

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

FOR THE FISCAL YEAR  
ENDED SEPTEMBER 30, 2005

VILLAGE OF KEY BISCAYNE  
FLORIDA



**VILLAGE OF KEY BISCAYNE, FLORIDA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2005

Prepared by:

THE FINANCE DEPARTMENT

# VILLAGE OF KEY BISCAYNE, FLORIDA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2005

### TABLE OF CONTENTS

	<u>PAGE</u>
I. INTRODUCTORY SECTION	
Letter of Transmittal	i
Village Officials	vi
Certificate of Achievement for Excellence in Financial Reporting	vii
Organization Chart	viii
II. FINANCIAL SECTION	
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS (Required Supplementary Information)	3-10
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Governmental Fund Financial Statements:	
Balance Sheet	13
Statement of Revenues, Expenditures and Changes in Fund Balances	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Proprietary Fund Financial Statements:	
Statement of Net Assets	16
Statement of Revenues, Expenses and Changes in Net Assets	17
Statement of Cash Flows	18
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Assets	19
Statement of Changes in Fiduciary Net Assets	20
Notes to Basic Financial Statements	21-42
REQUIRED SUPPLEMENTARY INFORMATION (OTHER THAN MD&A)	
Budgetary Comparison Schedule – General Fund	43
Note to Budgetary Comparison Schedule	44
Schedule of Employer Contributions	45

# VILLAGE OF KEY BISCAWAYNE, FLORIDA

## TABLE OF CONTENTS

	<u>PAGE</u>
III. COMBINING FINANCIAL STATEMENTS	
Combining Statement of Net Assets – Nonmajor Proprietary Funds	46
Combining Statement of Revenues, Expenses and Changes in Net Assets – Nonmajor Proprietary Funds	47
Combining Statement of Cash Flows – Nonmajor Proprietary Funds	48
IV. STATISTICAL SECTION	
Government-Wide Information:	
Government-Wide Expenses by Function	49
Government-Wide Revenues	50
Fund Information:	
General Governmental Expenditures by Function	51
General Governmental Revenues by Source	52
Utility Tax Revenue By Source; Franchise Fee Revenue by Source	53
Property Tax Levies and Collection	54
Assessed and Estimated Actual Value of Taxable Property	55
Property Tax Rates Direct and Overlapping Governments	56
Ratio of Annual Debt Service Expenditures for Net Bonded Debt to General Governmental Expenditures	57
Schedule of Direct and Overlapping Debt - General Obligation Bonds	58
Ratio of Net Bonded Debt to Assessed Value and Per Capita	59
Revenue Bond Coverage	60
Demographic Statistics	61
Property Value, Construction and Bank Deposits	62
Principal Taxpayers	63
Miscellaneous Statistical Data	64
V. COMPLIANCE SECTION	
Report of Independent Certified Public Accountants on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	65-66
Management Letter in Accordance with the Rules of the Auditor General of the State of Florida	67-68
Report of Independent Certified Public Accountants on Compliance and Internal Control over Compliance Applicable to Each Major Federal Program in Accordance with OMB Circular A-133	69-70
Schedule of Expenditures of Federal Awards	71
Notes to the Schedule of Expenditures of Federal Awards	72
Summary Schedule of Prior Audit Findings	73
Schedule of Findings and Questioned Costs	74

---

## **INTRODUCTORY SECTION**

---



# VILLAGE OF KEY BISCAYNE

## Office of the Village Manager

April 14, 2006

*Village Council*

Robert Oldakowski, *Mayor*  
Robert L. Vernon, *Vice Mayor*

Enrique Garcia  
Steve Liedman  
Jorge E. Mendia  
Thomas Thornton  
Patricia Weinman

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

*Village Manager*

Jacqueline R. Menendez

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, 2005.

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

The firm of Rachlin Cohen & Holtz LLP, licensed certified public accountants has audited the Village of Key Biscayne's financial statements. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the Village of Key Biscayne for the fiscal year ended September 30, 2005 are free of material misstatement. The independent audit involved examining,

on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Village of Key Biscayne's financial statements for the fiscal year ended September 30, 2005, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Village of Key Biscayne's MD&A can be found immediately following the report of the independent certified public accountants.

### **Profile of the Government**

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

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

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

The annual budget serves as a foundation for the Village of Key Biscayne's financial planning and control. All departments of the Village are required to submit requests for appropriations to the Village Manager and these requests are the initiation of developing the proposed budget. The Village Manager then presents this proposed budget to the Council for review. The Council is required to hold public hearings on the proposed

budget and to adopt a final budget no later than September 30, the close of the Village's fiscal year. The appropriated budget is prepared by fund and department. No department may legally expend in excess of the amount appropriated for that department within an individual fund. The Village Manager may make transfers of appropriations within a department. Transfers of appropriations between departments or funds require the approval of the Village Council. The Village Council approves supplemental appropriations. Budget to actual comparisons are provided in this report for the general fund for which an appropriated annual budget has been adopted. The general fund, budget to actual report, is presented in the required supplemental information section of this report.

### **Local Economy**

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

### **Long-Term Financial Planning**

The Village has completed all three phases of its Civic Center Project with the completion of a new Village Hall/ Police Building, a new Fire Station, and most recently, the third phase, the Village Community Center, opened in November 2004. Recent completion of a new bus shelter at Crandon Blvd and Harbor Drive was the second and largest bus shelter in the Village. Several public works projects have recently been completed yielding new sidewalks, street improvements, park improvements, and a tree replacement program. A new capital project is under way to improve the safety of the major roadway through the Village on Crandon Boulevard.

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.

### **Cash Management Policies and Practices**

The Village's Cash Management strategy emphasizes immediate funds collection and deposit into the appropriate fund utilizing ACH debit or wire transfer methods in over 90% of all funds received. Cash is transferred to a centralized clearing account for all payments at the point of payment. The clearing account maintains a zero balance exclusive of these transfers. Currently the Village's investment policy follows Chapter 218, Florida Statutes. Cash in any of the fund's operating accounts are swept into an overnight repurchase agreement, properly collateralized in accordance with Chapter 280,

Florida statutes. Surplus cash is invested in certificates of deposit with qualified depositories, and with the State Board of Administration. Investment objectives are the preservation of principal, liquidity in accordance with planned cash flows, and return on investment in that order.

### **Risk Management**

The Village is exposed to various risks of loss related to torts, theft of or damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village participates in the Florida League of Cities Municipal Insurance Trust for workers' compensation, liability and property insurance. Flood insurance is provided by the Florida State Flood Insurance Pool.

### **Pension Benefits**

The Village of Key Biscayne sponsors a defined contribution 401(a) pension plan with the International City/County Management Association – Retirement Corporation (ICMA-RC). 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, 2004. This was the thirteenth 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.

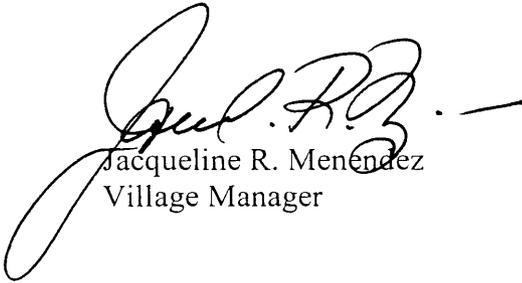
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the Village also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the 2004-2005 fiscal year. This was the thirteenth consecutive year that the Village has received this prestigious award. In order to qualify for the Distinguished Budget Presentation Award, the Village's budget

document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of all departments of the Village of Key Biscayne. We would like to express our appreciation to all members of all of the departments who assisted and contributed to the preparation of this report. We would also like to express our appreciation to Rachlin Cohen & Holtz 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,



Jacqueline R. Menendez  
Village Manager



Randolph G. White  
Finance Director

# VILLAGE OF KEY BISCAYNE, FLORIDA

## VILLAGE OFFICIALS

SEPTEMBER 30, 2005

## VILLAGE COUNCIL

Robert Oldakowski, Mayor  
Robert Vernon, Vice-Mayor

Enrique Garcia  
Steve Leidman  
Jorge Mendia  
Thomas Thornton  
Patricia Weineman

## VILLAGE MANAGER

Jacqueline R. Menendez

## VILLAGE CLERK

Conchita H. Alvarez, CMC

## VILLAGE ATTORNEY

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

## FINANCE DIRECTOR

Randolph G. White, P.A.

## VILLAGE AUDITORS

Rachlin Cohen & Holtz LLP  
Accountants ▪ Advisors

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Village of Key Biscayne,  
Florida

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September, 30, 2004

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.



*Carla E. Perry*

President

*Jeffrey R. Emmer*

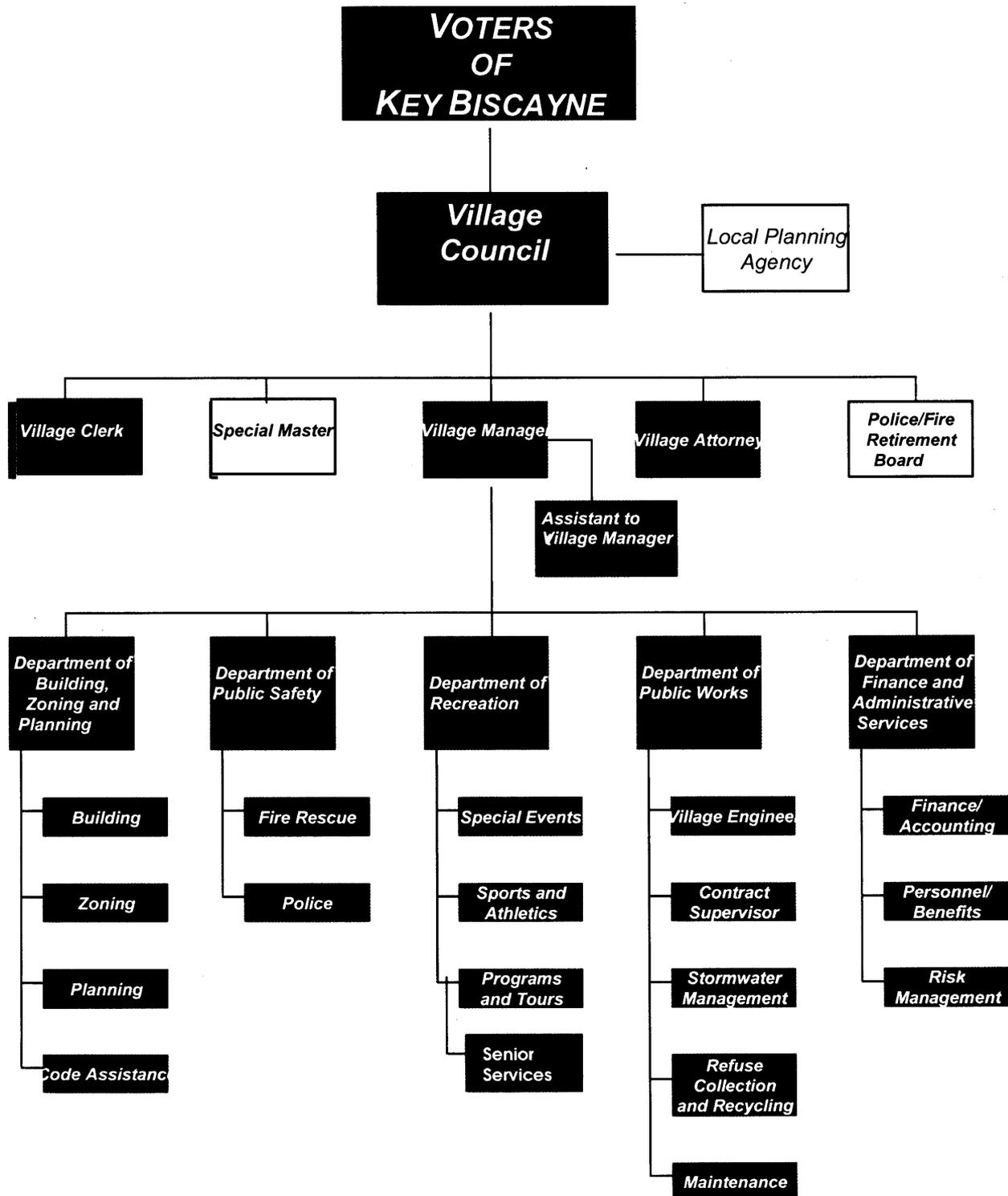
Executive Director



# VILLAGE OF KEY BISCAYNE

## ORGANIZATIONAL CHART

The Village Manager, who reports directly to the Village Council, manages the Village of Key Biscayne's day-to-day operations. The Village Manager appoints the Five Department Heads.



