144,922	9,046
Total expenses	<u>23,643,292</u>	<u>23,531,083</u>	<u>1,542,933</u>	<u>1,540,369</u>	<u>25,186,225</u>	<u>25,071,452</u>
Changes in net assets before transfers	6,661,965	6,443,264	6,907,894	4,998,500	13,569,859	11,441,764
Transfers	(164,502)	(28,134)	164,502	28,134	--	--
Changes in net assets after transfers	<u>6,497,463</u>	<u>6,415,130</u>	<u>7,072,396</u>	<u>5,026,634</u>	<u>13,569,859</u>	<u>11,441,764</u>
Net assets, beginning, as previously reported	47,348,593	40,137,561	7,964,648	2,938,014	55,313,241	43,075,575
Prior period adjustment	--	795,902	--	--	--	795,902
Net assets, beginning, as restated	<u>47,348,593</u>	<u>40,933,463</u>	<u>7,964,648</u>	<u>2,938,014</u>	<u>55,313,241</u>	<u>43,871,477</u>
Net assets, ending	<u>\$ 53,846,056</u>	<u>\$ 47,348,593</u>	<u>\$ 15,037,044</u>	<u>\$ 7,964,648</u>	<u>\$ 68,883,100</u>	<u>\$ 55,313,241</u>

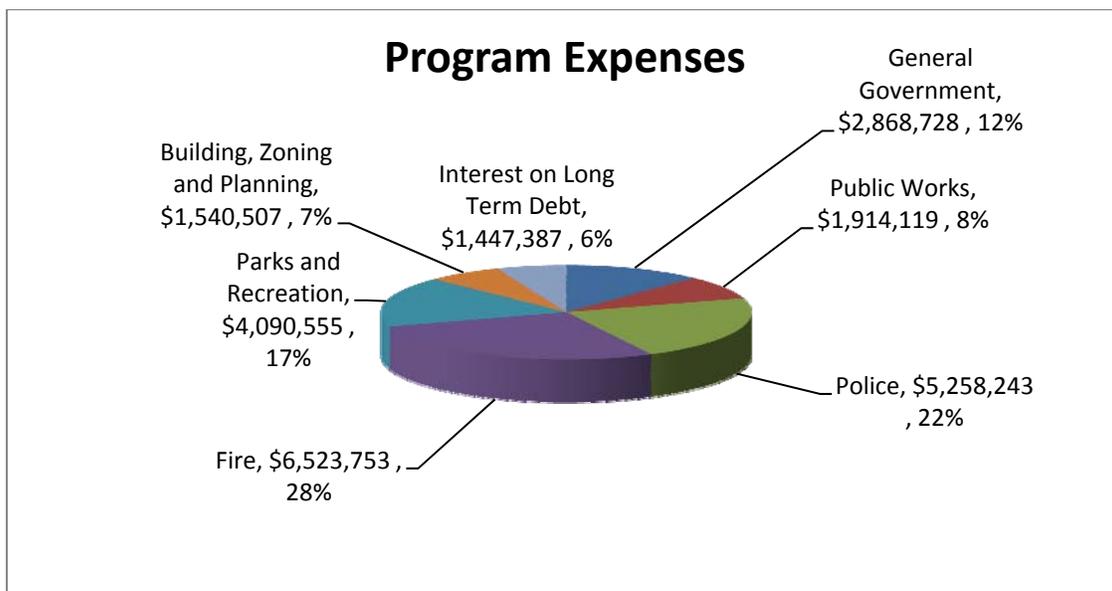
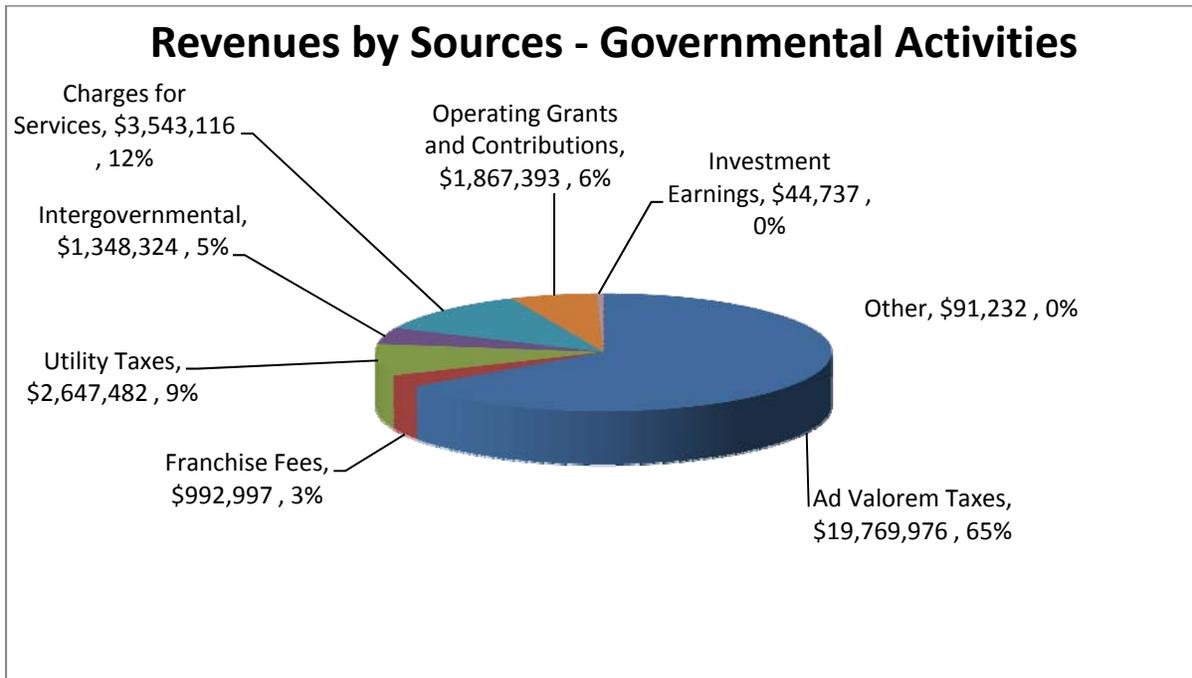
The Village's net assets increased by \$13,569,859 during the current fiscal year. This increase is attributable to \$9,012,111 of capital contributions primarily for the Village's sanitary sewer system project.

Business-type Activities

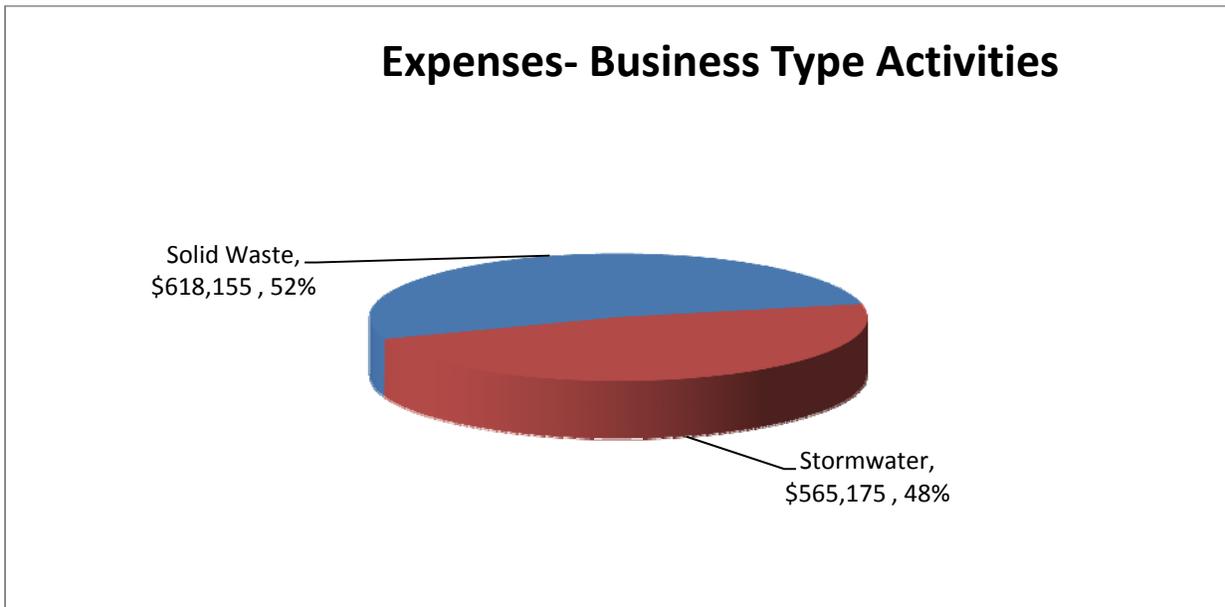
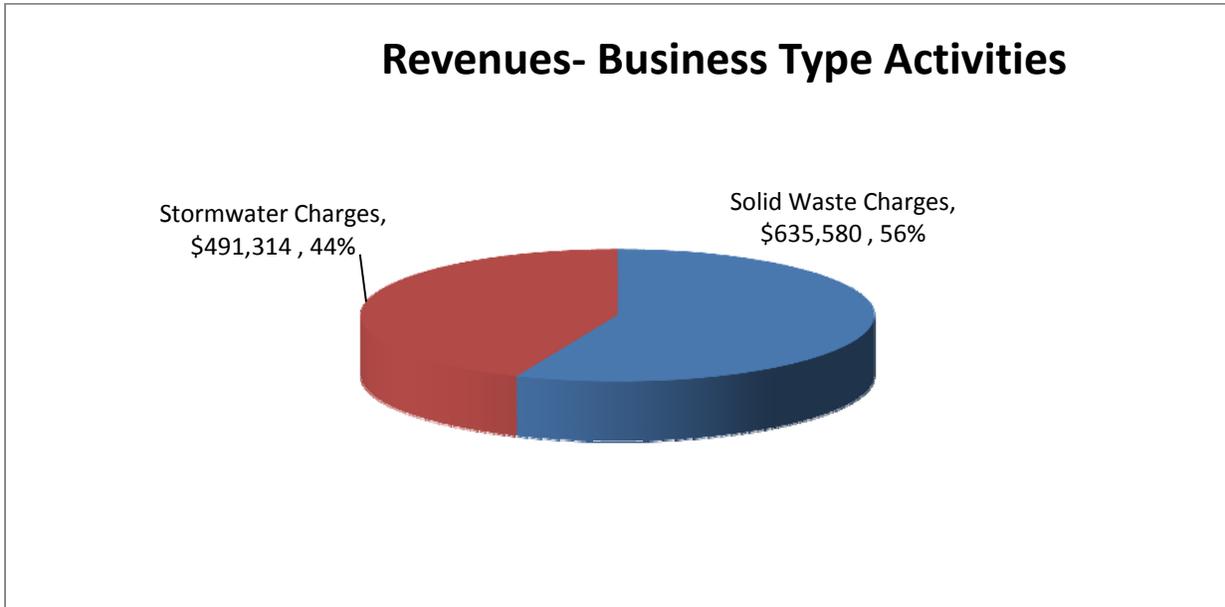
Business-type activities increased the Village's net assets by 7,072,396.

