

**VILLAGE OF KEY BISCAYNE, FLORIDA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2006

Prepared by:

THE FINANCE DEPARTMENT

# VILLAGE OF KEY BISCAYNE, FLORIDA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2006

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## **INTRODUCTORY SECTION**

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# VILLAGE OF KEY BISCAYNE

## Office of the Village Manager

February 15, 2007

*Village Council*

Robert L. Vernon, *Mayor*  
Jorge E. Mendia, *Vice Mayor*  
Michael Davey  
Enrique Garcia  
Steve Liedman  
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, 2006.

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, 2006 are free of material misstatement. The independent audit

involved examining, on a test basis, evidence supporting the amount and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Village of Key Biscayne's financial statements for the fiscal year ended September 30, 2006, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

### **Profile of the Government**

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

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

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

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

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

### **Local Economy**

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

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

The Village has completed 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 has completed two of three phases 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 Managers' Association, Retirement Corporation (ICMA). Each full time employee can contribute up to six percent (6%) of his or her pay to the plan; the Village contributes twelve percent (12%). In addition, the Village sponsors a 457 deferred compensation plan in which the employees may contribute on a voluntary basis.

A defined benefit pension plan is available to all firefighters and sworn police officers. This plan is under the direction of a separate board of trustees, two of which are police and fire department employees. Complete details of this plan can be found in note 14 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, 2005. This was the fourteenth 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.

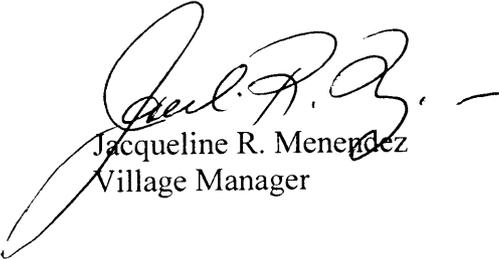
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and are submitting it to the GFOA to determine its eligibility for another certificate.