---

**REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**

---

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Key Biscayne, Florida (the Village) as of September 30, 2005 and for the fiscal year then ended, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Key Biscayne, Florida as of September 30, 2005 and the respective changes in the financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 14, 2006 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

-1-



**Rachlin Cohen & Holtz LLP**

One Southeast Third Avenue ■ Tenth Floor ■ Miami, Florida 33131 ■ Phone 305.377.4228 ■ Fax 305.377.8331 ■ [www.rachlin.com](http://www.rachlin.com)

*An Independent Member of Baker Tilly International*

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

Management's Discussion and Analysis and the required supplementary information on pages 3 through 10 and pages 43 through 45, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Key Biscayne's basic financial statements. The introductory section, the combining financial statements 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*, and is not a required part of the basic financial statements. The combining financial statements and the schedule of expenditures of federal awards have 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 introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Rachlin Cohen + Holtz LLP*

Miami, Florida  
April 14, 2006

---

**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, 2005. We encourage readers to consider information presented here in conjunction with additional information that we have furnished in our letter of transmittal which can be found on pages i-v of this report.

### Financial Highlights

- The assets of the Village of Key Biscayne exceeded its liabilities at the close of the most recent fiscal year by \$34,127,090 (net assets). Of this amount, all are either reserved or designated.
- The Village's total net assets increased by \$2,553,536, this increase is attributable to the increase of property taxes received due to an increase in the assessed taxable values of properties in the Village, increases in revenues from the Key Biscayne Community Center programs and activities and proceeds from a capital lease for new police vehicles.
- At the close of the current fiscal year, the Village of Key Biscayne's governmental funds reported an ending fund balance of \$6,139,545, an increase of \$ 1,163,474 in comparison with the prior year. This entire total amount is either reserved or designated for spending at the Council's direction.
- The Village incurred \$2,850,000 of new long-term debt during the current fiscal year.

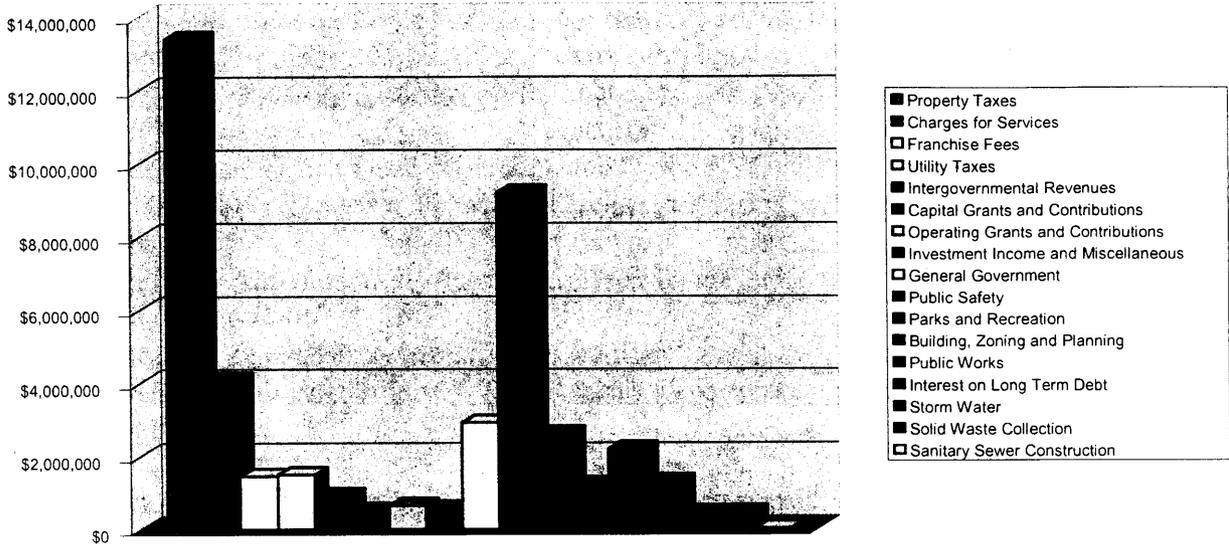
### Overview of the Financial Statements

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 other supplementary information in addition to the basic financial statements themselves.

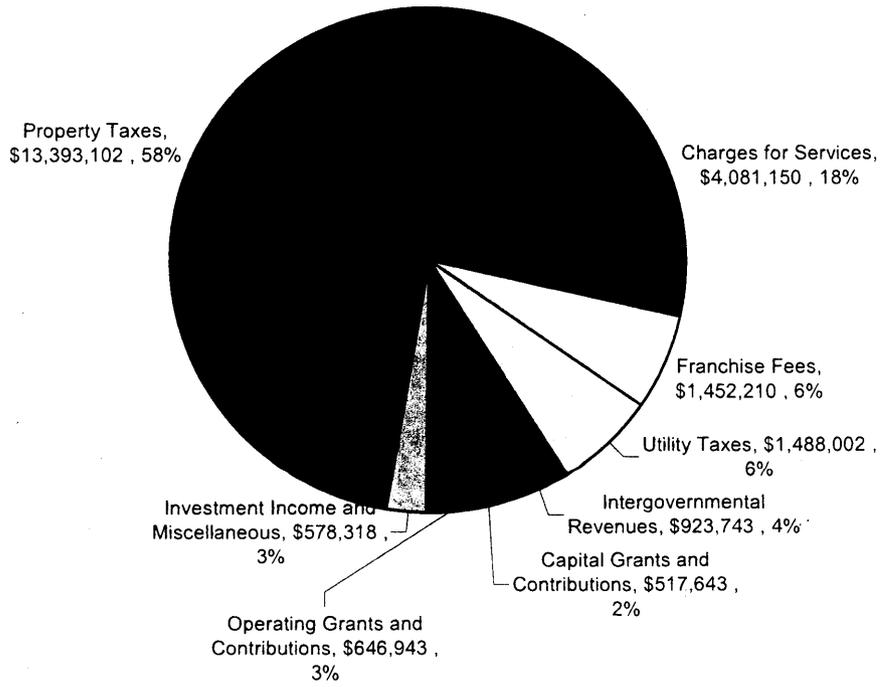
**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Village of Key Biscayne's finances, in a manner similar to a private sector business.

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.

## Revenues & Expenses of Governmental Activities



## Revenues by Source – Governmental Activities



## Financial Analysis of the Government's Funds

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

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

At the end of the current fiscal year, fund balance of the general fund was \$5,754,277, an increase of \$998,543 in comparison with the prior year. All of this is either reserved or designated for specific uses: (1) emergencies (\$2,890,196), (2) Building Inspection Costs (\$275,000), (3) Compensated Absences (\$334,644), (4) Law Enforcement Seizures (\$326,826), (5) Special Disaster Relief (\$13,192), (6) Playing Field Acquisitions (\$456,403), (7) Working Capital Reserves (\$600,000) , (8) Police/Administration Building Reserve (\$25,000), (9) Fire Station Building Reserve (\$25,000), (10) Community Center Equipment Reserve (\$50,000), (11) Fire Vehicles Replacement Reserve (\$50,000), Capital Lease (\$404,471), and Master Plan Initiatives (\$500,000).

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 30.48 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, 2005 and 2004, is shown as follows:

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

	<u>2005</u>	<u>2004</u>
Total assets	<u>\$ 7,177,656</u>	<u>\$ 6,139,310</u>
Total liabilities	\$ 1,423,379	\$ 1,187,122
Reserved or designated fund balance	<u>5,754,277</u>	<u>4,952,188</u>
Total liabilities and fund balance	<u>\$ 7,177,656</u>	<u>\$ 6,139,310</u>

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

	<u>2005</u>	<u>2004</u>
Total revenues	\$ 21,240,012	\$ 18,075,882
Total expenditures	<u>19,568,607</u>	<u>16,243,868</u>
Excess of revenues over expenditures	<u>\$ 1,671,405</u>	<u>\$ 1,832,014</u>

## **General Fund Budgetary Highlights**

There were no supplemental appropriations for the fiscal year ended September 30, 2005.

## **Capital Assets**

As of September 30, 2005, the Village's investment in capital assets amounted to \$40,181,469. The total increase in capital assets for the fiscal year was as follows:

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

- Completion of the Village Community Center
- Completion of improvements to the Community School parking lot
- Completion of improvements to the St. Agnes playing fields
- Completion of Village's evaluation and appraisal report (EAR).

Additional information on the Village's capital assets can be found in Note 8 on pages 32-33 of this report.

## **Debt Administration**

At September 30, 2005, the Village had bonded debt outstanding of \$36,860,606. Of this amount, \$6,010,000 represents bonds secured solely by specified revenue sources (Stormwater 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 debt increased by \$2,850,000 due to the additional borrowing required to complete the civic center site infrastructure and the initial \$50,000 draw on the Crandon Blvd. improvement project.

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

## **Economic Factors and Next Years Budgets and Rates**

- The unemployment rate for Miami-Dade County is currently 3.9 percent, which is a decrease from a rate of 5.0 percent a year ago. This compares unfavorably to the state's average unemployment rate of 3.5 percent, but, favorably to the national average rate of 5.1 percent. All percentages are expressed as of September 30, 2005.
- The occupancy rate of the Village's retail rentals and hospitality service industry has remained stable for the past several years.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the Village of Key Biscayne's budget for the 2006 fiscal year.