- In fiscal 2009, one of the three business-type activities reflected operational profits.
- The Stormwater Utility Fund reflected a net loss of \$280,382, due mainly to depreciation expense in the amount of \$273,919. Also reflected in this loss is a decrease in interest income due to lowered interest rates. Expenses decreased from prior year due to extensive maintenance performed in the prior year.
- The Solid Waste Collection Fund reported net income of \$17,755, due mainly to increased rates, compared to an operating loss of \$87,278 in the prior year.
- The Sanitary Sewer Construction Fund construction activity is currently ongoing and therefore there was an increase in capital grants.

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 spendable 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 \$12,318,533, an increase of \$1,020,355 in comparison with the prior year. The increase was primarily caused by an increase in charges for services. All of this is either reserved or designated for specific uses: (1) emergencies (\$4,000,001), (2) Building Inspection Costs (\$566,173), (3) Compensated Absences (\$450,952), (4) Law Enforcement Seizures (\$308,813), (5) Fire Rescue Transport Fees (\$287,913), (6) Working Capital Reserves (\$1,992,064), (7) Prepaid Items (\$250,693), (8) Police Labor (\$90,000), (9) Fire Grant Revenue – Urban Area Security Initiative (\$50,722), (10) Capital Improvement Plan (\$1,130,089), (11) Playing

Field Acquisitions (\$416,403), (12) Police/Administration Building Reserve (\$13,632), (13) Fire Station Building Reserve (\$13,632), (14) Community Center Equipment Reserve (\$50,000), (15) Fire Vehicles Replacement Reserve (\$50,000), (16) Master Plan Initiatives (\$1,873,764), (17) Capital Lease (\$298,682), (18) Roadway Improvements (\$175,000) and (19) Recreation Facilities (\$300,000).

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 51.17 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, 2009 and 2008, is shown as follows:

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

	<u>2009</u>	<u>2008</u>
Total assets	<u>\$ 13,969,626</u>	<u>\$ 12,794,042</u>
Total liabilities	\$ 1,651,093	\$ 1,495,864
Reserved or designated fund balance	<u>12,318,533</u>	<u>11,298,178</u>
Total liabilities and fund balance	<u>\$ 13,969,626</u>	<u>\$ 12,794,042</u>

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

	<u>2009</u>	<u>2008</u>
Total revenues	\$ 28,492,608	\$ 28,252,113
Total expenditures	<u>24,071,557</u>	<u>22,389,637</u>
Excess of revenues over expenditures	<u>\$ 4,421,051</u>	<u>\$ 5,862,476</u>

The Special Revenue Fund was established to account for the construction and future maintenance of the Village's roadways. Bond revenue and County bridge toll revenues are 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 revenues in subsequent years from County bridge toll revenues and County CITT revenues.

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 \$2,092,139 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 excess of expenditures over appropriations on a GAAP basis, however, prior year reserves were established for these purposes (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 police, fire and general employee unions.
- Fire – due to the implementation of the collective bargaining agreement with the fire union.
- Parks and Recreation - an Athletics Division was added. Sports program revenues offset this variance.

Capital Assets

As of September 30, 2009, the Village's capital assets net of accumulated depreciation amounted to \$93,234,475 compared to \$86,055,808 for 2008. Major capital asset events during the fiscal year included the following:

- Enhancements to Channel 77, the Village's cable channel for government access programming.
- The Village initiated a planning process to determine the feasibility of establishing a municipal charter high school.
- Continuation of the Beach Renourishment program.
- Continuation of the Sanitary Sewer Project.

Additional information on the Village's capital assets can be found in Note 7 on pages 32-33 of this report.

Debt Administration

At September 30, 2009, the Village had bonded debt outstanding of \$39,262,501. Of this amount, \$6,635,976 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 \$2,067,002 due to a revolving loan agreement with the State of Florida Department of Environmental Protection for the financing of the Sanitary Sewer Project construction.

Additional information on the Village's long-term debt can be found in Note 9 on pages 34-40 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Miami-Dade County is currently 11.50 percent, which is an increase from a rate of 5.9 percent a year ago. This is favorable to the state's average unemployment rate of 11.6 percent as well as the national average rate of 10.4 percent.
- 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.
- The Village's millage rate remained at 3.200 per \$1,000 of assessed value for 2010.

All of these factors were considered in preparing the Village of Key Biscayne's budget for the 2010 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 BISCAIYNE, FLORIDA

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2009

	Governmental Activities	Business- type Activities	Total
Assets			
Cash and cash equivalents	\$ 15,076,876	\$ 1,582,321	\$ 16,659,197
Receivables, net	1,356,577	707,427	2,064,004
Due from other governments	1,000,000	--	1,000,000
Prepays	250,693	--	250,693
Internal balances	1,478,620	(1,478,620)	--
Negative net pension obligation	116,341	--	116,341
Other assets	18,001	--	18,001
Restricted assets:			
Cash and cash equivalents	71,365	--	71,365
Investments	279,966	--	279,966
Capital assets not being depreciated	35,110,097	15,828,094	50,938,191
Capital assets being depreciated, net	<u>35,518,272</u>	<u>6,778,012</u>	<u>42,296,284</u>
Total Assets	<u>90,276,808</u>	<u>23,417,234</u>	<u>113,694,042</u>
Liabilities			
Accounts payable and accrued liabilities	935,365	1,157,849	2,093,214
Accrued interest payable	323,434	--	323,434
Payable to pension plan	105,880	--	105,880
Unearned revenue	665,192	--	665,192
Noncurrent liabilities:			
Due within one year	2,512,235	441,627	2,953,862
Due in more than one year	<u>31,888,646</u>	<u>6,780,714</u>	<u>38,669,360</u>
Total Liabilities	<u>36,430,752</u>	<u>8,380,190</u>	<u>44,810,942</u>
Net Assets			
Invested in capital assets, net of related debt	38,482,243	15,383,765	53,866,008
Restricted for law enforcement	308,813	--	308,813
Unrestricted (deficit)	<u>15,055,000</u>	<u>(346,721)</u>	<u>14,708,279</u>
Total Net Assets	<u>\$ 53,846,056</u>	<u>\$ 15,037,044</u>	<u>\$ 68,883,100</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF KEY BISCAIYNE, FLORIDA

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	
Governmental activities							
General government	\$ 2,868,728	\$ 237,315	\$ --	\$ --	\$ (2,631,413)	\$ --	\$ (2,631,413)
Police	5,258,243	38,181	--	--	(5,220,062)	--	(5,220,062)
Fire	6,523,753	136,433	33,447	--	(6,353,873)	--	(6,353,873)
Public works	1,914,119	--	16,009	1,709,481	(188,629)	--	(188,629)
Building, zoning and planning	1,540,507	1,173,440	--	--	(367,067)	--	(367,067)
Parks and recreation	4,090,555	1,957,747	108,456	--	(2,024,352)	--	(2,024,352)
Interest on long-term debt	1,447,387	--	--	--	(1,447,387)	--	(1,447,387)
Total governmental activities	<u>23,643,292</u>	<u>3,543,116</u>	<u>157,912</u>	<u>1,709,481</u>	<u>(18,232,783)</u>	<u>--</u>	<u>(18,232,783)</u>
Business-type activities							
Stormwater	779,856	491,314	--	331,319	--	42,777	42,777
Solid waste	618,155	635,580	--	--	--	17,425	17,425
Sanitary sewer	144,922	--	--	6,971,311	--	6,826,389	6,826,389
Total business-type activities	<u>1,542,933</u>	<u>1,126,894</u>	<u>--</u>	<u>7,302,630</u>	<u>--</u>	<u>6,886,591</u>	<u>6,886,591</u>
Total	<u>\$ 25,186,225</u>	<u>\$ 4,670,010</u>	<u>\$ 157,912</u>	<u>\$ 9,012,111</u>	<u>(18,232,783)</u>	<u>6,886,591</u>	<u>(11,346,192)</u>
General Revenues							
Property taxes					19,769,976	--	19,769,976
Franchise fees based on gross receipts					992,997	--	992,997
Utility taxes					1,555,748	--	1,555,748
Communications services tax					1,091,734	--	1,091,734
Unrestricted intergovernmental revenue					1,348,324	--	1,348,324
Unrestricted investment earnings					44,737	21,303	66,040
Miscellaneous income					26,232	--	26,232
Gain on disposal of capital asset					65,000	--	65,000
Transfers					(164,502)	164,502	--
Total General Revenues					<u>24,730,246</u>	<u>185,805</u>	<u>24,916,051</u>
Change in Net Assets					6,497,463	7,072,396	13,569,859
Net Assets - Beginning					<u>47,348,593</u>	<u>7,964,648</u>	<u>55,313,241</u>
Net Assets - Ending					<u>\$ 53,846,056</u>	<u>\$ 15,037,044</u>	<u>\$ 68,883,100</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF KEY BISCAYNE, FLORIDA