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, 2006

## 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, 2005

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



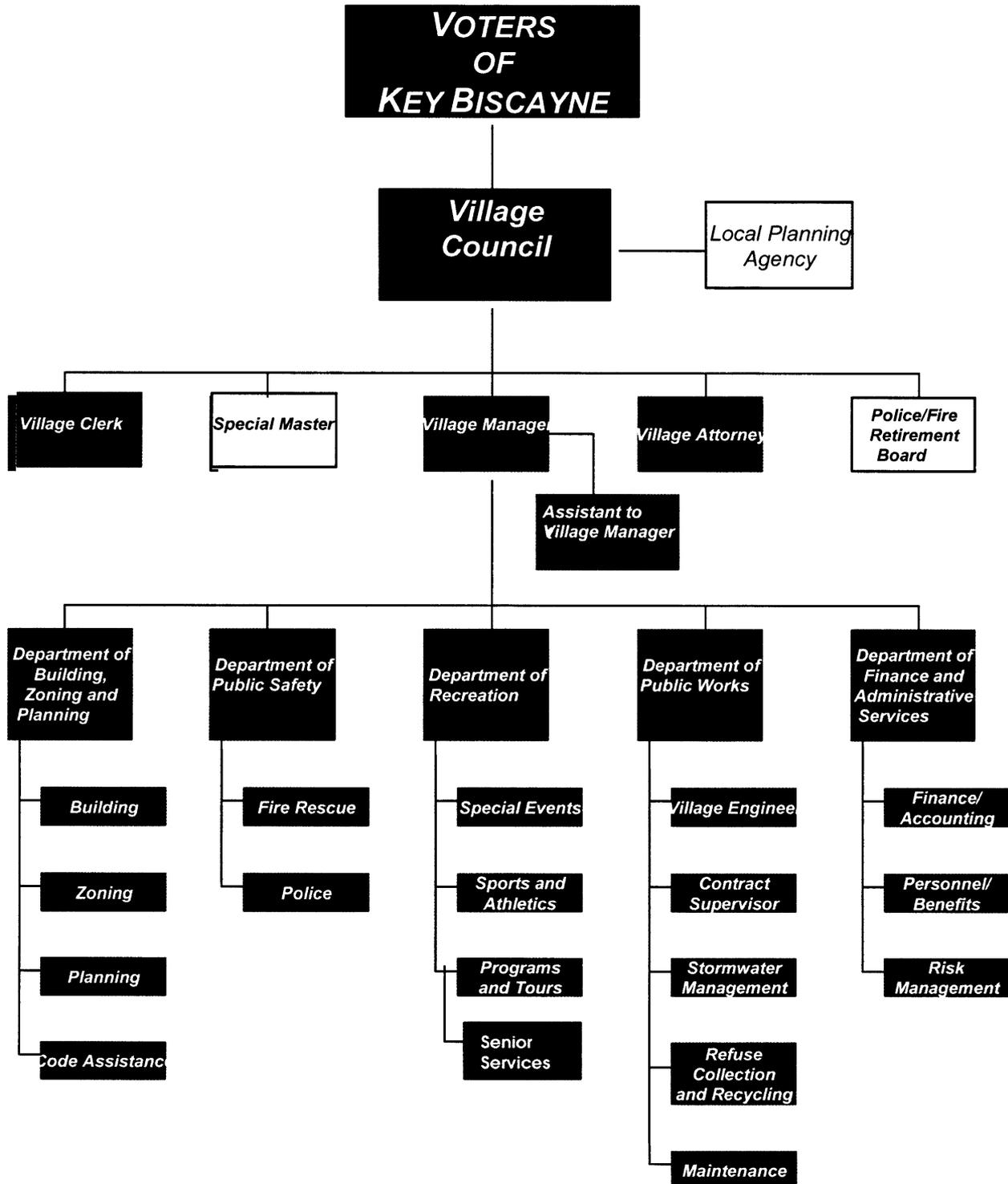
President

Executive Director

# 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.



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## **FINANCIAL SECTION**

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**REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**

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**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, 2006 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, 2006 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 February 15, 2007 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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**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 46, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Key Biscayne's basic financial statements. The introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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 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  
February 15, 2007

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(MD&A)**

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## 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, 2006. 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 \$37,067,208 (net assets). Of this amount, all are either reserved or designated.
- The Village's total net assets increased by \$2,940,117, this increase is attributable to the increase of property taxes received due to an increase in the assessed taxable values of properties in the Village, increases in revenues from the Key Biscayne Community Center programs and increased code compliance activities.
- At the close of the current fiscal year, the Village of Key Biscayne's governmental funds reported an ending fund balance of \$6,798,575, an increase of \$800,924 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 \$3,450,000 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.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave).

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

Village of Key Biscayne include general government, public safety, public works, building planning & zoning, and parks and recreation.

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

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

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village of Key Biscayne, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Village of Key Biscayne has two fund categories, the governmental funds and the enterprise funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statement focus on near-term inflows and outflows of spend able resources as well as on balances of spend able resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village of Key Biscayne maintains four governmental funds, the general fund, a special revenue fund and two capital projects funds.

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

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

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

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

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

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

**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 to 42 of this report.

### **Other Information**

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

Required supplementary information can be found on pages 43 to 46 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village's, assets exceeded liabilities by \$37,067,208 at the close of the most recent fiscal year.

A portion of the Village's net assets, \$70,866,285 or 88.77 %, reflects its investment in capital assets (e.g., land and equipment). The Village of Key Biscayne uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

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

**Governmental Activities.** Governmental activities increased the Village of Key Biscayne fund balance by approximately \$800,924. This net overall increase was attributable to an increase in property tax revenues due to increased assessed values of Key Biscayne real estate in general and increased code enforcement activities. All other governmental activities increased fund balance as follows:

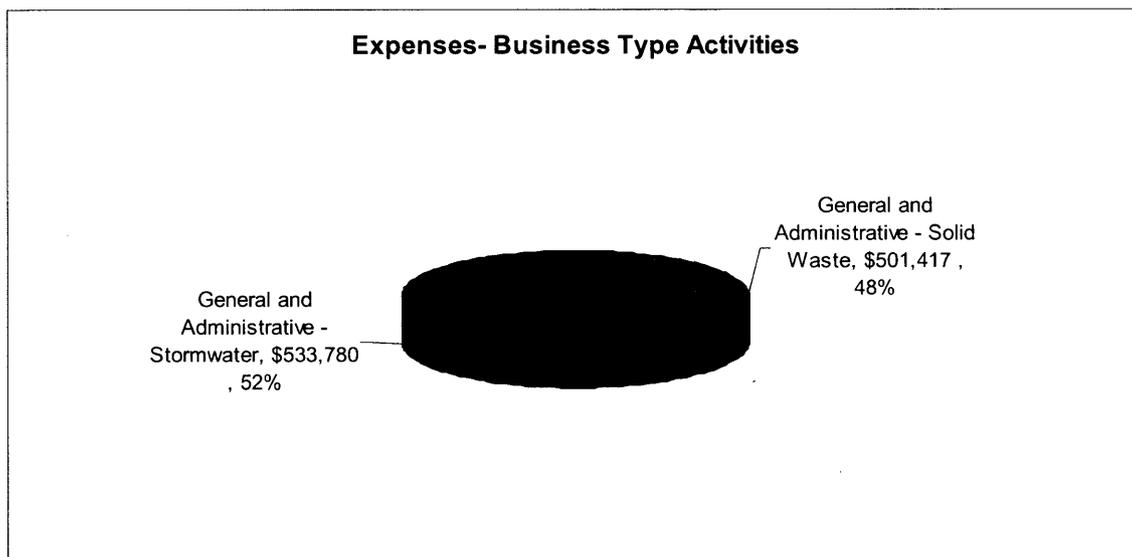
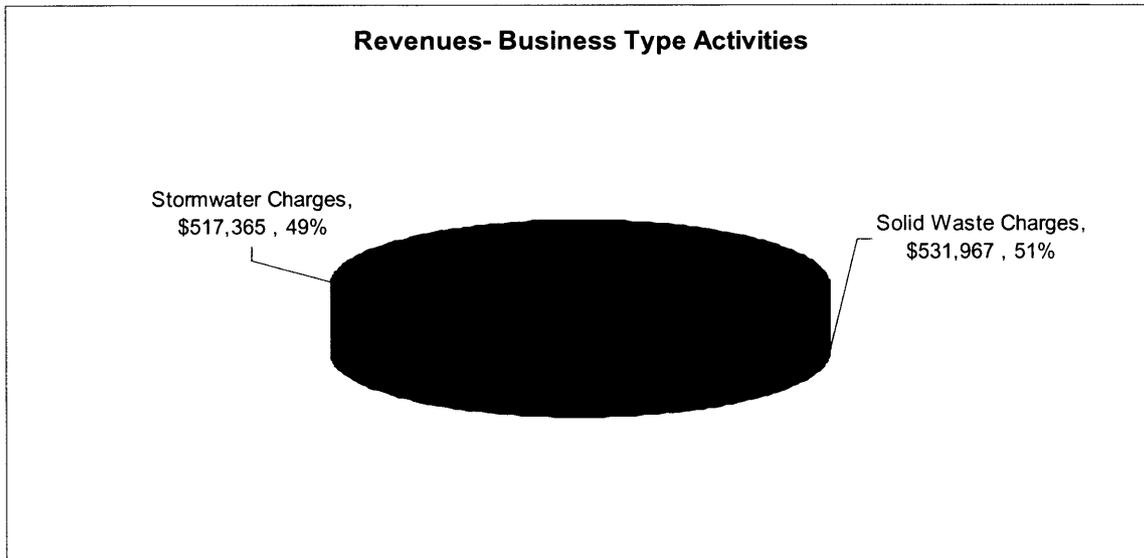
- Property taxes increased by \$1,469,987 (11.0 percent) during the year. Most of this increase is the product of a minor number of new units completed and on the tax roll for the first time, along with renovated homes with increased assessed values, and residential and commercial resales.
- Most department salaries increased 8 percent due to the Village's salary step program, which in fiscal year 2006 reflected a 5 percent increase in salaries and a 3 percent increase for a cost of living increase.
- Debt service remained fairly level compared to the prior year, with a minor addition for interest on new debt.
- The amount expended to the Village Attorney increased due to involvement with labor negotiations with the Village's Fire Rescue Department that were unforeseen at budget preparation time.