## **Requests for Information**

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

---

# **BASIC FINANCIAL STATEMENTS**

---

# VILLAGE OF KEY BISCAYNE, FLORIDA

## STATEMENT OF NET ASSETS

SEPTEMBER 30, 2005

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 4,942,836	\$ 965,047	\$ 5,907,883
Receivables, net	1,366,663	351,473	1,718,136
Interest receivable	-	18,994	18,994
Prepays	409,248	-	409,248
Internal balances	(14,067)	14,067	-
Negative net pension obligation	407,399	-	407,399
Other assets	26,303	-	26,303
Restricted assets:			
Cash and cash equivalents	657,018	-	657,018
Investments	335,355	-	335,355
Capital assets not being depreciated	24,034,473	463,915	24,498,388
Capital assets being depreciated, net	33,902,318	7,873,688	41,776,006
Total assets	<u>66,067,546</u>	<u>9,687,184</u>	<u>75,754,730</u>
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	1,407,612	61,509	1,469,121
Accrued interest payable	387,319	-	387,319
Payable to pension plan	23,415	-	23,415
Unearned revenue	268,375	6,931	275,306
Noncurrent liabilities:			
Due within one year	1,717,276	18,142	1,735,418
Due in more than one year	31,349,443	6,387,617	37,737,060
Total liabilities	<u>35,153,440</u>	<u>6,474,199</u>	<u>41,627,639</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	26,284,600	1,931,844	28,216,444
Restricted for law enforcement	326,826	-	326,826
Unrestricted	4,302,680	1,281,141	5,583,821
Total net assets	<u>\$ 30,914,106</u>	<u>\$ 3,212,985</u>	<u>\$ 34,127,091</u>

See notes to basic financial statements.

# VILLAGE OF KEY BISCAWAYNE, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2005

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Improvements</u>	<u>Civic Center</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$ 13,360,251	\$ -	\$ -	\$ -	\$ 13,360,251
Utility taxes	1,488,002	-	-	-	1,488,002
Communications Services tax	746,400	-	-	-	746,400
Franchise fees	705,810	-	-	-	705,810
Licenses and permits	1,040,130	-	-	-	1,040,130
Intergovernmental	1,140,599	355,348	-	-	1,495,947
Charges for services	1,867,362	-	-	-	1,867,362
Interest	240,779	9,926	3,517	1,389	255,611
Grants	650,679	-	-	-	650,679
Other	-	281,657	-	-	281,657
Total revenues	<u>21,240,012</u>	<u>646,931</u>	<u>3,517</u>	<u>1,389</u>	<u>21,891,849</u>
Expenditures:					
Current:					
General government	2,136,375	-	-	-	2,136,375
Fire	4,749,407	-	-	-	4,749,407
Police	4,605,148	-	-	-	4,605,148
Public works	2,183,774	-	-	-	2,183,774
Building, zoning and planning	1,238,376	-	-	-	1,238,376
Parks and recreation	2,193,633	-	-	-	2,193,633
Capital outlay	-	1,849,014	1,274,722	1,404,262	4,527,998
Debt service:					
Principal	1,161,298	-	-	-	1,161,298
Interest and fiscal charges	1,300,596	-	-	-	1,300,596
Total expenditures	<u>19,568,607</u>	<u>1,849,014</u>	<u>1,274,722</u>	<u>1,404,262</u>	<u>24,096,605</u>
Excess (deficiency) of revenues over expenditures	<u>1,671,405</u>	<u>(1,202,083)</u>	<u>(1,271,205)</u>	<u>(1,402,873)</u>	<u>(2,204,756)</u>
Other financing sources (uses):					
Transfers in	-	-	1,245,653	-	1,245,653
Transfers out	(1,273,788)	-	-	-	(1,273,788)
Bonds issued	-	50,000	-	2,800,000	2,850,000
Capital lease proceeds	404,471	-	-	-	404,471
Total other financing sources (uses)	<u>(869,317)</u>	<u>50,000</u>	<u>1,245,653</u>	<u>2,800,000</u>	<u>3,226,336</u>
Net change in fund balances	802,088	(1,152,083)	(25,552)	1,397,127	1,021,580
Fund balances (deficit), beginning	<u>4,952,189</u>	<u>513,862</u>	<u>905,758</u>	<u>(1,395,738)</u>	<u>4,976,071</u>
Fund balances (deficit), ending	<u>\$ 5,754,277</u>	<u>\$ (638,221)</u>	<u>\$ 880,206</u>	<u>\$ 1,389</u>	<u>\$ 5,997,651</u>

See notes to basic financial statements.

# VILLAGE OF KEY BISCAYNE, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2005

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) \$1,021,580

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

The details of the difference are as follows:

Capital outlay	\$5,770,620	
Depreciation expense	<u>(1,676,790)</u>	
Net adjustment		4,093,830

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

The detail of the differences are as follows:

Debt payments	1,461,903	
2004 and 2005 revenue bonds issued	(2,850,000)	
Capital lease proceeds	<u>(1,099,202)</u>	
Net adjustment		(2,487,299)

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	(285,112)	
Accrued interest expense	(4,787)	
Negative net pension obligation	<u>25,082</u>	
		<u>(264,817)</u>

Change in net assets of governmental activities (Page 12) \$2,363,294

See notes to basic financial statements.

# VILLAGE OF KEY BISCAYNE, FLORIDA

## STATEMENT OF NET ASSETS PROPRIETARY FUNDS

SEPTEMBER 30, 2005

	<u>Business-type Activities -</u>		
	<u>Enterprise Funds</u>		
	Stormwater		
	Utility	Nonmajor	
<u>ASSETS</u>	<u>System</u>	<u>Funds</u>	<u>Totals</u>
Current assets:			
Cash and cash equivalents	\$ 839,912	\$ 125,135	\$ 965,047
Accounts receivables, net	129,765	221,708	351,473
Interest receivable	18,994	-	18,994
Due from other fund	14,467	-	14,467
Total current assets	<u>1,003,138</u>	<u>346,843</u>	<u>1,349,981</u>
Noncurrent assets:			
Capital assets not being depreciated	-	463,915	463,915
Capital assets being depreciated, net	7,873,688	-	7,873,688
Total noncurrent assets	<u>7,873,688</u>	<u>463,915</u>	<u>8,337,603</u>
Total assets	<u>8,876,826</u>	<u>810,758</u>	<u>9,687,584</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable and accrued liabilities	14,023	47,486	61,509
Due to other funds	-	400	400
Deferred revenue	-	6,932	6,932
Current portion of revenue bonds payable	-	18,142	18,142
Total current liabilities	<u>14,023</u>	<u>72,960</u>	<u>86,983</u>
Noncurrent liabilities:			
Revenue bonds	6,010,000	-	6,010,000
Revolving loan	-	377,617	377,617
Total noncurrent liabilities	<u>6,010,000</u>	<u>377,617</u>	<u>6,387,617</u>
Total liabilities	<u>6,024,023</u>	<u>450,577</u>	<u>6,474,600</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	1,863,688	68,156	1,931,844
Unrestricted	989,115	292,026	1,281,141
Total net assets	<u>\$2,852,803</u>	<u>\$ 360,182</u>	<u>\$ 3,212,985</u>

See notes to basic financial statements.

# VILLAGE OF KEY BISCAYNE, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2005

	<u>Business-type Activities -</u>		
	<u>Enterprise Funds</u>		
	Stormwater		
	Utility	Nonmajor	
	<u>System</u>	<u>Funds</u>	<u>Totals</u>
Operating revenues:			
Charges for services	\$ 518,812	\$ 533,632	\$ 1,052,444
Operating expenses:			
General and administrative	181,044	466,162	647,206
Depreciation	273,919	-	273,919
Total operating expenses	<u>454,963</u>	<u>466,162</u>	<u>921,125</u>
Operating income	<u>63,849</u>	<u>67,470</u>	<u>131,319</u>
Non-operating revenues (expenses):			
Interest income	32,748	8,302	41,050
Interest expense	-	(10,261)	(10,261)
Total non-operating revenues (expenses)	<u>32,748</u>	<u>(1,959)</u>	<u>30,789</u>
Income before transfers	96,597	65,511	162,108
Transfers in	<u>-</u>	<u>28,135</u>	<u>28,135</u>
Change in net assets	96,597	93,646	190,243
Net assets, beginning	<u>2,756,206</u>	<u>266,536</u>	<u>3,022,742</u>
Net assets, ending	<u>\$ 2,852,803</u>	<u>\$ 360,182</u>	<u>\$ 3,212,985</u>

See notes to basic financial statements.

# VILLAGE OF KEY BISCAIYNE, FLORIDA

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2005

	<u>Business-type Activities -</u>		
	<u>Enterprise Funds</u>		
	Stormwater Utility <u>System</u>	Nonmajor Funds	<u>Totals</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 518,812	\$503,128	\$1,021,940
Payments to suppliers	<u>(701,001)</u>	<u>(466,349)</u>	<u>(1,167,350)</u>
Net cash provided (used) by operating activities	<u>(182,189)</u>	<u>36,779</u>	<u>(145,410)</u>
Cash flows from non-capital financing activities:			
Transfers from other funds	<u>-</u>	<u>28,135</u>	<u>28,135</u>
Net cash provided by non-capital financing activities	<u>-</u>	<u>28,135</u>	<u>28,135</u>
Cash flows from capital and related financing activities:			
Net payments on revolving loan	(420,000)	(17,686)	(437,686)
Interest paid	<u>-</u>	<u>(10,261)</u>	<u>(10,261)</u>
Net cash used by capital and related financing activities	<u>(420,000)</u>	<u>(27,947)</u>	<u>(447,947)</u>
Cash flows from investing activities:			
Interest received	<u>32,750</u>	<u>8,300</u>	<u>41,050</u>
Net cash provided by investing activities	<u>32,750</u>	<u>8,300</u>	<u>41,050</u>
Net increase (decrease) in cash and cash equivalents	(569,439)	45,267	(524,172)
Cash and cash equivalents, beginning	<u>1,409,351</u>	<u>79,868</u>	<u>1,489,219</u>
Cash and cash equivalents, ending	<u>\$ 839,912</u>	<u>\$125,135</u>	<u>\$ 965,047</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	<u>\$ 63,849</u>	<u>\$ 67,470</u>	<u>\$ 131,319</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	273,919	-	273,919
Changes in operating assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	(32,882)	(104,630)	(137,512)
Interest receivable	(5,833)	-	(5,833)
Due from other funds	(14,468)	24,011	9,543
Increase (decrease) in:			
Accounts payable	(330,172)	42,595	(287,577)
Deferred revenue	-	6,933	6,933
Due to other funds	<u>(136,602)</u>	<u>400</u>	<u>(136,202)</u>
Total adjustments	<u>(246,038)</u>	<u>(30,691)</u>	<u>(276,729)</u>
Net cash provided (used) by operating activities	<u>\$ (182,189)</u>	<u>\$ 36,779</u>	<u>\$ (145,410)</u>

See notes to basic financial statements.

# VILLAGE OF KEY BISCAYNE, FLORIDA

## STATEMENT OF FIDUCIARY NET ASSETS PENSION TRUST FUND

SEPTEMBER 30, 2005

### ASSETS

Contributions receivable:	
Village (including State)	\$ 441,293
Employees	<u>23,415</u>
Total contributions receivable	<u>464,708</u>
Investments, at fair value:	
Money market funds	92,275
Common stocks	2,811,276
Mutual funds	<u>2,742,731</u>
Total investments	<u>5,646,282</u>
Total assets	6,110,990

### LIABILITIES AND NET ASSETS

Liabilities	<u>-</u>
Net assets held in trust for pension benefits	<u>\$6,110,990</u>

See notes to basic financial statements.