BALANCE SHEET GOVERNMENTAL FUNDS

SEPTEMBER 30, 2009

	General	Special Revenue	Capital Improvements	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 7,965,910	\$ --	\$ 7,110,966	\$ 15,076,876
Receivables, net	1,237,905	95,041	23,631	1,356,577
Due from other government:	--	1,000,000	--	1,000,000
Due from other funds	4,235,152	--	11,333	4,246,485
Prepaid items	250,693	--	--	250,693
Restricted cash and cash equivalents	--	71,365	--	71,365
Restricted investments	279,966	--	--	279,966
Total Assets	<u>\$ 13,969,626</u>	<u>\$ 1,166,406</u>	<u>\$ 7,145,930</u>	<u>\$ 22,281,962</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable and accrued liabilities	\$ 664,796	\$ --	\$ 270,569	\$ 935,365
Due to other funds	100,077	2,667,788	--	2,767,865
Payable to pension plan	105,880	--	--	105,880
Deferred revenue	780,340	--	--	780,340
Total Liabilities	<u>1,651,093</u>	<u>2,667,788</u>	<u>270,569</u>	<u>4,589,450</u>
Fund Balances				
Reserved (Note 12)	12,318,533	--	--	12,318,533
Unreserved, undesignated reported in				
Special revenue fund (deficit)	--	(1,501,382)	--	(1,501,382)
Capital improvements	--	-	6,875,361	6,875,361
Total Fund Balances (Deficit)	<u>12,318,533</u>	<u>(1,501,382)</u>	<u>6,875,361</u>	<u>17,692,512</u>
Total Liabilities and Fund Balances	<u>\$ 13,969,626</u>	<u>\$ 1,166,406</u>	<u>\$ 7,145,930</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:				70,628,369
A negative net pension obligation (NPO) is not considered to represent a financial asset and therefore is not reported in the governmental fund				116,341
Long-term receivables are not available to pay for current period expenditures and, therefore, are not reported in the fund				115,148
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore not reported in the fund				<u>(34,706,314)</u>
Net Assets of Governmental Activities				<u>\$ 53,846,056</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF KEY BISCAIYNE, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2009

	General	Special Revenue	Capital Improvements	Total Governmental Funds
Revenues				
Property taxes	\$ 19,769,976	\$ --	\$ --	\$ 19,769,976
Utility taxes	1,555,748	--	--	1,555,748
Communications services tax	1,279,001	--	--	1,279,001
Franchise fees	992,997	--	--	992,997
Licenses and permits	1,188,297	--	--	1,188,297
Intergovernmental	1,154,946	1,892,898	--	3,047,844
Charges for services	2,354,365	454	--	2,354,819
Interest	39,366	--	5,371	44,737
Grants	157,912	--	9,961	167,873
Miscellaneous income	--	--	26,232	26,232
Total Revenues	<u>28,492,608</u>	<u>1,893,352</u>	<u>41,564</u>	<u>30,427,524</u>
Expenditures				
Current:				
General government	2,266,763	--	--	2,266,763
Fire	6,407,770	--	--	6,407,770
Police	5,116,158	--	--	5,116,158
Public works	1,914,119	--	--	1,914,119
Building, zoning and planning	1,540,507	--	--	1,540,507
Parks and recreation	3,721,478	--	8,606	3,730,084
Capital outlay	293,559	2,358	1,242,013	1,537,930
Debt service:				
Principal	1,641,152	410,155	--	2,051,307
Interest and fiscal charges	1,170,051	280,598	--	1,450,649
Total Expenditures	<u>24,071,557</u>	<u>693,111</u>	<u>1,250,619</u>	<u>26,015,287</u>
Excess (deficiency) of revenues over expenditures	<u>4,421,051</u>	<u>1,200,241</u>	<u>(1,209,055)</u>	<u>4,412,237</u>
Other Financing Sources (Uses)				
Transfers in	--	--	3,236,194	3,236,194
Transfers out	(3,400,696)	--	--	(3,400,696)
Proceeds from sale of capital assets	--	--	65,000	65,000
Total Other Financing Sources (Uses)	<u>(3,400,696)</u>	<u>--</u>	<u>3,301,194</u>	<u>(99,502)</u>
Net Change in Fund Balances	1,020,355	1,200,241	2,092,139	4,312,735
Fund Balances (Deficit) - Beginning	<u>11,298,178</u>	<u>(2,701,623)</u>	<u>4,783,222</u>	<u>13,379,777</u>
Fund Balances (Deficit) - Ending	<u>\$ 12,318,533</u>	<u>\$ (1,501,382)</u>	<u>\$ 6,875,361</u>	<u>\$ 17,692,512</u>

The accompanying notes are an integral part of these 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, 2009

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) \$ 4,312,735

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:

Cost of assets	\$ 1,481,771	
Depreciation expense	(1,187,420)	
Net effect of miscellaneous transactions related to capital assets	<u>(8,922)</u>	
Net adjustment		285,429

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	(187,267)
--------------------------------------	-----------

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	2,051,307	
Capital lease payments	107,827	
Other	<u>(103,657)</u>	2,055,477

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	32,998	
Accrued interest expense	4,646	
Debt issuance costs	(1,384)	
Negative net pension obligation	<u>(5,171)</u>	<u>31,089</u>

Change in net assets of governmental activities (Page 12) \$ 6,497,463

The accompanying notes are an integral part of these financial statements.

VILLAGE OF KEY BISCAYNE, FLORIDA

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

SEPTEMBER 30, 2009

	<u>Business-type Activities ·</u>			<u>Totals</u>
	<u>Enterprise Funds</u>			
	<u>Stormwater Utility System</u>	<u>Sanitary Sewer Construction</u>	<u>Solid Waste</u>	
Assets				
Current assets				
Cash and cash equivalents	\$ 109,608	\$ 808,391	\$ 664,322	\$ 1,582,321
Accounts receivables, net	94,342	156,510	456,575	707,427
Due from other funds	88,744	--	--	88,744
Total Current Assets	<u>292,694</u>	<u>964,901</u>	<u>1,120,897</u>	<u>2,378,492</u>
Noncurrent Assets				
Capital assets not being depreciated	--	15,828,094	--	15,828,094
Capital assets being depreciated, net	6,778,012	--	--	6,778,012
Total Noncurrent Assets	<u>6,778,012</u>	<u>15,828,094</u>	<u>--</u>	<u>22,606,106</u>
Total Assets	<u>7,070,706</u>	<u>16,792,995</u>	<u>1,120,897</u>	<u>24,984,598</u>
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities	14,684	1,041,661	101,504	1,157,849
Due to other funds	--	769,227	798,137	1,567,364
Current portion of revolving loans	--	56,627	--	56,627
Current portion of revenue bonds payable	385,000	--	--	385,000
Total Current Liabilities	<u>399,684</u>	<u>1,867,515</u>	<u>899,641</u>	<u>3,166,840</u>
Noncurrent Liabilities				
Revenue bonds	4,450,000	--	--	4,450,000
Revolving loans	--	2,330,714	--	2,330,714
Total Noncurrent Liabilities	<u>4,450,000</u>	<u>2,330,714</u>	<u>--</u>	<u>6,780,714</u>
Total Liabilities	<u>4,849,684</u>	<u>4,198,229</u>	<u>899,641</u>	<u>9,947,554</u>
Net Assets				
Invested in capital assets, net of related debt	1,943,012	13,440,753	--	15,383,765
Unrestricted (deficit)	278,010	(845,987)	221,256	(346,721)
Total Net Assets	<u>\$ 2,221,022</u>	<u>\$ 12,594,766</u>	<u>\$ 221,256</u>	<u>\$ 15,037,044</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF KEY BISCAIYNE, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2009

	<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</u>	
Operating Revenues				
Charges for services	\$ 491,314	\$ --	\$ 635,580	\$ 1,126,894
Operating Expenses				
General and administrative	291,256	--	618,155	909,411
Depreciation	273,919	--	--	273,919
Total Operating Expenses	<u>565,175</u>	<u>--</u>	<u>618,155</u>	<u>1,183,330</u>
Operating Income (Loss)	<u>(73,861)</u>	<u>--</u>	<u>17,425</u>	<u>(56,436)</u>
Non-Operating Revenues (Expenses)				
Interest income	8,160	12,813	330	21,303
Interest expense	(214,681)	(144,922)	--	(359,603)
Total Non-Operating Revenues (Expenses)	<u>(206,521)</u>	<u>(132,109)</u>	<u>330</u>	<u>(338,300)</u>
Income (Loss) before Contributions and Transfers	<u>(280,382)</u>	<u>(132,109)</u>	<u>17,755</u>	<u>(394,736)</u>
Capital contributions	331,319	6,971,311	--	7,302,630
Transfers in	--	164,502	--	164,502
Total Contributions and Transfers	<u>331,319</u>	<u>7,135,813</u>	<u>--</u>	<u>7,467,132</u>
Change in Net Assets	50,937	7,003,704	17,755	7,072,396
Net Assets - Beginning	<u>2,170,085</u>	<u>5,591,062</u>	<u>203,501</u>	<u>7,964,648</u>
Net Assets - Ending	<u>\$ 2,221,022</u>	<u>\$ 12,594,766</u>	<u>\$ 221,256</u>	<u>\$ 15,037,044</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF KEY BISCAYNE, FLORIDA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