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

### **Net Assets**

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

## Business-type 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 \$6,874,310, an increase of \$1,120,033 in comparison with the prior year. All of this is either reserved or designated for specific uses: (1) emergencies (\$2,388,765), (2) Building Inspection Costs (\$275,000), (3) Compensated Absences (\$334,644), (4) Law Enforcement Seizures (\$359,899), (5) Playing Field Acquisitions (\$456,403), (7) Working Capital Reserves (\$600,000), (8) Police/Administration Building Reserve (\$5,890), (9) Fire Station Building Reserve (\$5,890), (10) Community Center Equipment Reserve (\$50,000), (11) Fire Vehicles Replacement Reserve

(\$50,000), (12) Master Plan Initiatives (\$1,403,597), (13) Capital Lease (\$298,682), (14) Prepaid Items (\$170,539), (15) Roadway Improvements (\$175,000), and Recreation Facilities (\$300,000).

The general fund is the chief operating fund of the Village of Key Biscayne. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 30.5 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, 2006 and 2005, is shown as follows:

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

	<u>2006</u>	<u>2005</u>
Total assets	\$ <u>8,045,610</u>	\$ <u>7,177,656</u>
Total liabilities	\$ 1,171,300	\$ 1,423,379
Reserved or designated fund balance	<u>6,874,310</u>	<u>5,754,277</u>
Total liabilities and fund balance	\$ <u>8,045,610</u>	\$ <u>7,177,656</u>

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

	<u>2006</u>	<u>2005</u>
Total revenues	\$25,264,190	\$21,240,012
Total expenditures	<u>22,554,700</u>	<u>19,568,607</u>
Excess of revenues over expenditures	\$ <u>2,709,490</u>	\$ <u>1,671,405</u>

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

At present, the fund shows a negative fund balance which will be corrected with the Series 2006 Roadway Improvement Revenue Bonds, issued in late December 2006.

**The Capital Improvement Fund** receives an annual budgeted transfer from the general fund to fund capital construction of infrastructure at various locations on the island. All transfers are allocated to specific projects by management and the council during the annual budgeting process. The fund balance increased by \$880,206 during the current fiscal period. Fund balance is comprised of funds allocated to named projects with varied stages of completion.

#### **General Fund Budgetary Highlights**

There were no supplemental appropriations for the fiscal year ended September 30, 2006.

## **Capital Assets**

As of September 30, 2006, the Village's capital assets net of accumulated depreciation amounted to \$70,866,283. 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 McIntyre and Crandon Intersection and Median Fountains
- Second year of the Village Tree Replacement Program
- Completion of drainage improvements on Harbor Drive
- Completion of the Crandon Blvd Improvement. Project, phase one

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, 2006, the Village had bonded debt outstanding of \$39,248,577. Of this amount, \$5,785,000 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 net debt outstanding increased by \$1,992,213 due to the additional borrowing required for Crandon Blvd. Phase 2 construction.

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

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

- The unemployment rate for Miami-Dade County is currently 4.5 percent, which is an increase from a rate of 4.1 percent a year ago. This compares unfavorably to the state's average unemployment rate of 3.3 percent and the national average rate of 4.6 percent. The Village's average rate remained unchanged at 3.2 percent.
- The occupancy rate of the government'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 2007 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