**VILLAGE OF KEY BISCAYNE, FLORIDA**  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 PENSION TRUST FUND  
 FISCAL YEAR ENDED SEPTEMBER 30, 2005

ADDITIONS

Contributions:

Plan members	\$ 520,857
Village (including State)	<u>893,859</u>
Total contributions	<u>1,414,716</u>

Investment earnings:

Net increase in the fair value of investments	440,974
Interest and dividends	<u>59,054</u>
Total investments earnings	<u>500,028</u>
Total additions	<u>1,914,744</u>

DEDUCTIONS

Benefits paid	225,259
Administrative expenses	<u>65,849</u>
Total deductions	<u>291,108</u>

Change in net assets	1,623,636
Net assets, beginning	<u>4,487,354</u>
Net assets, ending	<u>\$6,110,990</u>

See notes to basic financial statements.

---

**NOTES TO BASIC FINANCIAL STATEMENTS**

---

# VILLAGE OF KEY BISCAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2005

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

#### A. Financial Reporting Entity

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

#### B. Government-Wide and Fund Financial Statements

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

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

# VILLAGE OF KEY BISCAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

# VILLAGE OF KEY BISCAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Village reports the following major governmental funds:

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

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

The *Civic Center Fund* accounts for the construction of the Village's civic center which includes administrative offices, fire and police facilities and a community center.

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

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

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

Additionally, the Village reports the following fund types:

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

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

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

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

# VILLAGE OF KEY BISCAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

#### D. Assets, Liabilities, and Net Assets or Equity

##### 1. Deposits and Investments

The Village's cash and cash equivalents include cash on hand, and certificates of deposit with original maturities of three months or less from the date of acquisition and investments with the State Board Investment Pool. The Investment Pool is recorded at its value of the pool shares (2A-7 Pool) which is fair value. All other investments, including pension investments, are recorded at fair value. Fair value is determined by quoted market prices.

##### 2. Receivables and Payables

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

##### 3. Capital assets

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

# VILLAGE OF KEY BISCAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

##### 3. Capital assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed. No such costs were capitalized in 2005.

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

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

##### 4. Compensated absences

It is the Village's policy to permit employees to accumulate within certain limits, earned but unused vacation time and sick leave, which will be paid to employees upon separation from Village service. All vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. In the governmental funds, a liability is recorded only for vacation and sick leave payouts for employee separations that occurred prior to September 30, 2005 and were subsequently paid with current available financial resources.

##### 5. Long-term obligations

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

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

# VILLAGE OF KEY BISCAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

##### 5. Long-Term Obligations (Continued)

are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

##### 6. Use of Estimates

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

##### 7. Fund Equity

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

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

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of this \$33,427,735 difference are as follows:

Bonds payable	\$30,850,606
Debt issuance cost	(23,319)
Capital leases payable	798,598
Compensated absences	1,417,515
Accrued interest payable	384,335
	<u>\$33,427,735</u>

# VILLAGE OF KEY BISCAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### NOTE 3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The classification detail at which expenditures may not legally exceed appropriations is at the department level. For the year ended September 30, 2005, expenditures exceeded appropriations in the Village Attorney department by \$83,791, in the Fire Department by \$21,967, and in the Parks and Recreation Department by \$175,964, as presented in the budgetary comparison schedule following the notes to the basic financial statements. It is the policy of the Village that all related revenues generated by each department be applied to that department in determining if any department exceeds its appropriations in total. In applying all related revenues to each department for fiscal year 2005, it was determined that no function resulted in a deficit situation, except for the Village Attorney Department.

### NOTE 4. DEPOSITS AND INVESTMENTS

In March 2003, the GASB issued Statement No. 40 *Deposits and Investment Risks Disclosures* (GASB Statement No. 40), which amends GASB No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Purchase Agreements* and addresses additional risks to which governments are exposed. GASB 40 is designed to inform financial statement users about deposit and investment risks that could affect a government's ability to provide services and meet its obligations as they become due.

GASB 40 addresses common deposit and investment risks related to credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk and requires that deposit and investment policies related to the risks be disclosed, as applicable.

This statement is effective for financial statements for periods beginning after June 15, 2004, and has been adopted for the fiscal year ended September 30, 2005. The adoption of GASB 40 has resulted in changes to the form and content of the deposit and investment note to the financial statements and did not have an impact on the City's financial position and results of operations. The following disclosures represent the adoption of GASB 40:

#### *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.

# VILLAGE OF KEY BISCAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

#### *Investments*

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

The Local Government Surplus Funds Trust Fund is governed by Ch. 19-7 of the Florida Administrative Code, which identifies the Rules of the State Board of Administration (SBA). These rules provide guidance and establish the general operating procedures for the administration of the Local Government Surplus Funds Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the State Board of Administration. The Local Government Surplus Funds Trust Fund is not a registrant with the Securities and Exchange Commission (SEC); however, the Board has adopted operating procedures consistent with the requirements for a 2a-7 fund.

#### *Investments – Village*

As of September 30, 2005, 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>\$3,530,334</u>	<u>\$3,530,334</u>

#### **Interest Rate Risk**

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

#### **Credit Risk**

State law limits investments in bonds, U.S. treasuries and agency obligations, or other evidences of indebtedness to the top ratings issued by nationally recognized statistical rating organizations (NRSRO) of the United States. The Village's repurchase agreements are collateralized by U.S. agency obligations and were all rated AAA under Standard & Poor's ratings and AAA under Moody's ratings. Excess funds are also sent to the Local Government Surplus Funds Trust Fund administered by the SBA. The SBA does not have a rating from a NSRO.

# VILLAGE OF KEY BISCAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

#### *Investments – Village* (Continued)

##### **Concentration of Credit Risk**

As of September 30, 2005, the value of each position held in the Village's portfolio comprised less than 5% of the Village investment assets.

#### *Investments – Pension Plan*

As of September 30, 2005, the Village's Defined Benefit Pension Plan had the following investments with its corresponding maturities in its portfolio:

<u>Investments</u>	<u>Investment Maturities (In Years)</u>			
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>
Bond mutual funds	<u>\$1,563,739</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,563,739</u>

##### **Interest Rate Risk**

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

##### **Credit Risk**

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

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

##### **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, 2005, the value of each position held in the Plan's portfolio comprised less than 5% of Plan investment assets.

# VILLAGE OF KEY BISCAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

#### *Risks and Uncertainties*

The Plan has investments in a combination of stocks, bonds, government securities and other investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect balances and the amounts reported in the statement of plan net assets and the statement of changes in plan net assets. The Plan, through its investment advisors, monitors the Plan's investments and the risks associated therewith on a regular basis, which the Plan believes minimizes these risks.

### NOTE 5. RECEIVABLES

Receivables as of September 30, 2005 for the Village's individual major funds, nonmajor funds and fiduciary fund in the aggregate, including the allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Storm- water</u>	<u>Nonmajor Funds</u>	<u>Pension Trust Fund</u>	<u>Total</u>
Customers billed	\$ -	\$ 129,765	\$ 241,595	\$ -	\$ 371,360
Contributions			-	464,708	464,708
Property taxes	146,903	-	-	-	146,903
Interest		18,994			18,994
Intergovernmental	940,170	-	86,500	-	1,026,670
Other	189,354	-	-	-	189,354
Gross receivables	<u>1,276,427</u>	<u>148,759</u>	<u>328,095</u>	<u>464,708</u>	<u>2,217,989</u>
Less allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>(19,887)</u>	<u>-</u>	<u>(19,887)</u>
Net total receivables	<u>\$1,276,427</u>	<u>\$ 148,759</u>	<u>\$ 308,208</u>	<u>\$ 464,708</u>	<u>\$2,198,102</u>

### NOTE 6. 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.

# VILLAGE OF KEY BISCAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

**NOTE 6. PROPERTY TAXES (Continued)**

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, 2005, there were no material delinquent taxes.

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

The composition of interfund balances as of September 30, 2005 is as follows:

Due from/to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special revenue	\$1,136,969
	Capital improvement	384,312
	Clearing	2,159
Special revenue	General Fund	58,989
	Civic center	50,000
Stormwater utility	General Fund	14,067
	Solid waste	400
		<u>\$1,646,896</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>Capital Improvement</u>	<u>Nonmajor Business-type</u>	
Transfers out:			
General fund	<u>\$ 1,245,653</u>	<u>\$ 28,135</u>	<u>\$1,273,788</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

(Continued)

### NOTE 8. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 21,833,837	\$ -	\$ -	\$ 21,833,837
Construction in progress	<u>10,101,484</u>	<u>2,200,636</u>	<u>(10,101,484)</u>	<u>2,200,636</u>
Total capital assets, not being depreciated	<u>31,935,321</u>	<u>2,200,636</u>	<u>(10,101,484)</u>	<u>24,034,473</u>
Capital assets, being depreciated:				
Buildings	12,517,211	11,210,111	-	23,727,322
Improvements other than buildings	11,269,398	662,903	-	11,932,301
Furniture, fixtures and equipment	<u>3,419,829</u>	<u>1,149,241</u>	<u>(47,224)</u>	<u>4,521,846</u>
Total capital assets, being depreciated	<u>27,206,438</u>	<u>13,022,255</u>	<u>(47,224)</u>	<u>40,181,469</u>
Less accumulated depreciation for:				
Buildings	(509,357)	(949,092)	-	(1,458,449)
Improvements other than buildings	(2,433,686)	(255,890)	-	(2,689,576)
Furniture, fixtures and equipment	<u>(1,665,395)</u>	<u>(471,808)</u>	<u>6,077</u>	<u>(2,131,126)</u>
Total accumulated depreciation	<u>(4,608,438)</u>	<u>(1,676,790)</u>	<u>6,077</u>	<u>(6,279,151)</u>
Total capital assets, being depreciated, net	<u>22,816,006</u>	<u>11,345,465</u>	<u>(41,147)</u>	<u>33,902,318</u>
Governmental activities capital assets, net	<u>\$ 54,751,327</u>	<u>\$ 13,546,101</u>	<u>\$ (10,142,631)</u>	<u>\$ 57,936,791</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ 463,915	\$ -	\$ -	\$ 463,915
Total capital assets, not being depreciated	<u>463,915</u>	<u>-</u>	<u>-</u>	<u>463,915</u>
Capital assets, being depreciated:				
Stormwater utility system	<u>10,056,660</u>	<u>-</u>	<u>-</u>	<u>10,056,660</u>
Total capital assets, being depreciated	<u>10,056,660</u>	<u>-</u>	<u>-</u>	<u>10,056,660</u>
Less accumulated depreciation for:				
Stormwater utility system	<u>(1,909,053)</u>	<u>(273,919)</u>	<u>-</u>	<u>(2,182,972)</u>
Total accumulated depreciation	<u>(1,909,053)</u>	<u>(273,919)</u>	<u>-</u>	<u>(2,182,972)</u>
Total capital assets, being depreciated, net	<u>8,147,607</u>	<u>(273,919)</u>	<u>-</u>	<u>7,873,688</u>
Business-type activities capital assets, net	<u>\$ 8,611,522</u>	<u>\$ (273,919)</u>	<u>\$ -</u>	<u>\$ 8,337,603</u>