FISCAL YEAR ENDED SEPTEMBER 30, 2009

	Business-type Activities - Enterprise Funds			Totals
	Stormwater Utility System	Sanitary Sewer Construction	Solid Waste	
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 555,071	\$ --	\$ 698,358	\$ 1,253,429
Payments to suppliers	(427,493)	--	(194,773)	(622,266)
Net Cash Provided by Operating Activities	<u>127,578</u>	<u>--</u>	<u>503,585</u>	<u>631,163</u>
Cash Flows from Non-Capital Financing Activities				
Transfers from other funds	--	164,502	--	164,502
Net Cash Provided by Non-Capital Financing Activities	<u>--</u>	<u>164,502</u>	<u>--</u>	<u>164,502</u>
Cash Flows from Capital and Related Financing Activities				
Capital contributions	242,575	9,613,601	--	9,856,176
Proceeds from revolving loan	--	2,067,002	--	2,067,002
Payment on short-term revenue bonds	--	(5,000,000)	--	(5,000,000)
Payments for construction of capital assets	--	(8,014,714)	--	(8,014,714)
Payments on revenue bonds	(365,000)	--	--	(365,000)
Payments on revolving loans	--	(19,580)	--	(19,580)
Interest paid	(214,681)	(144,922)	--	(359,603)
Net Cash Used by Capital and Related Financing Activities	<u>(337,106)</u>	<u>(1,498,613)</u>	<u>--</u>	<u>(1,835,719)</u>
Cash Flows from Investing Activities				
Interest received	8,160	12,813	330	21,303
Net Cash Provided by Investing Activities	<u>8,160</u>	<u>12,813</u>	<u>330</u>	<u>21,303</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(201,368)	(1,321,298)	503,915	(1,018,751)
Cash and Cash Equivalents - Beginning	310,976	2,129,689	160,407	2,601,072
Cash and Cash Equivalents - Ending	<u>\$ 109,608</u>	<u>\$ 808,391</u>	<u>\$ 664,322</u>	<u>\$ 1,582,321</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating income (loss)	\$ (73,861)	\$ --	\$ 17,425	\$ (56,436)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	273,919	--	--	273,919
Changes in operating assets and liabilities:				
Increase in:				
Accounts receivable	63,757	--	62,778	126,535
Increase (decrease) in:				
Accounts payable and accrued liabilities	(18,462)	--	52,193	33,731
Deferred revenue	--	--	(29,159)	(29,159)
Due to other funds	(117,775)	--	400,348	282,573
Total adjustments	<u>201,439</u>	<u>--</u>	<u>486,160</u>	<u>687,599</u>
Net Cash Provided by Operating Activities	<u>\$ 127,578</u>	<u>\$ --</u>	<u>\$ 503,585</u>	<u>\$ 631,163</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF KEY BISCAYNE, FLORIDA

**STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUND**

SEPTEMBER 30, 2009

Assets

Investments

Money market funds	\$ 944,108
Common stocks	4,111,089
Mutual funds	<u>6,978,035</u>

Total Investments

12,033,232

Contributions Receivable

Village (including State)	<u>113,737</u>
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Total Assets

12,146,969

Liabilities

Payables	<u>--</u>
----------	-----------

Net Assets

Net Assets Held in Trust for Pension Benefits

\$ 12,146,969

The accompanying notes are an integral part of these financial statements.

VILLAGE OF KEY BISCAYNE, FLORIDA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS PENSION TRUST FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2009

Additions

Contributions

Plan members	\$ 665,920
Village (including State)	<u>1,019,457</u>

Total Contributions 1,685,377

Investment Income

Net appreciation in the fair value of investments	443,688
Interest and dividends	<u>105,983</u>

549,671

Less investment expenses	<u>(77,018)</u>
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Net Investment Income 472,653

Total Additions 2,158,030

Deductions

Benefits paid	260,182
Administrative expenses	<u>94,175</u>

Total Deductions 354,357

Change in Net Assets 1,803,673

Net Assets - Beginning 10,343,296

Net Assets - Ending \$ 12,146,969

The accompanying notes are an integral part of these financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2009

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 of America (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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2009

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2009

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.

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

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.

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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, 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. Interfund Receivables and Payables

Activities 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".

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)

3. Receivables

Receivables include amounts due from other governments and others for services provided by the Village. Receivables are recorded and revenues are recognized as earned or as specific program expenditures/expenses are incurred. Allowances, if any, for uncollectible receivables are based upon historical trends and the periodic aging of receivables.

4. 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.

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 2009.

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

5. Unearned/Deferred Revenue

Inflows that do not yet meet the criteria for revenue recognition are recorded as unearned revenue in the government-wide statements and as deferred revenue in the fund financial statements. Unearned/deferred revenue consists primarily of community center membership dues.

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)

6. 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, 2009 and were subsequently paid with current available financial resources. The general fund typically is used to liquidate the liability for compensated absences.

7. 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 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.

8. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)

9. 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.

10. Net Assets

Net assets of the government-wide and proprietary funds are categorized as invested in capital assets, net of related debt; restricted or unrestricted. Investment in capital assets, net of related debt, is that portion of net assets that relates to the Village's capital assets reduced by accumulated depreciation and by any outstanding debt incurred to acquire, construct or improve those assets, excluding unexpended proceeds.

Restricted net assets is that portion of net assets that has been restricted for general use by external parties (creditors, grantors, contributors, or laws or regulations of other governments) or imposed by law through constitutional provisions or enabling legislation. Unrestricted net assets consist of all net assets that do not meet the definition of either of the other two components.

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 \$34,706,314 difference are as follows:

Bonds Payable	\$ 32,040,160
Debt Issuance Costs	(18,001)
Capital Leases Payable	105,966
Compensated Absences	2,254,755
Accrued Interest Payable	323,434
	<u>\$ 34,706,314</u>

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2009

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 Florida PRIME (formerly known as the Local Government Surplus Funds Trust Fund (LGIP)) 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, 2009, the Village had the following investments with its corresponding maturities in its portfolio:

<u>Investments</u>	Investment Maturities (In Years)	
	<u>Fair Value</u>	<u>Less Than 1</u>
Repurchase agreements	<u>\$ 4,574,508</u>	<u>\$ 4,574,508</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.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2009

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENTS – VILLAGE (CONTINUED)

Custodial Credit Risk (Continued)

securities that are in the possession of an outside party. The Village's \$4.6 million investment in repurchase agreements is held by the investment's counterparty, not in the name of the Village. The Village's investment policy does not have a limit on holding of securities by counterparties.

INVESTMENTS – PENSION PLAN

As of September 30, 2009, the Village's Defined Benefit Pension Plan had the following investments with its corresponding maturities in its portfolio:

Investments	Investment Maturities (In Years)				
	Fair Value	Less Than 1	1-5	6-10	10+
Bond Mutual Funds	<u>\$ 3,835,672</u>	<u>\$ 533,158</u>	<u>\$ 1,791,259</u>	<u>\$ 932,068</u>	<u>\$ 579,186</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.

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, 2009, the value of each position held in the Plan's portfolio comprised less than 5% of Plan investment assets.

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2009

RISKS AND UNCERTAINTIES

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

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

NOTE 4 – RECEIVABLES

Receivables as of September 30, 2009 for the Village’s individual major funds, non-major funds and fiduciary fund in the aggregate, including the allowances for uncollectible accounts, are as follows:

	General	Special Revenue	Capital Improvements	Storm-water	Sanitary Sewer	Solid Waste	Pension Trust Fund	Total
Customers Billed	\$ --	\$ --	\$ --	\$ 94,342	\$ --	\$ 478,215	\$ --	\$ 572,557
Contributions	--	--	--	--	--	--	113,737	113,737
Property Taxes	380,366	--	--	--	--	--	--	380,366
Intergovernmental	250,048	95,041	23,631	--	156,510	--	--	525,230
Other	607,491	--	--	--	--	--	--	607,491
Due from Other Governments	--	1,000,000	--	--	--	--	--	1,000,000
Gross Receivables	1,237,905	1,095,041	23,631	94,342	156,510	478,215	113,737	3,199,381
Less Allowance for Uncollectibles	--	--	--	--	--	(21,640)	--	(21,640)
Net Total Receivables	<u>\$ 1,237,905</u>	<u>\$ 1,095,041</u>	<u>\$ 23,631</u>	<u>\$ 94,342</u>	<u>\$ 156,510</u>	<u>\$ 456,575</u>	<u>\$ 113,737</u>	<u>\$ 3,177,741</u>

NOTE 5 – PROPERTY TAXES

Property values are assessed on a county-wide basis by the Miami-Dade County Property Appraiser as of January 1, the lien date, of each year and are due the following November 1. Taxable value of property within the 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. The millage rate assessed by the Village for the year ended September 30, 2009 was 3.200.

NOTE 5 – PROPERTY TAXES (CONTINUED)

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2009

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, 2009, there were no material delinquent taxes.

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2009 is as follows:

Due from/to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue	\$ 2,667,788
	Sanitary Sewer	769,227
	Solid Waste	798,137
Capital Improvement	General	11,333
Stormwater	General	88,744
		<u>\$ 4,335,229</u>

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

Interfund transfers:

	<u>Transfers In</u>			<u>Total</u>
	<u>General Fund</u>	<u>Capital Improvement</u>	<u>Sanitary Sewer</u>	
Transfers Out:				
General fund	<u>\$ --</u>	<u>\$ 3,236,194</u>	<u>\$ 164,502</u>	<u>\$ 3,400,696</u>

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

VILLAGE OF KEY BISCAWAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2009

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 21,833,837	\$ --	\$ --	\$ 21,833,837
Construction in progress	12,851,512	424,748	--	13,276,260
Total Capital Assets, Not Being Depreciated	<u>34,685,349</u>	<u>424,748</u>	<u>--</u>	<u>35,110,097</u>
Capital Assets, Being Depreciated				
Buildings	24,225,708	341,094	--	24,566,802
Improvements other than buildings	16,142,508	319,756	--	16,462,264
Furniture, fixtures and equipment	5,647,777	396,173	(132,447)	5,911,503
Total Capital Assets, Being Depreciated	<u>46,015,993</u>	<u>1,057,023</u>	<u>(132,447)</u>	<u>46,940,569</u>
Less accumulated depreciation for:				
Buildings	(2,897,141)	(496,476)	--	(3,393,617)
Improvements other than buildings	(3,656,443)	(370,503)	--	(4,026,946)
Furniture, fixtures and equipment	(3,806,293)	(320,441)	125,000	(4,001,734)
Total Accumulated Depreciation	<u>(10,359,877)</u>	<u>(1,187,420)</u>	<u>125,000</u>	<u>(11,422,297)</u>
Total Capital Assets, Being Depreciated, Net	<u>35,656,116</u>	<u>(130,397)</u>	<u>(7,447)</u>	<u>35,518,272</u>
Governmental Activities Capital Assets, Net	<u>\$ 70,341,465</u>	<u>\$ 294,351</u>	<u>\$ (7,447)</u>	<u>\$ 70,628,369</u>
Business-type Activities				
Capital Assets, Not Being Depreciated				
Construction in progress	\$ 8,662,321	\$ 7,165,773	\$ --	\$ 15,828,094
Total Capital Assets, Not Being Depreciated	<u>8,662,321</u>	<u>7,165,773</u>	<u>--</u>	<u>15,828,094</u>
Capital Assets, Being Depreciated				
Stormwater utility system	10,056,660	--	--	10,056,660
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	(3,004,729)	(273,919)	--	(3,278,648)
Total Accumulated Depreciation	<u>(3,004,729)</u>	<u>(273,919)</u>	<u>--</u>	<u>(3,278,648)</u>
Total Capital Assets, Being Depreciated, Net	<u>7,051,931</u>	<u>(273,919)</u>	<u>--</u>	<u>6,778,012</u>
Business-type Activities Capital Assets, Net	<u>\$ 15,714,252</u>	<u>\$ 6,891,854</u>	<u>\$ --</u>	<u>\$ 22,606,106</u>

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2009

NOTE 7 – CAPITAL ASSETS (CONTINUED)

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

Governmental Activities

General government	\$ 461,054
Police	146,941
Fire	218,954
Public works	--
Building, zoning and planning	--
Parks	<u>360,471</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,187,420</u>

Business-type Activities

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

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 was secured by a covenant to budget and appropriate from legally available non-ad valorem revenues of the Village and was expected to be repaid over one year. Interest accrued 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. The note was paid off during the fiscal year ended September 30, 2009. Total interest paid for the note was \$136,368.