# VILLAGE OF KEY BISCAYNE, FLORIDA

## STATEMENT OF NET ASSETS

SEPTEMBER 30, 2006

	<u>Governmental</u> <u>Activities</u>	Business- type <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 5,600,388	\$ 931,310	\$ 6,531,698
Receivables, net	898,076	443,950	1,342,026
Interest receivable	-	14,115	14,115
Prepays	170,541	-	170,541
Internal balances	579,804	(579,804)	-
Negative net pension obligation	142,067	-	142,067
Other assets	24,919	-	24,919
Restricted assets:			
Cash and cash equivalents	369,261	-	369,261
Investments	370,930	-	370,930
Capital assets not being depreciated	27,025,802	888,937	27,914,739
Capital assets being depreciated, net	<u>35,351,775</u>	<u>7,599,769</u>	<u>42,951,544</u>
Total assets	<u>70,533,563</u>	<u>9,298,277</u>	<u>79,831,840</u>
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	790,085	13,259	803,344
Accrued interest payable	387,319	-	387,319
Payable to pension plan	130,680	-	130,680
Unearned revenue	269,658	17,992	287,650
Noncurrent liabilities:			
Due within one year	1,983,953	253,609	2,237,562
Due in more than one year	<u>33,009,069</u>	<u>5,909,008</u>	<u>38,918,077</u>
Total liabilities	<u>36,570,764</u>	<u>6,193,868</u>	<u>42,764,632</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	28,676,264	2,326,089	31,002,353
Restricted for law enforcement	359,899	-	359,899
Unrestricted	<u>4,926,636</u>	<u>778,320</u>	<u>5,704,956</u>
Total net assets	<u>\$ 33,962,799</u>	<u>\$ 3,104,409</u>	<u>\$ 37,067,208</u>

See notes to basic financial statements.

# VILLAGE OF KEY BISCAIYNE, FLORIDA

## STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		<u>Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- type Activities</u>	
Governmental activities:							
General government	\$ 4,252,037	\$ 1,466,186	\$ 997,274	\$ -	\$ (1,788,577)	\$ -	\$ (1,788,577)
Public works	4,004,651	-	2,379,102	-	(1,625,549)	-	(1,625,549)
Police	4,275,617	40,719	-	-	(4,234,898)	-	(4,234,898)
Fire	4,947,149	50,392	95,978	-	(4,800,779)	-	(4,800,779)
Parks and recreation	2,849,434	1,512,923	87,399	-	(1,249,112)	-	(1,249,112)
Building, zoning and planning	1,547,042	167,802	-	-	(1,379,240)	-	(1,379,240)
Interest on long-term debt	1,413,272	-	-	-	(1,413,272)	-	(1,413,272)
Total governmental activities	23,289,202	3,238,022	3,559,753	-	(16,491,427)	-	(16,491,427)
Business-type activities:							
Stormwater	720,158	517,365	-	-	-	(202,793)	(202,793)
Solid waste	501,417	531,967	-	-	-	30,550	30,550
Sanitary sewer	9,993	-	-	-	-	(9,993)	(9,993)
Total business-type activities	1,231,568	1,049,332	-	-	-	(182,236)	(182,236)
Total	\$ 24,520,770	\$ 4,287,354	\$ 3,559,753	\$ -	(16,491,427)	(182,236)	(16,673,663)
General revenues:							
Property taxes					14,830,238	-	14,830,238
Franchise fees based on gross receipts					1,088,929	-	1,088,929
Utility taxes					1,549,601	-	1,549,601
Communications services tax					797,054	-	797,054
Unrestricted intergovernmental revenue					996,092	-	996,092
Unrestricted investment earnings					306,339	45,527	351,866
Transfers					(28,133)	28,133	-
Total general revenues					19,540,120	73,660	19,613,780
Change in net assets					3,048,693	(108,576)	2,940,117
Net assets, beginning					30,914,106	3,212,985	34,127,091
Net assets, ending					\$ 33,962,799	\$ 3,104,409	\$ 37,067,208

See notes to basic financial statements.