# VILLAGE OF KEY BISCAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 8. CAPITAL ASSETS (Continued)

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

Governmental activities:

General government	\$ 526,243
Police	323,910
Fire	371,815
Public works	5,899
Building, zoning and planning	8,392
Parks	<u>440,531</u>
Total depreciation expenses - governmental activities	<u>\$ 1,676,790</u>

Business-type activities:

Stormwater	<u>\$ 273,919</u>
------------	-------------------

### 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, 2005:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Bonds payable:					
Land acquisition and capital improvement revenue bonds, Series 1999	\$ 9,270,000	\$ -	\$ (390,000)	\$ 8,880,000	\$ 410,000
Land acquisition and capital improvement revenue bonds, Series 2000	10,000,000	-	(380,000)	9,620,000	400,000
Capital improvement bonds, Series 2002	9,894,892	-	(394,286)	9,500,606	405,523
Land acquisition and capital improvement revenue bonds, Series 2004	-	2,800,000	-	2,800,000	144,449
Transportation tax revenue bonds, Series 2005	-	50,000	-	50,000	625
Total bonds payable	<u>29,164,892</u>	<u>2,850,000</u>	<u>(1,164,286)</u>	<u>30,850,606</u>	<u>1,360,597</u>
Other liabilities:					
Capital leases	691,744 (1)	404,471	(297,617)	798,598	214,928
Compensated absences	<u>1,132,403</u>	<u>318,648</u>	<u>(33,536)</u>	<u>1,417,515</u>	<u>141,751</u>
Total other liabilities	<u>1,824,147</u>	<u>723,119</u>	<u>(331,153)</u>	<u>2,216,113</u>	<u>356,679</u>
Governmental activities long-term liabilities	<u>\$ 30,989,039</u>	<u>\$ 3,573,119</u>	<u>\$ (1,495,439)</u>	<u>\$ 33,066,719</u>	<u>\$ 1,717,276</u>

(1) The beginning balance does not agree with the ending balance indicated in the Comprehensive Annual Financial Report for the fiscal year ended September 30, 2004 as a result of a prior period adjustment relating to the capital lease not being recorded in prior year.

# VILLAGE OF KEY BISCAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### NOTE 9. LONG-TERM DEBT (Continued)

#### *Land Acquisition and Capital Improvement Revenue Bonds*

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

Debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2006	\$ 410,000	\$ 409,026	\$ 819,026
2007	430,000	389,223	819,223
2008	455,000	368,359	823,359
2009	475,000	346,435	821,435
2010	500,000	323,449	823,449
2011-2015	2,905,000	2,281,454	5,186,454
2016-2020	<u>3,705,000</u>	<u>453,701</u>	<u>4,158,701</u>
	<u>\$8,880,000</u>	<u>\$4,571,648</u>	<u>\$13,451,648</u>

#### *Capital Improvement Revenue Bonds*

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

Debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2006	\$ 400,000	\$ 493,608	\$ 893,608
2007	420,000	472,124	892,124
2008	440,000	449,592	889,592
2009	465,000	425,881	890,881
2010	490,000	400,860	890,860
2011-2015	2,855,000	1,581,301	4,436,301
2016-2020	3,690,000	728,360	4,418,360
2021	<u>860,000</u>	<u>22,532</u>	<u>882,532</u>
	<u>\$9,620,000</u>	<u>\$4,574,258</u>	<u>\$14,194,258</u>

# VILLAGE OF KEY BISCAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### NOTE 9. LONG-TERM DEBT (Continued)

#### *Capital Improvement Revenue Bonds* (Continued)

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. Interest is due quarterly at a rate of 3.95% up to November 1, 2012. From November 1, 2012 to maturity, the interest rate will become a variable rate based on certain indices.

Debt service to maturity is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2006	\$ 405,523	\$ 335,653	\$ 741,176
2007	420,279	320,898	741,177
2008	435,571	305,605	741,176
2009	451,420	289,756	741,176
2010	467,860	273,339	741,199
2011-2015	2,607,384	1,098,610	3,705,994
2016-2020	3,117,548	588,447	3,705,995
2021-2022	1,595,021	72,440	1,667,461
	<u>\$9,500,606</u>	<u>\$3,284,748</u>	<u>\$12,785,354</u>

#### *Land Acquisition and Capital Improvement Revenue Bonds*

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

Debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2006	\$ 144,449	\$ 103,681	\$ 248,130
2007	120,579	99,206	219,785
2008	125,226	94,559	219,785
2009	130,053	89,732	219,785
2010	135,066	84,719	219,785
2011-2015	757,554	341,371	1,098,925
2016-2020	915,250	183,674	1,098,924
2021-2023	471,823	22,694	494,517
	<u>\$2,800,000</u>	<u>\$1,019,636</u>	<u>\$3,819,636</u>

# VILLAGE OF KEY BISCAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 9. LONG-TERM DEBT (Continued)

#### *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. The entire \$3,500,000 is expected to be advanced by June 30, 2006. As of September 30, 2005, \$50,000 had been drawn. The bonds mature on July 1, 2025. The bonds are due in quarterly principal installments. Interest accrues at 4.09% per annum.

Debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2006	\$ 625	\$ 1,977	\$ 2,602
2007	2,500	1,981	4,481
2008	2,500	1,879	4,379
2009	2,500	1,777	4,277
2010	2,500	1,674	4,174
2011-2015	12,500	6,838	19,338
2016-2020	12,500	4,282	16,782
2021-2025	12,500	1,725	14,225
2026	<u>1,875</u>	<u>38</u>	<u>1,913</u>
	<u>\$ 50,000</u>	<u>\$ 22,171</u>	<u>\$ 72,171</u>

#### *Capital Leases*

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

On December 15, 2004, the Village entered into a Master Lease agreement for financing the acquisition of Village vehicles and equipment for the Police Department with a fair value of \$378,413. The amount of the lease obligation is \$380,726 and final payment is due on December 15, 2007. Lease payments are due annually. Interest accrues at 3.85% 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 amount of the lease obligation is \$23,744 and final payment is due on January 10, 2009. Lease payments are due annually. Interest accrues at 4.20% per annum.

# VILLAGE OF KEY BISCAIYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 9. LONG-TERM DEBT (Continued)

#### *Capital Leases* (Continued)

The future minimum lease obligations and the net present value of the minimum lease payments as of September 30, 2005 were as follows:

Fiscal year ending September 30:	
2006	\$ 209,781
2007	214,928
2008	214,928
2009	114,287
2010	<u>114,287</u>
Total minimum lease payments	868,211
Less: amount representing interest	<u>(69,613)</u>
Present value of minimum lease payments	<u>\$ 798,598</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, 2005:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type Activities</b>					
Bonds and loan payable:					
Stormwater utility revenue bonds	\$ 6,430,000	\$ -	\$ (420,000)	\$ 6,010,000	\$ -
Revolving loan	<u>413,444</u>	<u>-</u>	<u>(17,686)</u>	<u>395,758</u>	<u>18,142</u>
Total bonds and loan payable	<u>6,843,444</u>	<u>-</u>	<u>(437,686)</u>	<u>6,405,758</u>	<u>18,142</u>
Business-type activities:					
Long-term liabilities	<u>\$ 6,843,444</u>	<u>\$ -</u>	<u>\$ (437,686)</u>	<u>\$ 6,405,758</u>	<u>\$ 18,142</u>

#### *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 to secure payment of the principal and interest on the bonds. The bonds are due in annual principal installments on October 1<sup>st</sup>. Interest accrues at 4.13% per annum.

# VILLAGE OF KEY BISCAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 9. LONG-TERM DEBT (Continued)

#### *Stormwater Utility 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:			
2006	\$ - (1)	\$ -	\$ -
2007	225,000	248,213	473,213
2008	235,000	238,921	473,921
2009	350,000	229,215	579,215
2010	365,000	214,760	579,760
2011-2015	2,125,000	831,163	2,956,163
2016-2020	<u>2,710,000</u>	<u>346,714</u>	<u>3,056,714</u>
	<u>\$6,010,000</u>	<u>\$2,108,985</u>	<u>\$8,118,985</u>

(1) Debt service requirement for the fiscal year 2006 was paid in 2005.

#### *Revolving Loan*

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2006	\$ 18,142	\$ 9,993	\$ 28,135
2007	18,609	9,525	28,134
2008	19,088	9,046	28,134
2009	19,580	8,554	28,134
2010	20,084	8,050	28,134
2011-2015	108,457	32,213	140,670
2016-2020	123,167	17,503	140,670
2021-2022	<u>68,631</u>	<u>2,622</u>	<u>71,253</u>
	<u>\$395,758</u>	<u>\$97,506</u>	<u>\$493,264</u>

### NOTE 10. COMMITMENTS AND CONTINGENCIES

#### *Construction Commitments*

As of September 30, 2005, the Village had outstanding construction commitments of approximately \$4,508,000 to complete the Phase II of the Crandon Boulevard project.

# VILLAGE OF KEY BISCAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### NOTE 10. COMMITMENTS AND CONTINGENCIES (Continued)

#### *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.

#### *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.

#### *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.

### NOTE 11. RESERVED/DESIGNATED FUND BALANCES

As of September 30, 2005, fund balances in the general fund have been reserved for the following purposes:

Prepays	\$ 204,248
Special disaster relief	13,192
Law enforcement services	326,826
Compensated absences	334,644
Police/Administration building maintenance	25,000
Fire Station building maintenance	25,000
Community Center equipment	50,000
Master Plan initiatives	500,000
Fire vehicle replacements	50,000
Playing fields	456,403
Emergencies	2,489,493
Capital lease	404,471
Working capital	600,000
Inspector fees	275,000
	<u>\$ 5,754,277</u>

# VILLAGE OF KEY BISCAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 11. RESERVED/DESIGNATED FUND BALANCES (Continued)

The Special Revenue Fund has a deficit fund balance of \$638,221 which will be funded from the General Fund.

### NOTE 12. DEFINED CONTRIBUTION PLANS

The Village as a single-employer contributes to the Village of Key Biscayne Money Purchase Plans, which are defined contribution plans created in accordance with Internal Revenue Code Section 401(a). Under one Plan, which is available to Village employees, the Village contributes 12% and the employees contribute 6%. Under the second plan, which is available only to sworn or certified police officers and firefighters, the Village contributes 12% and there is no employee contribution. Beginning October 1, 1997, the police officers and firefighters, which elected to participate in the defined benefit pension plan (see Note 13), were no longer eligible to contribute to the 401(a) plan. Employer contributions for the fiscal year ended September 30, 2005 were \$359,900 while the employee contributions were \$118,404. Amendments to the Plan must be authorized by the Village Council.

### NOTE 13. 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, 2004. 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.

Administrative costs of the plan are financed through investment earnings. Benefits are recorded when paid.

# VILLAGE OF KEY BISCAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### NOTE 13. DEFINED BENEFIT PENSION PLAN (Continued)

#### *Plan Description* (Continued)

At October 1, 2004 (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>11</u>
Current employees:	
Vested	29
Non-vested	<u>37</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 participant contribution rate for the year ended September 20, 2005 was 10.5%. The minimum participant contribution rate is 9% of base salary. This funding policy is designed to limit the Village's exposure to contribute to the Plan.