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2009

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, 2009:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
Land acquisition and capital improvement revenue bonds, Series 1999	\$ 7,585,000	\$ --	\$ (475,000)	\$ 7,110,000	\$ 500,000
Land acquisition and capital improvement revenue bonds, Series 2000	8,360,000	--	(465,000)	7,895,000	490,000
Capital improvement bonds, Series 2002	8,370,265	--	(414,676)	7,955,589	467,860
Land acquisition and capital improvement revenue bonds, Series 2004	2,730,071	--	(286,476)	2,443,595	297,607
Transportation tax revenue bonds, Series 2005	3,404,044	--	(197,361)	3,206,683	204,001
Transportation tax revenue bonds, Series 2006	3,642,087	--	(212,794)	3,429,293	221,325
Total Bonds Payable	<u>34,091,467</u>	<u>--</u>	<u>(2,051,307)</u>	<u>32,040,160</u>	<u>2,180,793</u>
Other Liabilities					
Capital leases	213,793	--	(107,827)	105,966	105,966
Compensated absences	2,287,753	299,839	(332,837)	2,254,755	225,476
Total Other Liabilities	<u>2,501,546</u>	<u>299,839</u>	<u>(440,664)</u>	<u>2,360,721</u>	<u>331,442</u>
Governmental Activities Long-Term Liabilities	<u>\$ 36,593,013</u>	<u>\$ 299,839</u>	<u>\$ (2,491,971)</u>	<u>\$ 34,400,881</u>	<u>\$ 2,512,235</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 with final payment due on December 1, 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:

	Principal	Interest	Total
Fiscal Year Ending September 30:			
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	610,000	219,247	829,247
2015-2019	3,530,000	624,266	4,154,266
2020	815,000	19,214	834,214
	<u>\$ 7,110,000</u>	<u>\$ 2,006,704</u>	<u>\$ 9,116,704</u>

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2009

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:

	Principal	Interest	Total
Fiscal Year Ending September 30:			
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	600,000	287,152	887,152
2015-2019	3,505,000	916,869	4,421,869
2020	<u>1,675,000</u>	<u>88,949</u>	<u>1,763,949</u>
	<u>\$ 7,895,000</u>	<u>\$ 2,733,053</u>	<u>\$ 10,628,053</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:

	Principal	Interest	Total
Fiscal Year Ending September 30:			
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	539,762	201,437	741,199
2015-2019	3,008,095	697,900	3,705,995
2020-2023	<u>2,431,652</u>	<u>144,784</u>	<u>2,576,436</u>
	<u>\$ 7,955,589</u>	<u>\$ 2,032,837</u>	<u>\$ 9,988,426</u>

NOTE 9 – LONG-TERM DEBT (CONTINUED)

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2009

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:

	Principal	Interest	Total
Fiscal Year Ending September 30:			
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	157,081	63,221	220,302
2015-2019	881,836	219,676	1,101,512
2020-2023	670,207	45,776	715,983
	<u>\$ 2,443,595</u>	<u>\$ 642,064</u>	<u>\$ 3,085,659</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. Total principal and interest remaining on the bonds is \$4,357,526. For the current year, debt service and pledged revenues were \$285,864 and \$334,520, respectively. 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

FISCAL YEAR ENDED SEPTEMBER 30, 2009

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:			
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	165,667	100,191	265,858
2015-2019	734,389	391,854	1,126,243
2020-2024	1,103,143	177,036	1,280,179
2025	456,720	11,592	468,312
	<u>\$ 3,206,683</u>	<u>\$ 1,150,843</u>	<u>\$ 4,357,526</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. Total principal and interest remaining on the bonds is \$4,363,342. For the current year, debt service and pledged revenues were \$357,125 and \$365,000, respectively. 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:			
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	260,035	97,090	357,125
2015-2019	1,469,630	315,995	1,785,625
2020-2021	758,213	33,880	792,093
	<u>\$ 3,429,293</u>	<u>\$ 934,049</u>	<u>\$ 4,363,342</u>

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2009

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 \$105,966 and final payment is due on November 15, 2009. Lease payments are due annually. Interest accrues at 2.994% per annum.

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 final payment was made on January 10, 2009.

The future minimum lease obligations and the net present value of the minimum lease payments as of September 30, 2009 were as follows:

Fiscal Year Ending September 30:	
2010	\$ 109,139
Total Minimum Lease Payments	109,139
Less Amount Representing Interest	(3,173)
Present Value of Minimum Lease Payments	<u>\$ 105,966</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, 2009:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities					
Bonds and Loans Payable					
Stormwater utility revenue bonds	\$ 5,200,000	\$ --	\$ (365,000)	\$ 4,835,000	\$ 385,000
Revolving loan	339,919	--	(19,580)	320,339	20,085
Revolving loan 2009	--	2,067,002	--	2,067,002	36,542
Total bonds and loans payable	<u>5,539,919</u>	<u>2,067,002</u>	<u>(384,580)</u>	<u>7,222,341</u>	<u>441,627</u>
Business-type Activities					
Long-Term Liabilities	<u>\$ 5,539,919</u>	<u>\$ 2,067,002</u>	<u>\$ (384,580)</u>	<u>\$ 7,222,341</u>	<u>\$ 441,627</u>

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2009

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:

	Principal	Interest	Total
Fiscal Year Ending September 30:			
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	465,000	131,128	596,128
2015-2019	<u>2,710,000</u>	<u>346,714</u>	<u>3,056,714</u>
	<u>\$ 4,835,000</u>	<u>\$ 1,177,877</u>	<u>\$ 6,012,877</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.

Debt service requirements to maturity are as follows:

	Principal	Interest	Total
Fiscal Year Ending September 30:			
2010	\$ 20,085	\$ 8,050	\$ 28,135
2011	20,602	7,532	28,134
2012	21,133	7,001	28,134
2013	21,677	6,457	28,134
2014	22,236	5,898	28,134
2015-2019	120,991	20,597	141,588
2020-2023	<u>93,615</u>	<u>4,854</u>	<u>98,469</u>
	<u>\$ 320,339</u>	<u>\$ 60,389</u>	<u>\$ 380,728</u>

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2009

NOTE 9 – LONG-TERM DEBT (CONTINUED)

2009 STATE REVOLVING FUND LOAN

In June 2009, the Village entered into a revolving loan agreement with the State of Florida Department of Environmental Protection in an amount up to \$5,150,000 for the financing of the sanitary sewer construction project. Proceeds in the amount of \$2,067,002 were received during the 2009 fiscal year. The loan is payable in semi-annual payments over 20 years beginning on August 15, 2010 at an interest rate of 3.39% per annum. The loan matures on February 15, 2030.

Debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal Year Ending September 30:			
2010	\$ 36,542	\$ 35,036	\$ 71,578
2011	74,953	68,203	143,156
2012	77,516	65,640	143,156
2013	80,166	62,990	143,156
2014	82,906	60,250	143,156
2015-2019	459,035	256,744	715,779
2020-2024	543,052	172,727	715,779
2025-2029	642,447	73,332	715,779
2030	70,385	1,193	71,578
	<u>\$ 2,067,002</u>	<u>\$ 796,114</u>	<u>\$ 2,863,117</u>

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.

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2009

NOTE 10 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

CONSTRUCTION COMMITMENT

The Village has outstanding construction commitments of approximately \$2.7 million for its sanitary sewer project.

NOTE 11 – DEFICIT FUND BALANCE

The Special Revenue Fund has a deficit fund balance of \$1,501,382 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, 2009, fund balances in the general fund have been reserved for the following purposes. The Village, by its charter, cannot have any unreserved fund balance, therefore, many of the reserves are established to fund current operations, such as working capital.

Emergencies	\$ 4,000,001
Working Capital	1,992,064
Compensated Absences	450,952
Building Inspections	566,173
Law Enforcement Seizures	308,813
Prepays	250,693
Police Labor	90,000
Fire Grant Revenue (UASI)	50,722
Fire Rescue Transport Fees	287,913
Capital Improvement Plan	1,130,089
Playing Fields	416,403
Police/Admin. Bldg. Reserve	13,632
Fire Station Bldg. Reserve	13,632
Community Center Equip Resv.	50,000
Fire Vehicle Replacements	50,000
Master Plan Initiatives	1,873,764
Capital Lease	298,682
Roadway Improvements	175,000
Recreation Facilities	300,000
	<u>\$ 12,318,533</u>

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2009

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). The plans are administered by a third party administrator. 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, 2009 were \$490,917 while the employee contributions were \$154,439. 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, 2008. 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.

NOTE 14 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2009

PLAN DESCRIPTION (CONTINUED)

At October 1, 2008 (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	40
Non-vested	<u>26</u>
Total	<u>66</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 10.51% of covered payroll for the year ended September 30, 2009 which was determined by the October 1, 2007 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.