# VILLAGE OF KEY BISCAYNE, FLORIDA

## BALANCE SHEET GOVERNMENTAL FUNDS

SEPTEMBER 30, 2006

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Improvements</u>	<u>Civic Center (A Nonmajor Fund)</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$ 4,414,438	\$ -	\$ 1,185,950	\$ -	\$ 5,600,388
Receivables, net	793,115	104,961	-	-	898,076
Due from other funds	2,256,881	-	445,114	-	2,701,995
Prepaid items	170,539	-	-	-	170,539
Restricted cash and cash equivalents	39,707	329,554	-	-	369,261
Restricted investments	370,930	-	-	-	370,930
Total assets	<u>\$ 8,045,610</u>	<u>\$ 434,515</u>	<u>\$ 1,631,064</u>	<u>\$ -</u>	<u>\$ 10,111,189</u>

### LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable and accrued liabilities	\$ 770,962	\$ 19,123	\$ -	\$ -	\$ 790,085
Due to other funds	-	1,912,141	210,050	-	2,122,191
Payable to pension plan	130,680	-	-	-	130,680
Deferred revenue	269,658	-	-	-	269,658
Total liabilities	<u>1,171,300</u>	<u>1,931,264</u>	<u>210,050</u>	<u>-</u>	<u>3,312,614</u>

Fund balances:

Reserved	6,874,310	-	-	-	6,874,310
Unreserved, undesignated reported in:					
Special revenue fund	-	(1,496,749)	-	-	(1,496,749)
Capital improvements	-	-	1,421,014	-	1,421,014
Total fund balances (deficit)	<u>6,874,310</u>	<u>(1,496,749)</u>	<u>1,421,014</u>	<u>-</u>	<u>6,798,575</u>
Total liabilities and fund balances	<u>\$ 8,045,610</u>	<u>\$ 434,515</u>	<u>\$ 1,631,064</u>	<u>\$ -</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	62,377,577
A negative net pension obligation (NPO) is not considered to represent a financial asset and therefore is not reported in the governmental funds	142,067
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore not reported in the funds	<u>(35,355,420)</u>
Net assets of governmental activities	<u>\$ 33,962,799</u>

See notes to basic financial statements.

# VILLAGE OF KEY BISCAYNE, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Improvements</u>	<u>Civic Center (A Nonmajor Fund)</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$ 14,830,238	\$ -	\$ -	\$ -	\$ 14,830,238
Utility taxes	1,549,601	-	-	-	1,549,601
Communications Services tax	797,054	-	-	-	797,054
Franchise fees	1,088,929	-	-	-	1,088,929
Licenses and permits	1,196,853	-	-	-	1,196,853
Intergovernmental	996,092	759,991	-	-	1,756,083
Charges for services	2,041,169	-	-	-	2,041,169
Interest	285,688	10,217	10,434	-	306,339
Grants	2,478,566	87,399	233,797	-	2,799,762
Total revenues	<u>25,264,190</u>	<u>857,607</u>	<u>244,231</u>	<u>-</u>	<u>26,366,028</u>
Expenditures:					
Current:					
General government	2,239,052	-	-	-	2,239,052
Fire	5,117,176	-	-	-	5,117,176
Police	4,388,362	-	-	-	4,388,362
Public works	4,002,609	-	-	-	4,002,609
Building, zoning and planning	1,544,696	-	-	-	1,544,696
Parks and recreation	2,634,887	-	-	-	2,634,887
Capital outlay	-	5,167,525	1,264,746	-	6,432,271
Debt service:					
Principal	1,214,646	-	-	-	1,214,646
Interest and fiscal charges	1,413,272	-	-	-	1,413,272
Total expenditures	<u>22,554,700</u>	<u>5,167,525</u>	<u>1,264,746</u>	<u>-</u>	<u>28,986,971</u>
Excess (deficiency) of revenues over expenditures	<u>2,709,490</u>	<u>(4,309,918)</u>	<u>(1,020,515)</u>	<u>-</u>	<u>(2,620,943)</u>
Other financing sources (uses):					
Transfers in	-	1,390	1,730,193	-	1,731,583
Transfers out	(1,589,457)	-	(168,870)	(1,389)	(1,759,716)
Bonds issued	-	3,450,000	-	-	3,450,000
Total other financing sources (uses)	<u>(1,589,457)</u>	<u>3,451,390</u>	<u>1,561,323</u>	<u>(1,389)</u>	<u>3,421,867</u>
Net change in fund balances	1,120,033	(858,528)	540,808	(1,389)	800,924
Fund balances (deficit), beginning	<u>5,754,277</u>	<u>(638,221)</u>	<u>880,206</u>	<u>1,389</u>	<u>5,997,651</u>
Fund balances (deficit), ending	<u>\$ 6,874,310</u>	<u>\$(1,496,749)</u>	<u>\$ 1,421,014</u>	<u>\$ -</u>	<u>\$ 6,798,575</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, 2006