#### *Annual Pension Cost and Net Pension Obligation*

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

Annual required contribution	\$ 596,741
Interest on net pension obligation (asset)	(13,495)
Adjustment to annual required contribution	<u>17,806</u>
Annual pension cost	601,052
Contributions made	<u>626,134</u>
Increase in net pension obligation (asset)	(25,082)
Net pension obligation (asset), beginning of year	<u>(382,317)</u>
Net pension obligation (asset), end of year	<u>\$ (407,399)</u>

# VILLAGE OF KEY BISCAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 13. DEFINED BENEFIT PENSION PLAN (Continued)

#### *Annual Pension Cost and Net Pension Obligation (Continued)*

The annual required contribution for the current year was determined as part of the October 1, 2004 actuarial valuation using the aggregate actuarial cost method. This method does not identify and separately amortize unfunded actuarial liabilities. When a plan uses the aggregate actuarial cost method, a schedule of funding progress is not required to be presented. The actuarial assumptions included (a) 9% investment rate of return (net of investment related expenses) and (b) projected salary increases of 6% per year. Both (a) and (b) included an inflation component of 4%. The actuarial value of assets was determined using the difference between actual and expected return recognized over five years.

Fiscal Year <u>Ended</u>	Trend Information		Net Pension Obligation <u>(Asset)</u>
	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	
9/30/2003	\$ 465,562	129.0%	\$ (325,867)
9/30/2004	517,715	110.9%	(382,317)
9/30/2005	601,052	104.2%	(407,399)

### NOTE 14. PRIOR PERIOD ADJUSTMENT

The Village entered into a Master Lease Agreement (a capital lease) for financing the acquisition of vehicles and equipment for the Fire-Rescue Department in fiscal year 2003 which was not recorded. Accordingly, a prior period adjustment in the amount of \$691,744 was recorded to reflect this capital lease obligation. The Statement of Activities reflects the restatement of beginning net assets that would have been reported had the transaction been recorded in the proper period. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds is not affected by the prior period adjustment as debt obligations are not reported in governmental funds.

---

**REQUIRED SUPPLEMENTARY INFORMATION**

---

# VILLAGE OF KEY BISCAYNE, FLORIDA

## REQUIRED SUPPLEMENTARY INFORMATION

### BUDGETARY COMPARISON SCHEDULE

#### GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>with Final</u> <u>Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
<b>Revenues:</b>				
Property taxes	\$ 13,275,737	\$ 13,275,737	\$ 13,360,251	\$ 84,514
Utility taxes	2,122,500	2,122,500	2,234,402	111,902
Franchise fees	688,600	688,600	705,810	17,210
Licenses and permits	964,922	964,922	1,040,130	75,208
Intergovernmental	997,500	997,500	1,140,599	143,099
Charges for services	1,048,245	1,048,245	1,867,362	819,117
Grants	7,500	7,500	650,679	643,179
Interest	58,000	58,000	240,779	182,779
Total revenues	19,163,004	19,163,004	21,240,012	2,077,008
<b>Expenditures:</b>				
Current:				
General government:				
Elected officials	222,383	222,383	222,383	-
Village Clerk	344,699	344,699	299,129	45,570
Administration	1,232,400	1,232,400	1,198,071	34,329
Village Attorney	333,000	333,000	416,791	(83,791)
Total general government	2,132,482	2,132,482	2,136,374	(3,892)
Public safety:				
Police	4,238,184	4,238,184	4,200,677	37,507
Fire	4,727,440	4,727,440	4,749,407	(21,967)
Total public safety	8,965,624	8,965,624	8,950,084	15,540
Public works	2,181,657	2,181,657	2,183,774	(2,117)
Building, zoning and planning	1,322,119	1,322,119	1,238,376	83,743
Parks and recreation	2,017,669	2,017,669	2,193,633	(175,964)
Debt service:				
Principal	1,179,198	1,179,198	1,161,298	17,900
Interest and fiscal charges	1,400,593	1,400,593	1,300,596	99,997
Total expenditures	19,199,342	19,199,342	19,164,135	35,207
Excess (deficiency) of revenues over expenditures	(36,338)	(36,338)	2,075,877	2,112,215
<b>Other financing uses:</b>				
Appropriation of prior years' fund balance	1,086,338	1,086,338	-	(1,086,338)
Transfers out	(1,050,000)	(1,050,000)	(1,273,788)	(223,788)
Total other financing uses	36,338	36,338	(1,273,788)	(1,310,126)
Net change in fund balances	\$ -	\$ -	\$ 802,089	\$ 802,089

See note to budgetary comparison schedule.

# VILLAGE OF KEY BISCAYNE, FLORIDA

## REQUIRED SUPPLEMENTARY INFORMATION

### NOTE TO BUDGETARY COMPARISON SCHEDULE

FISCAL YEAR ENDED SEPTEMBER 30, 2005

#### **NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING**

An annual appropriated budget is prepared for the general fund.

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, 2005, 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 and for hurricane related expenditures.
- (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, 2005.
- (i) Excess of expenditures over appropriations are described in the notes to the basic financial statements.
- (j) The original and final budgeted amounts include prior year appropriations which were reserved but not reappropriated during the current year.

# VILLAGE OF KEY BISCAYNE, FLORIDA

## REQUIRED SUPPLEMENTARY INFORMATION PENSION TRUST FUND

### SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended September 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2000	\$ 2,626	0%
2001	45,199	296%
2002	377,777	88%
2003	465,562	100%
2004	515,437	111%
2005	596,741	99%

The information presented in the required supplemental schedule was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows. Since the Plan uses the aggregate actuarial cost method, a schedule of funding progress is not required and has not been provided.

Valuation date	10/1/04
Actuarial cost method	Aggregate
Amortization method	N/A
Remaining amortization	N/A
Asset valuation method	5 year Smoothed Market value
Actuarial assumptions:	
Investment rate of return*	9% per year compounded annually, net of investment related expenses
Projected salary increases*	6%
Cost of living adjustments	N/A

\*Includes inflation at 4%



---

## **COMBINING STATEMENTS**

---

**VILLAGE OF KEY BISCAYNE, FLORIDA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR ENTERPRISE FUNDS**  
**SEPTEMBER 30, 2005**

	<u>Solid Waste</u>	<u>Sanitary Sewer Construction</u>	<u>Total Nonmajor Enterprise Funds</u>
<b><u>ASSETS</u></b>			
Current assets:			
Cash and cash equivalents	\$ 125,135	\$ -	\$ 125,135
Accounts receivables, net	221,708	-	221,708
Total current assets	<u>346,843</u>	<u>-</u>	<u>346,843</u>
Noncurrent assets:			
Capital assets not being depreciated	-	463,915	463,915
Total noncurrent assets	<u>-</u>	<u>463,915</u>	<u>463,915</u>
Total assets	<u>346,843</u>	<u>463,915</u>	<u>810,758</u>
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Accounts payable and accrued liabilities	42,834	4,652	47,486
Due to other fund	400	-	400
Deferred revenues	6,932	-	6,932
Current portion of revolving loan	-	18,142	18,142
Total current liabilities	<u>50,166</u>	<u>22,794</u>	<u>72,960</u>
Noncurrent liabilities:			
Revolving loan	-	377,617	377,617
Total liabilities	<u>50,166</u>	<u>400,411</u>	<u>450,577</u>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	-	68,156	68,156
Unrestricted (deficit)	<u>296,677</u>	<u>(4,651)</u>	<u>292,026</u>
Total net assets	<u>\$ 296,677</u>	<u>\$ 63,505</u>	<u>\$ 360,182</u>

# VILLAGE OF KEY BISCAYNE, FLORIDA

## COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS NONMAJOR ENTERPRISE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2005

	<u>Solid Waste</u>	<u>Sanitary Sewer Construction</u>	<u>Total Nonmajor Enterprise Funds</u>
Operating revenues:			
Charges for services	\$ 533,632	\$ -	\$ 533,632
Operating expenses:			
General and administrative	<u>466,162</u>	<u>-</u>	<u>466,162</u>
Operating income	<u>67,470</u>	<u>-</u>	<u>67,470</u>
Non-operating revenues (expense):			
Interest income	8,302	-	8,302
Interest expense	<u>-</u>	<u>(10,261)</u>	<u>(10,261)</u>
Total non-operating revenues (expenses)	<u>8,302</u>	<u>(10,261)</u>	<u>(1,959)</u>
Income (loss) before transfers	75,772	(10,261)	65,511
Transfers in	<u>-</u>	<u>28,135</u>	<u>28,135</u>
Change in net assets	75,772	17,874	93,646
Net assets, beginning	<u>220,905</u>	<u>45,631</u>	<u>266,536</u>
Net assets, ending	<u>\$ 296,677</u>	<u>\$ 63,505</u>	<u>\$ 360,182</u>

# VILLAGE OF KEY BISCAYNE, FLORIDA

## COMBINING STATEMENTS OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2005

	<u>Solid Waste</u>	<u>Sanitary Sewer Construction</u>	<u>Total Nonmajor Enterprise Funds</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 503,128	\$ -	\$ 503,128
Payments to suppliers	<u>(466,161)</u>	<u>(188)</u>	<u>(466,349)</u>
Net cash provided (used) by operating activities	<u>36,967</u>	<u>(188)</u>	<u>36,779</u>
Cash flows from non-capital financing activities:			
Transfers from other funds	<u>-</u>	<u>28,135</u>	<u>28,135</u>
Cash flows from capital and relating financing activities:			
Net payments from revolving loan	-	(17,686)	(17,686)
Interest paid	<u>-</u>	<u>(10,261)</u>	<u>(10,261)</u>
Net cash used by capital and related financing activities	<u>-</u>	<u>(27,947)</u>	<u>(27,947)</u>
Cash flows from investing activities:			
Interest received	<u>8,300</u>	<u>-</u>	<u>8,300</u>
Net cash provided by investing activities	<u>8,300</u>	<u>-</u>	<u>8,300</u>
Net increase in cash and cash equivalents	45,267	-	45,267
Cash and cash equivalents, beginning	<u>79,868</u>	<u>-</u>	<u>79,868</u>
Cash and cash equivalents, ending	<u>\$ 125,135</u>	<u>\$ -</u>	<u>\$ 125,135</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income	<u>\$ 67,470</u>	<u>\$ -</u>	<u>\$ 67,470</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Changes in operating assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	(104,630)	-	(104,630)
Due from other funds	24,011	-	24,011
Increase (decrease) in:			
Accounts payable	42,782	(187)	42,595
Due to other funds	400	-	400
Deferred revenues	<u>6,933</u>	<u>-</u>	<u>6,933</u>
Total adjustments	<u>(30,504)</u>	<u>(187)</u>	<u>(30,691)</u>
Net cash provided (used) by operating activities	<u>\$ 36,966</u>	<u>\$ (187)</u>	<u>\$ 36,779</u>



---

## **STATISTICAL SECTION**

---

**VILLAGE OF KEY BISCAYNE, FLORIDA**  
 GOVERNMENT-WIDE EXPENSES BY FUNCTION  
 LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities					Business-type Activities					
	General Government	Public Works	Police	Fire	Parks and Recreation	Building, Zoning and Planning	Interest on Long-Term Debt	Stormwater	Solid Waste	Sanitary Sewer	Total
2003	\$5,691,379	\$ 963,676	\$4,787,090	\$4,821,645	\$ 826,695	\$1,252,012	\$1,064,028	\$ 634,361	\$273,076	\$6,288	\$20,320,250
2004	3,614,636	1,103,940	4,311,449	4,738,402	1,013,741	1,220,180	1,487,245	971,081	259,173	15,732	18,735,579
2005	2,914,734	2,189,673	4,373,145	4,867,525	2,614,785	1,235,175	1,305,383	454,963	466,162	10,261	20,431,806

(1) Information for fiscal year end 1994 - 2002 is unavailable in this format.