FUNDED STATUS AND FUNDING PROGRESS

The funded status of the plan as of October 1, 2008, the most recent actuarial valuation date, is as follows:

Actual Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ration (a) / (b)	Covered Payroll (c)	UAAL As % of Covered Payroll (b - a) / c
10/1/08	\$ 10,682,895	\$ 16,049,481	\$ 5,366,586	66.6%	\$ 6,365,246	84%

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

FISCAL YEAR ENDED SEPTEMBER 30, 2009

NOTE 14 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

FUNDED STATUS AND FUNDING PROGRESS (CONTINUED)

Additional information as of the latest actuarial valuation follows:

Valuation Date	10/1/08
Contribution Rates:	
Employer (and State)	15.32%
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	Not Applicable

*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	\$ 920,120
Interest on Net Pension Asset	(10,329)
Adjustment to Annual Required Contribution	<u>15,500</u>
Annual Pension Cost	925,291
Contributions Made	<u>920,120</u>
Decrease in Net Pension Asset	5,171
Net Pension Asset - Beginning of Year	<u>(121,512)</u>
Net Pension Asset - End of Year	<u><u>\$ (116,341)</u></u>

The annual required contribution for the current year was determined as part of the October 1, 2008 actuarial valuation using the entry age normal funding method.

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2009

NOTE 14 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

ANNUAL PENSION COST AND NET PENSION ASSET (CONTINUED)

Fiscal Year Ended	Trend Information		Net Pension Obligation (Asset)
	Annual Pension Cost (APC)	Percentage of APC Contributed	
9/30/2007	\$ 777,937	99.5%	\$ (125,650)
9/30/2008	843,538	99.5%	(121,512)
9/30/2009	925,291	99.5%	(116,341)

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 – SUBSEQUENT EVENTS

NEW DEBT

On November 10, 2009, the Village issued Water and Sewer Revenue Bonds, Series 2009 in the amount of \$1.2 million for the purpose of financing a portion of the costs of Water and Sewer system Improvements within the Village.

TRANSFER

Under a conveyance process, the new water distribution systems installed within zones 2 and 3 of phase 1 which includes water mains, valves, fire hydrants, water services and water meters has been transferred to the Miami-Dade Water & Sewer Department (MDWASD). The total transfer approximated \$9 million. Via this process, these facilities are now under the ownership and are the responsibility of MDWASD.

Under a lease agreement process, the new sanitary sewer facilities within this zone/phase which include sewer pipes, manholes, service laterals and a pumping station has been turned over to MDWASD for their exclusive operation and maintenance. The facilities remain the property of the Village for the 20 year term of the lease at a rate of \$1 per year. At the end of the lease term, all of these facilities become the property of MDWASD. This arrangement has been set up since the sanitary sewer system cannot be conveyed until the state revolving loan funds are paid off.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF KEY BISCAYNE, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2009

	Budgeted Amounts		Actual Amounts on a GAAP Basis	Prior Year Reserves	Actual Amounts on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final				
Revenues						
Property taxes	\$ 19,561,571	\$ 19,561,571	\$ 19,769,976	\$ --	\$ 19,769,976	\$ 208,405
Utility taxes	2,584,530	2,584,530	2,834,749	--	2,834,749	250,219
Franchise fees	1,065,000	1,065,000	992,997	--	992,997	(72,003)
Licenses and permits	1,075,200	1,075,200	1,188,297	--	1,188,297	113,097
Intergovernmental	937,638	937,638	1,154,946	--	1,154,946	217,308
Charges for services	2,140,150	2,140,150	2,354,365	--	2,354,365	214,215
Grants	7,500	7,500	157,912	--	157,912	150,412
Interest	--	--	39,366	--	39,366	39,366
Other income	351,550	351,550	--	--	--	(351,550)
Total Revenues	<u>27,723,139</u>	<u>27,723,139</u>	<u>28,492,608</u>	<u>--</u>	<u>28,492,608</u>	<u>769,469</u>
Expenditures						
Current:						
General government:						
Elected officials	474,688	474,688	390,688	--	390,688	84,000
Village Clerk	452,826	452,826	335,070	--	335,070	117,756
Administration	1,079,553	1,079,553	910,241	--	910,241	169,312
Village Attorney	483,000	483,000	656,420	(173,420)	483,000	--
Total general government	<u>2,490,067</u>	<u>2,490,067</u>	<u>2,292,419</u>	<u>(173,420)</u>	<u>2,118,999</u>	<u>371,068</u>
Public safety:						
Police	5,368,708	5,368,708	5,315,573	--	5,315,573	53,135
Fire	6,160,922	6,160,922	6,432,219	(271,297)	6,160,922	--
Total public safety	<u>11,529,630</u>	<u>11,529,630</u>	<u>11,747,792</u>	<u>(271,297)</u>	<u>11,476,495</u>	<u>53,135</u>
Public works	1,977,947	1,977,947	1,924,339	--	1,924,339	53,608
Building, zoning and planning	1,687,548	1,687,548	1,542,531	--	1,542,531	145,017
Parks and recreation	3,466,300	3,466,300	3,753,273	(286,973)	3,466,300	--
Debt service:						
Principal	1,762,012	1,762,012	1,641,152	--	1,641,152	120,860
Interest and fiscal charges	1,573,445	1,573,445	1,170,051	--	1,170,051	403,394
Total Expenditures	<u>24,486,949</u>	<u>24,486,949</u>	<u>24,071,557</u>	<u>(731,690)</u>	<u>23,339,867</u>	<u>1,147,082</u>
Excess of Revenues over Expenditures	<u>3,236,190</u>	<u>3,236,190</u>	<u>4,421,051</u>	<u>731,690</u>	<u>5,152,741</u>	<u>1,916,551</u>
Other Financing Uses						
Appropriation of prior years' reserves	--	--	--	(731,690)	--	--
Transfers out	(3,236,190)	(3,236,190)	(3,400,696)	--	(3,400,696)	(164,506)
Total Other Financing Uses	<u>(3,236,190)</u>	<u>(3,236,190)</u>	<u>(3,400,696)</u>	<u>(731,690)</u>	<u>(3,400,696)</u>	<u>(164,506)</u>
Net Change in Fund Balances	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,020,355</u>	<u>\$ --</u>	<u>\$ 1,752,045</u>	<u>\$ 1,752,045</u>

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, 2009, 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, 2009.
- (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
10/1/03	\$ 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%
10/1/08	10,682,895	16,049,481	5,366,586	66.6%	6,365,246	84%

VILLAGE OF KEY BISCAYNE, FLORIDA

**REQUIRED SUPPLEMENTARY INFORMATION
PENSION TRUST FUND**

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended September 30,	Annual Required Contribution	Percentage Contributed
2004	\$ 515,437	100%
2005	764,420	100%
2006	729,857	100%
2007	773,701	100%
2008	839,400	100%
2009	797,802	115%

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>	50-54
Revenue Capacity	
<i>These schedules contain information to help the reader assess the Village's most significant local revenue source, the property tax.</i>	55-59
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>	60-63
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>	64-66
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>	67-68

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

VILLAGE OF KEY BISCAYNE, FLORIDA

NET ASSETS BY COMPONENT

**LAST SEVEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
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	\$ 38,482,243
Restricted	171,680	283,180	326,826	359,899	261,813	284,639	308,813
Unrestricted	<u>4,161,688</u>	<u>2,809,659</u>	<u>4,302,680</u>	<u>4,926,634</u>	<u>8,453,390</u>	<u>10,924,001</u>	<u>15,055,000</u>
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>	<u>53,846,056</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	15,383,765
Unrestricted	<u>1,388,975</u>	<u>1,254,664</u>	<u>1,281,141</u>	<u>778,320</u>	<u>432,133</u>	<u>(2,209,685)</u>	<u>(346,721)</u>
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>	<u>15,037,044</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	53,866,008
Restricted	171,680	283,180	326,826	359,899	261,813	284,639	308,813
Unrestricted	<u>5,550,663</u>	<u>4,064,323</u>	<u>5,583,821</u>	<u>5,704,954</u>	<u>8,885,523</u>	<u>8,714,316</u>	<u>14,708,279</u>
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>	<u>\$ 68,883,100</u>

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

VILLAGE OF KEY BISCAIYNE, FLORIDA

CHANGES IN NET ASSETS

**LAST SEVEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Expenses							
Governmental activities:							
General government	\$ 5,691,379	\$ 3,614,636	\$ 2,914,734	\$ 4,252,037	\$ 3,781,396	\$ 3,213,273	\$ 2,868,728
Fire	4,821,645	4,738,402	4,867,525	4,947,149	5,257,789	6,399,665	6,523,753
Police	4,787,090	4,311,449	4,373,145	4,275,617	4,651,660	5,272,383	5,258,243
Building, zoning and planning	1,252,012	1,220,180	1,235,175	1,547,042	1,447,968	1,529,272	1,540,507
Public works	963,676	1,103,940	2,189,673	4,004,651	1,589,444	2,046,776	1,914,119
Parks and recreation	826,695	1,013,741	2,614,785	2,849,434	3,077,624	3,633,233	4,090,555
Interest on long-term debt	1,064,028	1,487,245	1,305,383	1,413,272	1,505,253	1,436,481	1,447,387
Total governmental activities	<u>19,406,525</u>	<u>17,489,593</u>	<u>19,500,420</u>	<u>23,289,202</u>	<u>21,311,134</u>	<u>23,531,083</u>	<u>23,643,292</u>
Business-type activities:							
Stormwater system	634,361	971,081	454,963	720,158	693,135	911,500	779,856
Solid waste collection	273,076	259,173	466,162	501,417	571,246	619,823	618,155
Sanitary sewer	6,288	15,732	10,261	9,993	9,454	9,046	144,922
Total business-type activities	<u>913,725</u>	<u>1,245,986</u>	<u>931,386</u>	<u>1,231,568</u>	<u>1,273,835</u>	<u>1,540,369</u>	<u>1,542,933</u>
Total government expenses	<u>\$ 20,320,250</u>	<u>\$ 18,735,579</u>	<u>\$ 20,431,806</u>	<u>\$ 24,520,770</u>	<u>\$ 22,584,969</u>	<u>\$ 25,071,452</u>	<u>\$ 25,186,225</u>
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	\$ 237,315
Police	110,215	197,244	212,121	40,719	21,385	14,203	38,181
Fire	5,805	6,505	7,120	50,392	40,144	146,588	136,433
Parks and recreation	29,752	35,787	1,287,806	1,512,923	1,416,707	1,620,787	1,957,747
Building, zoning and planning	117,705	86,455	142,550	167,802	193,391	133,104	1,173,440
Operating grants and contributions	99,830	--	650,679	3,559,753	799,493	251,180	157,912
Capital grants and contributions	421,085	524,736	517,643	--	--	--	1,709,481
Total governmental activities program revenues	<u>1,818,639</u>	<u>1,811,827</u>	<u>4,075,814</u>	<u>6,797,775</u>	<u>3,860,283</u>	<u>3,485,866</u>	<u>5,410,509</u>
Business-type activities:							
Charges for services:							
Stormwater system	531,164	520,729	518,812	517,365	509,571	499,101	491,314
Solid waste collection	313,492	284,900	533,632	531,967	520,650	530,803	635,580
Capital grants and contributions:							
Stormwater system	--	--	--	--	--	-	331,319
Sanitary sewer	--	--	--	--	--	5,460,763	6,971,311
Total business-type activities program revenues	<u>844,656</u>	<u>805,629</u>	<u>1,052,444</u>	<u>1,049,332</u>	<u>1,030,221</u>	<u>6,490,667</u>	<u>8,429,524</u>
Total program revenues	<u>\$ 2,663,295</u>	<u>\$ 2,617,456</u>	<u>\$ 5,128,258</u>	<u>\$ 7,847,107</u>	<u>\$ 4,890,504</u>	<u>\$ 9,976,533</u>	<u>\$ 13,840,033</u>