**VILLAGE OF KEY BISCAYNE, FLORIDA**  
**GENERAL GOVERNMENTAL REVENUES BY SOURCE**  
**LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Licenses and Permits</u>	<u>Inter-Governmental</u>	<u>Utility Taxes</u>	<u>Franchise Fees</u>	<u>Other (1)</u>	<u>Interest</u>	<u>Total</u>
1996	\$ 6,486,019	\$ 430,208	\$ 791,403	\$ 1,294,486	\$ 638,096	\$ 1,495,521	\$ 280,570	\$ 11,416,303
1997	6,495,465	531,401	766,638	1,555,812	667,815	463,171	248,646	10,728,948
1998	6,963,900	1,003,768	843,812	1,514,697	709,067	392,975	233,654	11,661,873
1999	7,012,714	668,672	807,924	1,621,473	740,031	1,295,001	231,820	12,377,635
2000	7,799,633	1,316,641	889,704	1,723,902	729,998	348,552	315,959	13,124,389
2001	8,738,608	1,308,229	930,169	1,772,208	738,513	736,881	291,408	14,516,016
2002	9,569,030	859,435	971,136	2,258,931	639,072	608,012	89,838	14,995,454
2003	11,317,161	970,001	999,391	2,251,876	611,502	427,553	55,129	16,632,613
2004	12,770,711	961,100	1,031,805	2,219,118	677,203	325,651	90,294	18,075,882
2005	13,360,251	1,040,130	1,140,599	2,234,402	705,810	1,867,362	891,458	21,240,012

Note: Includes general fund only (GAAP basis).

(1) Includes charges for services, grants, contributions and other.

# VILLAGE OF KEY BISCAYNE, FLORIDA

## UTILITY TAX REVENUE BY SOURCE LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Electricity</u>	<u>Telecom- munications</u>	<u>Gas</u>	<u>Fuel Oil</u>	<u>Water</u>	<u>Total</u>
1996	\$ 888,651	\$ 199,746	\$ 37,034	\$ 3,885	\$ 165,169	\$ 1,294,485
1997	1,032,445	274,768	42,066	3,616	202,918	1,555,813
1998	989,535	288,581	36,427	3,883	196,271	1,514,697
1999	992,319	380,934	35,121	4,262	208,837	1,621,473
2000	1,000,553	454,101	52,016	2,169	215,063	1,723,902
2001	1,018,973	492,442	62,833	245	197,715	1,772,208
2002	1,097,566	904,475 (1)	52,360	318	203,612	2,258,331
2003	1,162,030	825,739	61,137	486	202,394	2,251,786
2004	1,123,288	-	75,466	80	249,647	1,448,481
2005	1,160,977	-	83,057	53	243,914	1,488,001

## FRANCHISE FEE REVENUE BY SOURCE LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Electricity</u>	<u>Cable Television</u>	<u>Telephone</u>	<u>Total</u>
1996	\$ 571,093	\$ 46,824	\$ 20,179	\$638,096
1997	578,195	62,342	27,277	667,814
1998	631,323	53,728	24,016	709,067
1999	653,799	56,997	29,235	740,031
2000	646,000	59,548	24,450	729,998
2001	678,316	67,855	37,342	783,513
2002	639,072	- (1)	- (1)	639,072
2003	611,502	-	-	611,502
2004	677,203	-	-	677,203
2005	702,735	-	-	702,735

(1) Simplified communications services tax effective October 1, 2001 replaced the utility tax and franchise fees on telecommunications and cable television

# VILLAGE OF KEY BISCAYNE, FLORIDA

## PROPERTY TAX LEVIES AND COLLECTIONS

### LAST TEN FISCAL YEARS

<u>Tax Year</u> <sup>(1)</sup>	<u>Fiscal Year</u>	<u>Assessed Value</u>	<u>Tax Levy</u>	<u>Total Collected</u> <sup>(2)</sup>	<u>Percent Collected</u>
1994	1995	\$ 1,741,921,584	\$ 7,143,620	\$ 6,820,807	95.5%
1995	1996	1,767,457,005	6,716,337	6,418,864	95.6%
1996	1997	1,861,243,132	6,711,642	6,495,465	96.8%
1997	1998	2,003,049,232	7,222,995	6,948,521	96.2%
1998	1999	2,028,174,208	7,313,596	7,012,714	95.9%
1999	2000	2,232,457,904	8,050,243	7,799,633	96.9%
2000	2001	2,499,049,161	9,011,571	8,738,608	97.0%
2001	2002	2,731,833,645	9,850,992	9,515,138	96.6%
2002	2003	3,259,919,981	11,755,271	11,317,160	96.3%
2003	2004	3,661,114,546	13,201,979	12,869,711	97.5%
2004	2005	3,875,335,514	13,974,460	13,360,251	95.6%

(1) Assessments as of January 1 of the year listed; bills mailed in October of that year; taxes become delinquent at the end of April of the subsequent year.

(2) Collections reflect timely payment discounts of up to 4% and other adjustments.

# VILLAGE OF KEY BISCAYNE, FLORIDA

## ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

### LAST TEN FISCAL YEARS

<u>Tax Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Net Assessed Property Value</u>
1996	\$1,837,939,078	\$23,304,054	\$1,861,243,132
1997	1,978,219,125	24,830,107	2,003,049,232
1998	2,004,007,700	24,166,508	2,028,174,208
1999	2,205,371,189	27,086,715	2,232,457,904
2000	2,470,115,075	28,934,086	2,499,049,161
2001	2,701,084,167	30,749,478	2,731,833,645
2002	3,227,971,184	31,948,797	3,259,919,981
2003	3,617,880,990	43,233,556	3,661,114,546
2004	3,831,467,688	43,867,688	3,875,335,376
2005	4,245,822,028	41,852,920	4,287,674,948

Source: Miami-Dade County Property Appraiser's Office

Note: Assessed values equal the estimated actual value.

# VILLAGE OF KEY BISCAYNE, FLORIDA

## PROPERTY TAX RATES DIRECT AND OVERLAPPING GOVERNMENTS

### LAST TEN FISCAL YEARS

Fiscal Year	Village Millage	Miami-Dade County			State			School District				
		Operating Millage	Debt Service Millage	Total County Millage	SFWMD Millage	FIND Millage	Total State Millage	Operating Millage	Debt Service Millage	Total School Millage	Other	Total
1996	3.606	6.469	0.774	7.243	0.572	0.038	0.610	9.356	1.010	10.366	0.439	22.264
1997	3.606	6.023	0.929	6.952	0.597	0.050	0.647	9.356	1.106	10.462	0.416	22.083
1998	3.606	6.023	0.837	6.860	0.597	0.047	0.644	9.182	0.978	10.160	0.434	21.704
1999	3.606	5.809	0.816	6.625	0.597	0.044	0.641	8.654	0.990	9.644	0.421	20.937
2000	3.606	5.751	0.652	6.403	0.597	0.041	0.638	8.702	0.915	9.617	0.451	20.715
2001	3.606	5.713	0.552	6.265	0.697	0.039	0.736	8.528	0.848	9.376	0.451	20.434
2002	3.606	5.889	0.390	6.279	0.697	0.039	0.736	8.482	0.770	9.252	0.451	20.324
2003	3.606	5.969	0.285	6.254	0.597	0.039	0.636	8.418	0.682	9.100	1.086	20.682
2004	3.606	5.935	0.285	6.220	0.597	0.039	0.636	8.090	0.597	8.687	1.030	20.179
2005	3.606	5.835	0.285	6.120	0.597	0.039	0.636	7.947	0.491	8.438	1.014	19.814

Source: Miami-Dade County Property Appraiser's Office

# VILLAGE OF KEY BISCAYNE, FLORIDA

## RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR NET BONDED DEBT TO GENERAL GOVERNMENTAL EXPENDITURES

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest (1)</u>	<u>Total Debt Service (2)</u>	<u>Total General Governmental Expenditures</u>	<u>Ratio of Debt Service to General Governmental Expenditures</u>
1996	\$ 785,000	\$ 351,089	\$1,136,089	\$ 8,746,746	13.0%
1997	820,000	315,901	1,135,901	9,494,861	12.0%
1998	855,000	277,825	1,132,825	10,034,276	11.3%
1999	895,000	241,329	1,136,329	10,843,083	10.5%
2000	935,000	595,767	1,530,767	12,074,903	12.7%
2001	975,000	631,875	1,606,875	12,574,677	12.8%
2002	1,015,000	1,420,845	2,435,845	14,497,752	16.8%
2003	1,415,000	590,737	2,005,737	15,647,703	12.8%
2004	1,583,924	1,107,696	2,691,620	16,143,204	16.7%
2005	1,161,298	1,300,596	2,461,894	19,522,481	12.6%

Note: Includes general fund only.

(1) Excludes bond issuance and other costs

(2) Debt service on revenue bonds

# VILLAGE OF KEY BISCAYNE, FLORIDA

## SCHEDULE OF DIRECT AND OVERLAPPING BONDED DEBT GENERAL OBLIGATION BONDS (IN THOUSANDS)

SEPTEMBER 30, 2005

<u>Jurisdiction</u>	<u>Taxable Property Value (1)</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to Key Biscayne</u>	<u>Amount Applicable to Key Biscayne</u>
<u>Direct:</u>				
Village of Key Biscayne	\$ 3,875,335	\$ <u>30,800</u>	100.00%	\$ <u>30,800</u>
<u>Overlapping:</u>				
Miami-Dade County	130,106,101	\$ 147,593 (2)	2.98% (3)	\$ 4,396
Miami-Dade County Schools	131,120,085	<u>127,196</u> (2)	2.96% (3)	<u>3,759</u>
		<u>\$ 274,789</u>		<u>\$ 8,155</u>

(1) Source: Miami-Dade County Property Appraiser's Office - Taxable Property Value reflects January 1, 2005 amounts.

(2) Source: Miami-Dade County Finance Department - Net General Obligation Bonded Debt outstanding figures are as of September 30, 2005.

(3) Based on the percentage of the County's and School Board's tax roll valuation comprised of real and personal property situated in the Village of Key Biscayne.

# VILLAGE OF KEY BISCAYNE, FLORIDA

## RATIO OF NET BONDED DEBT TO ASSESSED VALUE AND PER CAPITA

### LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Population</u>	<u>Assessed Value (1)</u>	<u>Net Bonded Debt (2)</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
1996	8,886	\$1,767,457,005	\$7,660,000	0.43%	\$ 862
1997	8,937	1,861,243,132	6,840,000	0.37%	765
1998	9,471	2,003,049,232	5,985,000	0.30%	632
1999	9,689	2,028,174,208	22,290,000	1.10%	2,300
2000	10,507	2,223,956,515	21,220,000	0.95%	2,190
2001	10,607	2,499,049,161	30,120,000	1.21%	2,823
2002	10,698	2,731,833,645	29,935,000	1.10%	2,798
2003	11,100	3,259,919,981	29,271,000	0.90%	2,637
2004	11,100 (3)	3,661,114,546	29,164,892	0.80%	2,627
2005	11,100	3,875,335,376	30,850,606	0.80%	2,779

(1) Net bonded assessed actual value of taxable property

(2) Net bonded debt represents revenue bonds

(3) Estimated

**VILLAGE OF KEY BISCAYNE, FLORIDA**  
PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS  
LAST TEN FISCAL YEARS

Fiscal Year	Total Permits Issued	<u>Residential</u>		<u>Commercial</u>		Total of Construction	<u>(000s Omitted)</u>	
		# of Permits	Valuation	# of Permits	Valuation		County Bank Deposits (1) (2)	Village Bank Deposits (2)
1995	2,857	2,568	\$33,820,503	289	\$ 2,099,661	\$35,920,164	\$ 17,938,762 (1)	\$ -
1996	3,171	3,060	65,318,655	111	1,231,097	66,549,752	14,561,654 (1)	-
1997	3,570	3,402	82,481,700	168	667,328	83,149,028	34,664,829 (1)	-
1998	3,002	2,879	129,200,900	106	3,176,031	132,376,931	36,659,805	347,178
1999	2,711	2,416	94,287,095	295	56,792,994	151,080,089	39,633,149	377,060
2000	1,793	1,641	85,244,371	152	9,359,770	94,604,141	38,539,107	364,973
2001	749	667	59,607,528	82	10,485,477	70,093,005	45,064,000	328,602
2002	856	769	23,206,296	87	1,101,721	24,308,017	51,297,000	311,837
2003	1,324	1,178	22,695,672	146	12,454,140	35,149,812	56,263,926	328,303
2004	452	419	16,601,825	33	3,444,057	20,045,882	62,368,000	377,855
2005	469	441	20,250,641	28	5,014,006	25,264,647	70,221,796	439,706

(1) State of Florida, Division of Financial Services, as of June 30 of each respective year.  
Information is for Miami-Dade County, which the Village of Key Biscayne was a part of.

(2) Deposits within Village of Key Biscayne limits. Information for all years presented was  
not available from Federal Deposit Insurance Corporation.

# VILLAGE OF KEY BISCAYNE, FLORIDA

## PRINCIPAL TAXPAYERS

SEPTEMBER 30, 2005

<u>Taxpayer</u>	<u>Taxable Valuation</u>	<u>% of Total Assessed Valuation</u>
Sonesta Beach Resort, LP	\$ 42,737,620	1.10%
GB Hotel Partners, Ltd.	30,800,000	0.79%
United Real Estate Ventures	20,273,758	0.52%
Galleria of Key Biscayne, Inc.	12,798,725	0.33%
Ocean Club Community Association	12,500,000	0.32%
Red Dragon Sands, LTD	11,858,160	0.31%
Sidney W Witter	10,689,702	0.28%
Claudio and Yvonne Alvarez	8,933,819	0.23%
Aurelio and Berta Fernandez	7,585,429	0.20%
Roger & Susana Khouri	<u>7,218,458</u>	<u>0.19%</u>
	<u>\$ 165,395,671</u>	<u>4.27%</u>

Source: Miami-Dade County Appraiser's Office

# VILLAGE OF KEY BISCAYNE, FLORIDA

## MISCELLANEOUS STATISTICAL DATA

SEPTEMBER 30, 2005

Date of Incorporation	1991
Form of Government	Council-Manager
Area	1.25 Square Miles
Miles of Street	22.4 Linear Miles
Fire Protection:	
Number of Stations	1
Police Protection:	
Number of Stations	1
Education:	
Attendance Centers	2
Number of Students	1,442
Number of Teachers	110
Miami-Dade County Water & Sewer Authority	
Number of Customers	1,771
Average Daily Consumption	3,018,384 gallons
Sewers:	
Number of Customers	1,023
Fire Hydrants	249
Building Permits Issued	469
Recreation and Culture:	
Number of Parks	3
Number of Libraries	1 (Operated by Miami-Dade County)
Number of Tennis Centers	1
Number of Recreational Centers	1
Employees:	
Full Time	103

---

## **COMPLIANCE SECTION**

---

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Key Biscayne, Florida (the Village) as of September 30, 2005 and for the year then ended which collectively comprise the Village's basic financial statements, and have issued our report dated April 14, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted one matter that we have reported to management in the schedule of findings and questioned costs accompanying this report.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's basic 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 that are required to be reported under *Government Auditing Standards*.

-65-



**Rachlin Cohen & Holtz LLP**

One Southeast Third Avenue ■ Tenth Floor ■ Miami, Florida 33131 ■ Phone 305.377.4228 ■ Fax 305.377.8331 ■ [www.rachlin.com](http://www.rachlin.com)

*An Independent Member of Baker Tilly International*

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

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

*Rachlin Cohen + Holtz LLP*

Miami, Florida  
April 14, 2006

**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 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 year ended September 30, 2005 which collectively comprise the Village's basic financial statements, and have issued our report thereon dated April 14, 2006.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Report of Independent Certified Public Accountants on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements and our Report of Independent Certified Public Accountants on Compliance and Internal Control over Compliance Applicable to Each Major Federal Program in Accordance with OMB Circular A-133. Disclosures in these reports, which are dated April 14, 2006, should be considered in conjunction with this management letter.

In connection with our audit of basic financial statements of the Village for the year ended September 30, 2005, we report the following in accordance with Chapter 10.550 Rules of the Auditor General, *Local Government Entity Audits*, which requires that this report specifically address but not be limited to the matters outlined in Rule 10.554(1)(h):

1. There were no significant findings or recommendations made in the preceding annual financial audit.
2. The Village was in compliance with Section 218.415, Florida Statutes, regarding the investment of public funds.
3. There was one recommendation to improve the Village's present financial management and accounting procedures.
4. During the course of our audit, other than matters that are clearly inconsequential considering both quantitative and qualitative factors, nothing came to our attention that caused us to believe that the Village:
  - a. Was in violation of any laws, rules or regulations and contractual provisions or abuse that have occurred, or were likely to have occurred, or were discovered within the scope of the audit.

-67-



**Rachlin Cohen & Holtz LLP**

One Southeast Third Avenue ■ Tenth Floor ■ Miami, Florida 33131 ■ Phone 305.377.4228 ■ Fax 305.377.8331 ■ [www.rachlin.com](http://www.rachlin.com)

*An Independent Member of Baker Tilly International*

- b. Made any illegal or improper expenditures that were discovered within the scope of the audit that may materially affect the financial statements.
  - c. Had deficiencies in internal control that are reportable conditions including but not limited to:
    - (1) Improper or inadequate accounting procedures
    - (2) Failures to properly record financial transactions
    - (3) Other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that came to the attention of the auditor.
5. The Village was incorporated by Laws of Florida 90-142. There were no component units related to the Village.
6. a. The Village, during fiscal year 2005, did not meet any of the conditions described in Florida Statutes 218.503(1).
- b. The annual financial report for the year ended September 30, 2005 has been filed with the Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes and is in agreement with the audited financial statements for the fiscal year ended September 30, 2005.
- c. During the course of our audit, we applied financial condition assessment procedures pursuant to Rule 10.566(7). It is management's responsibility to monitor the Village's financial condition, and our financial condition assessment, which was performed as of the Village's fiscal year end, was based on representations made by management and the review of financial information provided by the Village. There were no findings that identified deteriorating financial conditions.

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

*Rachlin Cohen & Holtz LLP*

Miami, Florida  
April 14, 2006

**Report of Independent Certified Public Accountants on  
Compliance and Internal Control over Compliance Applicable to  
Each Major Federal Program 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 program for the year ended September 30, 2005. The Village's major federal 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 its major federal program 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; 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 year ended September 30, 2005.

Internal Control over Compliance

The management of the Village is responsible for establishing and maintaining effective internal control over compliance with the 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

-69-



**Rachlin Cohen & Holtz LLP**

One Southeast Third Avenue ■ Tenth Floor ■ Miami, Florida 33131 ■ Phone 305.377.4228 ■ Fax 305.377.8331 ■ [www.rachlin.com](http://www.rachlin.com)

*An Independent Member of Baker Tilly International*

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

in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Mayor, Village Council, management 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.

*Rachlin Cohen + Holtz LLP*

Miami, Florida  
April 14, 2006

**VILLAGE OF KEY BISCAYNE, FLORIDA**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FISCAL YEAR ENDED SEPTEMBER 30, 2005

<u>Federal Grantor/Pass Through Grantor Programs</u>	<u>CFDA Number</u>	<u>Grant/ Contract Number</u>	<u>Expenditures</u>
 <i><u>U.S. Department of Treasury</u></i>			
Federal Equitable Sharing Program	N/A	N/A	\$ <u>143,866</u>
 <i><u>Department of Homeland Security</u></i>			
Federal Emergency Management Agency Pass through State of Florida Department of Community Affairs Disaster Relief Funding Agreement	97.036	06-KT-B&-11-23-02-541	<u>656,112</u>
 <b>Total Expenditures of Federal Awards</b>			 <b>\$ <u>799,978</u></b>

N/A - Not available

See note to the 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, 2005

### 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 Organization*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

# **VILLAGE OF KEY BISCAYNE, FLORIDA**

## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**FISCAL YEAR ENDED SEPTEMBER 30, 2005**

### **PRIOR AUDIT FINDINGS AND STATUS**

No financial statement findings were reported in the prior year. The Village was not subject to the Federal Single Audit Act and OMB Circular A-133 for the fiscal year ended September 30, 2004.

VILLAGE OF KEY BISCAYNE, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FISCAL YEAR ENDED SEPTEMBER 30, 2005

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued:		<i>Unqualified Opinion</i>
Internal control over financial reporting:		
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Reportable condition(s) identified not considered to be material weakness?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

**Federal Awards Programs**

Internal control over the major programs:		
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Reportable condition(s) identified not considered to be material weakness?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported

Type of auditor's report issued on compliance for the major programs:		<i>Unqualified Opinion</i>
---	--	----------------------------

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
---	------------------------------	--

Identification of major federal awards program:

<u>Federal Awards Program</u>	<u>CFDA No.</u>
Disaster Relief Funding Agreement	97.036

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
--	------------------

Auditee qualified as low risk auditee for audit of federal awards programs?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
---	------------------------------	--

# VILLAGE OF KEY BISCAYNE, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

### SECTION II – FINANCIAL STATEMENT FINDING

#### Other Matter

##### 2005-1 Capital Assets

###### *Observation*

The Village currently maintains its tracking of capital assets using excel spreadsheets. During the past few years, the Village has greatly increased its acquisition and construction of capital assets.

###### *Recommendation*

We recommend that the Village acquire a capital asset software system that will allow the Village to more effectively and efficiently track and maintain their acquired and constructed capital assets.

###### *Management Response*

Management is obtaining the fixed assets module to the current general ledger software system and will implement it during fiscal 2006.

### SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None.