VILLAGE OF KEY BISCAIYNE, FLORIDA

CHANGES IN NET ASSETS

(Continued)

**LAST SEVEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Net (expense) revenue							
Governmental activities	\$ (17,587,886)	\$ (15,677,766)	\$ (15,424,606)	\$ (16,491,427)	\$ (17,450,851)	\$ (20,045,217)	\$ (18,232,783)
Business-type activities	(69,069)	(440,357)	121,058	(182,236)	(243,614)	4,950,298	6,886,591
Total net expense	<u>\$ (17,656,955)</u>	<u>\$ (16,118,123)</u>	<u>\$ (15,303,548)</u>	<u>\$ (16,673,663)</u>	<u>\$ (17,694,465)</u>	<u>\$ (15,094,919)</u>	<u>\$ (11,346,192)</u>
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	\$ 19,769,976
Utility taxes	2,251,876	2,219,118	1,488,002	1,549,601	1,467,392	1,534,379	1,555,748
Franchise fees	611,502	677,203	705,810	1,088,929	1,113,194	1,064,666	992,997
Communications services tax	--	--	746,400	797,054	763,801	1,226,423	1,091,734
Intergovernmental	776,869	821,883	978,304	996,092	1,000,265	2,265,243	1,348,324
Investment earnings	82,286	110,562	255,611	306,339	641,115	346,531	44,737
Miscellaneous	200,561	126,607	281,657	--	--	--	91,232
Transfers	(9,737)	(28,134)	(28,135)	(28,133)	(28,133)	(28,134)	(164,502)
Total governmental activities	<u>15,230,518</u>	<u>16,697,950</u>	<u>17,787,900</u>	<u>19,540,120</u>	<u>23,625,613</u>	<u>26,460,347</u>	<u>24,730,246</u>
Business-type activities:							
Investment earnings	22,163	21,235	41,050	45,527	49,086	48,202	21,303
Transfers	9,737	28,134	28,135	28,133	28,133	28,134	164,502
Total business-type activities	<u>31,900</u>	<u>49,369</u>	<u>69,185</u>	<u>73,660</u>	<u>77,219</u>	<u>76,336</u>	<u>185,805</u>
Total general revenues	<u>\$ 15,262,418</u>	<u>\$ 16,747,319</u>	<u>\$ 17,857,085</u>	<u>\$ 19,613,780</u>	<u>\$ 23,702,832</u>	<u>\$ 26,536,683</u>	<u>\$ 24,916,051</u>
Change in net assets							
Governmental activities	\$ (2,357,368)	\$ 1,020,184	\$ 2,363,294	\$ 3,048,693	\$ 6,174,762	\$ 6,415,130	\$ 6,497,463
Business-type activities	(37,169)	(390,988)	190,243	(108,576)	(166,395)	5,026,634	7,072,396
Total change in net assets	<u>\$ (2,394,537)</u>	<u>\$ 629,196</u>	<u>\$ 2,553,537</u>	<u>\$ 2,940,117</u>	<u>\$ 6,008,367</u>	<u>\$ 11,441,764</u>	<u>\$ 13,569,859</u>

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 SEVEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
General fund							
Reserved	\$ 2,967,382	\$ 4,677,188	\$ 5,754,277	\$ 6,874,310	\$ 9,875,416	\$ 11,298,178	\$ 12,318,533
Unreserved	1,000,177	275,000	--	--	--	--	--
Total general fund	<u>3,967,559</u>	<u>4,952,188</u>	<u>5,754,277</u>	<u>6,874,310</u>	<u>9,875,416</u>	<u>11,298,178</u>	<u>12,318,533</u>
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)	(1,501,382)
Capital projects funds	905,611	(489,979)	881,595	1,421,014	2,954,753	4,783,222	6,875,361
Total all other governmental funds	<u>1,104,174</u>	<u>23,883</u>	<u>243,374</u>	<u>(75,735)</u>	<u>472,557</u>	<u>2,081,599</u>	<u>5,373,979</u>
Total governmental funds	<u>\$ 5,071,733</u>	<u>\$ 4,976,071</u>	<u>\$ 5,997,651</u>	<u>\$ 6,798,575</u>	<u>\$ 10,347,973</u>	<u>\$ 13,379,777</u>	<u>\$ 17,692,512</u>

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

VILLAGE OF KEY BISCAYNE, FLORIDA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST SEVEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Revenues							
Ad valorem taxes	\$ 11,317,161	\$ 12,770,711	\$ 13,360,251	\$ 14,830,238	\$ 18,667,979	\$ 20,051,239	\$ 19,769,976
Franchise fees	611,502	677,203	1,452,210	1,885,983	1,113,194	1,064,666	992,997
Utility taxes	2,251,876	2,219,118	1,488,002	1,549,601	2,231,193	1,534,379	2,834,749
Licenses and permits	970,001	961,100	1,040,130	1,196,853	1,298,133	1,240,290	1,188,297
Intergovernmental revenue	999,391	1,031,805	1,495,947	1,756,083	1,593,718	3,189,251	3,047,844
Charges for services	327,723	325,651	1,867,362	2,041,169	1,762,657	1,994,396	2,354,819
Grants	99,830	--	650,679	2,799,762	206,040	251,180	167,873
Investment income	82,286	110,562	255,611	306,339	632,355	338,528	44,737
Miscellaneous	399,124	441,761	281,657	--	8,762	8,003	26,232
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>	<u>30,427,524</u>
Expenditures							
Current:							
General government	1,829,501	1,712,899	2,136,375	2,239,052	2,543,134	2,329,647	2,266,763
Fire	4,046,269	4,462,601	4,749,407	5,117,176	5,122,699	5,744,775	6,407,770
Police	4,305,474	4,113,946	4,605,148	4,388,362	4,590,962	4,863,765	5,116,158
Public works	963,247	1,098,250	2,183,774	4,002,609	1,587,460	1,720,689	1,914,119
Building, planning and zoning	1,245,119	1,212,290	1,238,376	1,544,696	1,455,193	1,513,019	1,540,507
Parks and recreation	782,065	952,261	2,193,633	2,634,887	2,830,020	3,367,638	3,730,084
Capital outlay	5,108,330	10,664,348	4,527,998	6,432,271	6,830,844	4,743,796	1,537,930
Debt service:							
Principal retirement	1,415,000	1,583,924	1,161,298	1,214,646	1,418,401	1,679,991	2,051,307
Interest and other fiscal charges	1,064,028	1,135,384	1,300,596	1,413,272	1,556,396	1,444,576	1,450,649
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>	<u>26,015,287</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>	<u>4,412,237</u>
Other financing sources (uses)							
Transfers in	938,652	819,251	1,245,653	1,731,583	6,697,854	4,533,094	3,236,194
Transfers out	(948,389)	(847,385)	(1,273,788)	(1,759,716)	(6,725,988)	(4,561,228)	(3,400,696)
Bonds issued	1,657,090	8,330,462	2,850,000	3,450,000	4,000,000	--	--
Proceeds from sale of capital assets	1,657,090	8,330,462	2,850,000	3,450,000	4,000,000	--	65,000
Capital lease proceeds	--	--	404,471	--	--	--	--
Total other financing sources (uses)	<u>3,304,443</u>	<u>16,632,790</u>	<u>6,076,336</u>	<u>6,871,867</u>	<u>7,971,866</u>	<u>(28,134)</u>	<u>(99,502)</u>
Net change in fund balances	<u>\$ (395,696)</u>	<u>\$ 8,234,798</u>	<u>\$ 3,871,580</u>	<u>\$ 4,250,924</u>	<u>\$ 7,550,788</u>	<u>\$ 2,235,902</u>	<u>\$ 4,312,735</u>
Debt service as a percentage of non-capital expenditures	15.84%	16.71%	12.58%	11.65%	14.10%	13.59%	14.27%

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

VILLAGE OF KEY BISCAYNE, FLORIDA

GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE

LAST TEN FISCAL YEARS (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

Fiscal Year	Ad Valorem Taxes	Franchise Taxes	Utility Taxes	Inter- governmental*	Communications Services Tax**	Total
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
2009	19,769,976	992,997	1,555,748	3,047,844	1,091,734	26,458,299

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 BISCAYNE, FLORIDA

NET ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

Fiscal Year Ended September 30,	Real Property			Total Net Assessed Value	Total Direct Tax Rate
	Residential Property	Commercial Property	Personal Property		
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
2009	5,597,851,704	302,747,017	35,617,296	5,936,216,017	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 BISCAZYNE, FLORIDA

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS

Fiscal Year	Tax Roll Year	Village of Key Biscayne			Overlapping Rates (1)									Total Direct and Overlapping Rates
		General Operations	Debt Service	Total Village	Miami-Dade County			Miami-Dade Schools			Florida Inland Navigation District	South Florida Water Management	Other	
					Operating Millage	Service Millage	County Millage	Operating Millage	Service Millage	School Millage				
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
2009	2008	3.200	--	3.200	4.838	0.285	5.123	7.698	0.297	7.995	0.035	0.535	0.972	17.860

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 BISCAIYNE, FLORIDA

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

2009				2000			
Taxpayer	Net Assessed Value	Rank	Percent of Total Village Net Assessed Value	Taxpayer	Net Assessed Value	Rank	Percent of Total Village Net Assessed Value
SBR Fortune Associates	\$ 44,568,400	1	0.75%	Ocean Club Key Biscayne	\$ 39,590,009	1	1.80%
Galleria if Key Biscayne Inc.	19,300,000	2	0.33%	Sonesta Beach Hotel	28,700,000	2	1.30%
Key Biscayne Properties LLC	15,134,130	3	0.25%	GB Hotel Partners LTD	23,341,830	3	1.06%
Red Dragon's Sands LTD	14,568,368	4	0.25%	Grand Bay Tower Association	12,855,305	4	0.58%
Atlantic USA Inc.	13,229,323	5	0.22%	Key Biscayne Shopping Center	8,672,526	5	0.39%
United Real Estate Ventures Inc.	13,010,965	6	0.22%	Galleria of Key Biscayne	7,369,463	6	0.33%
260 Cape FLA LLC	12,995,950	7	0.22%	PITI, Inc	5,251,313	7	0.24%
Tesaurus Holdings Inc.	12,851,673	8	0.22%	Red Dragon's Sands, LTD	4,977,558	8	0.23%
Ocean Club Community Assoc.	12,500,000	9	0.21%	Fininvest Investment, et al (Key Colony)	4,193,744	9	0.19%
500 Bay Lane LLC	12,211,803	10	0.21%	Caroline T. Perkins	3,547,661	10	0.16%
					<u>\$ 138,499,409</u>		<u>6.28%</u>
	<u>\$ 170,370,612</u>		<u>2.87%</u>				

Source: Tax roll provided by Miami-Dade County Property Appraisers Office.

VILLAGE OF KEY BISCAYNE, 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
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	19,802,903	19,739,848	99.68%	311,392	20,051,240	101.25%
2009	19,561,571	19,389,610	99.12%	380,366	19,769,976	101.07%

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

VILLAGE OF KEY BISCAYNE, FLORIDA

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

Fiscal Year Ended September 30,	Governmental Activities				Business-Type Activities		Total	Percent of	
	General Obligation Bonds	Revenue Bonds	Capital Leases	Loans Payable	Revenue Bonds			Personal Income (2)	Per Capita (1)
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	691,744	--	6,430,000	35,594,892	0.00%	3,450	
2005	--	30,850,606	798,598	--	6,010,000	36,860,606	0.00%	3,573	
2006	--	33,085,960	615,347	--	5,785,000	38,870,960	0.00%	3,768	
2007	--	31,695,102	415,341	--	5,200,000	36,895,102	0.00%	3,576	
2008	--	33,987,811	213,793	5,000,000	5,539,919	44,741,524	0.00%	4,258	
2009	--	32,040,160	105,966	--	7,222,341	39,368,467	0.00%	3,441	

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.

(2) Not Available

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, 2009

Government Unit	2009		
	Net Debt Outstanding	Percentage Applicable to the Village of Key Biscayne (1)	Amount Applicable to the Village of Key Biscayne
Direct:			
Village of Key Biscayne	\$ 32,040,160	100.00%	\$ 32,040,160
Overlapping debt:			
Miami-Dade County	523,596,000	0.0285%	149,225
Miami-Dade County School Board	560,574,000	0.0297%	<u>166,490</u>
Subtotal, Overlapping Debt			315,715
Village of Key Biscayne Direct Debt			<u>32,040,160</u>
Total Direct and Overlapping Debt			<u><u>\$ 32,355,875</u></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 September 30,	Non- Ad Valorem Revenues	Debt Service		Coverage
		Principal	Interest	
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	3.08
2009	10,657,548	2,051,307	1,450,649	3.04

Source: Village of Key Biscayne Finance Department

VILLAGE OF KEY BISCAYNE, FLORIDA

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

Year	Population (1)	Personal Income (Amounts Expressed in Thousands) (2)	Per Capita Personal Income (3)	Unemployment Rate (4)
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%
2009	11,411	--	86,599	3.0%

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

Employer	2009			2,000		
	Employees (1)	Rank	Percentage of Total Village Employment	Employees	Rank	Percentage of Total Village Employment
Ritz Carlton Key Biscayne	1,500	1	not known			
Winn Dixie Stores, Inc.	250	3	not known			
Village of Key Biscayne	<u>116</u>	4	not known			
All remaining employers are of an extremely small number				Information not available		
Total	<u><u>1,866</u></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>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>	<u>2009</u>
Number of employees:										
General government	7	7	7	5	6	7	6	6	6	8
Public safety	72	72	72	74	76	79	79	79	78	81
Building, planning and zoning	16	16	16	12	12	13	13	14	13	13
Public works	3	3	3	5	5	5	5	4	4	4
Parks and recreation	<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>	<u>10</u>
Total number of employees	<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>	<u>116</u>

Source: Village of Key Biscayne Finance Department.

VILLAGE OF KEY BISCAIYNE, FLORIDA

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Public safety:										
Police:										
Police personnel and officers	40	40	40	40	41	40	40	40	39	42
Police calls for service	21,127	20,659	21,127	20,660	19,004	16,510	13,006	35,412	36,190	37,002
Parking violations	789	639	789	639	628	682	801	996	776	824
Traffic violations	2,875	2,433	2,875	2,433	3,035	1,397	1,468	1,104	946	975
Fire:										
Fire personnel	33	33	33	34	35	39	39	39	39	39
Fire incidents	1,051	485	1,050	1,114	1,148	1,403	1,103	998	1,006	1,012
Fire inspections performed	565	470	476	840	307	332	269	220	305	229
Planning and development:										
Business permits issued	2,408	1,803	2,313	2,581	3,061	3,045	3,000	3,504	3,620	3,520
Occupational licenses issued	598	625	729	668	428	433	475	914	1,224	1,324
Culture and recreation:										
Number of building users	--	--	--	--	1,250	1,600	1,400	1,400	1,300	1,325
Solid waste:										
Residential accounts	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,299	1,298

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

Function/Program	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
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	300	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	1
Swimming pools	--	--	--	--	--	1	1	1	1	1

Sources: Various Village Departments.

COMPLIANCE SECTION

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

Honorable Mayor, 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, 2009, and have issued our report thereon dated April 21, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 opinions 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.

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.

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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Key Biscayne's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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
April 21, 2010

**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, 2009, and have issued our report thereon dated April 21, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an audit of financial statements, Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated April 21, 2010, 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, we did not have any such recommendations.
- 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, we did not have any such findings.
- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, there were no 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, 2009, 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, 2009. 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 of America 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
April 21, 2010

**Independent Auditors' Report on Compliance With Requirements Applicable to Each
Major Program and on Internal Control over Compliance in Accordance
With OMB Circular A-133**

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

Compliance

We have audited the compliance of the Village of Key Biscayne, Florida (the Village) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal awards program for the fiscal year ended September 30, 2009. The Village's major federal awards program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village complied, in all material aspects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended September 30, 2009.

Internal Control over Compliance

The management of the Village is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented and detected by the Village's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the Village's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Mayor, Village Council, management, and specific legislative or regulatory bodies and federal awarding agencies and pass-through entities 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
April 21, 2010

VILLAGE OF KEY BISCAYNE, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FISCAL YEAR ENDED SEPTEMBER 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<i>U.S. Department of Homeland Security</i>			
Urban Area Security Initiative	97.067	N/A	\$ <u>36,519</u>
<i>U.S. Environmental Protection Agency</i>			
EPA Sewer Grant	66.202	XP-96461606	124,060
Pass-Through Program from:			
State of Florida Department of Environmental Protection -			
State Revolving Loan Fund	66.458	A ON 86	<u>2,067,002</u>
<i>Total U.S. Environmental Protection Agency</i>			<u><u>2,191,062</u></u>
<i>U.S. Department of Justice</i>			
Federal Equitable Sharing	N/A	N/A	38,323
Pass-Through Program from:			
State of Florida Department of Law Enforcement -			
Edward Byrne Memorial Justice Assistance	16.738	2009-JAGD-DADE- 10-T8-179	<u>2,000</u>
<i>Total U.S. Department of Justice</i>			<u><u>40,323</u></u>
<i>Total Expenditures of Federal Awards</i>			<u><u>\$ 2,267,904</u></u>

See note to schedule of expenditures of federal awards.

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FISCAL YEAR ENDED SEPTEMBER 30, 2009

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Village of Key Biscayne and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

VILLAGE OF KEY BISCAYNE, FLORIDA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED SEPTEMBER 30, 2009

PRIOR YEAR FINANCIAL STATEMENT FINDINGS

Matters that are not repeated in the accompanying Schedule of Findings and Questioned Costs

- 08-01 – Internal Controls over Accounting and Financial Reporting
- 08-02 – Report Filing and Federal and Florida Single Audit Identification

PRIOR YEAR FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Matters that are not repeated in the accompanying Schedule of Findings and Questioned Costs

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

PRIOR YEAR STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

Matters that are not repeated in the accompanying Schedule of Findings and Questioned Costs

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

VILLAGE OF KEY BISCAYNE, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FISCAL YEAR ENDED SEPTEMBER 30, 2009

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: *Unqualified Opinion*
Internal control over financial reporting:
Material weakness(es) identified? yes no
Significant deficiency(ies) identified not considered to be
material weakness(es)? yes none reported
Noncompliance material to financial statements noted? yes no

Federal Awards Programs

Internal control over major programs:
Material weakness(es) identified? yes no
Significant deficiency(ies) identified not considered to be
material weakness(es)? yes none reported
Type of auditor's report issued on compliance for
major programs: *Unqualified Opinion*
Any audit findings disclosed that are required to be reported
in accordance with Circular A-133, Section .510(a)? yes no

Identification of major programs:

Federal Program CFDA No.
State Revolving Loan Fund 66.458

Dollar threshold used to distinguish between Type A and
Type B programs: \$300,000

Auditee qualified as low-risk auditee for federal
awards programs? yes no

VILLAGE OF KEY BISCAYNE, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009

SECTION II – FINANCIAL STATEMENT FINDINGS

None.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.