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)	\$	800,924
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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	\$ 5,884,962	
Depreciation expense	<u>(1,189,168)</u>	
Net adjustment		4,695,794

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	1,397,897	
Revenue bonds issued	<u>(3,450,000)</u>	
Net adjustment		(2,052,103)

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	(125,806)	
Accrued interest expense	(4,784)	
Negative net pension obligation	<u>(265,332)</u>	
		<u>(395,922)</u>

Change in net assets of governmental activities (Page 12)	\$	<u>3,048,693</u>
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See notes to basic financial statements.

# VILLAGE OF KEY BISCAYNE, FLORIDA

## STATEMENT OF NET ASSETS PROPRIETARY FUNDS

SEPTEMBER 30, 2006

	<u>Business-type Activities -</u>			
	<u>Enterprise Funds</u>			
	<u>Stormwater</u>	<u>Sanitary</u>	<u>Solid</u>	
	<u>Utility</u>	<u>Sewer</u>	<u>Waste</u>	
	<u>System</u>	<u>Construction</u>	<u>(A Nonmajor</u>	
<u>ASSETS</u>			<u>Fund)</u>	<u>Totals</u>
<b>Current assets:</b>				
Cash and cash equivalents	\$ 891,566	\$ -	\$ 39,744	\$ 931,310
Accounts receivables, net	129,382	-	314,568	443,950
Interest receivable	14,115	-	-	14,115
Total current assets	1,035,063	-	354,312	1,389,375
<b>Noncurrent assets:</b>				
Capital assets not being depreciated	-	888,937	-	888,937
Capital assets being depreciated, net	7,599,769	-	-	7,599,769
Total noncurrent assets	7,599,769	888,937	-	8,488,706
Total assets	8,634,832	888,937	354,312	9,878,081
<b><u>LIABILITIES</u></b>				
<b>Current liabilities:</b>				
Accounts payable and accrued liabilities	8,607	4,652	-	13,259
Due to other funds	154,782	425,022	-	579,804
Deferred revenue	-	-	17,992	17,992
Current portion of revenue bonds payable	235,000	18,609	-	253,609
Total current liabilities	398,389	448,283	17,992	864,664
<b>Noncurrent liabilities:</b>				
Revenue bonds	5,550,000	-	-	5,550,000
Revolving loan	-	359,008	-	359,008
Total noncurrent liabilities	5,550,000	359,008	-	5,909,008
Total liabilities	5,948,389	807,291	17,992	6,773,672
<b><u>NET ASSETS</u></b>				
Invested in capital assets, net of related debt	1,814,769	511,320	-	2,326,089
Unrestricted	871,674	(429,673)	336,319	778,320
Total net assets	\$ 2,686,443	\$ 81,647	\$ 336,319	\$ 3,104,409

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, 2006

	<u>Business-type Activities -</u> <u>Enterprise Funds</u>			<u>Totals</u>
	<u>Stormwater</u> <u>Utility</u> <u>System</u>	<u>Sanitary</u> <u>Sewer</u> <u>Construction</u>	<u>Solid</u> <u>Waste</u> <u>(A Nonmajor</u> <u>Fund)</u>	
Operating revenues:				
Charges for services	\$ 517,365	\$ -	\$ 531,967	\$ 1,049,332
Operating expenses:				
General and administrative	259,861	-	501,417	761,278
Depreciation	273,919	-	-	273,919
Total operating expenses	<u>533,780</u>	<u>-</u>	<u>501,417</u>	<u>1,035,197</u>
Operating income (loss)	<u>(16,415)</u>	<u>-</u>	<u>30,550</u>	<u>14,135</u>
Non-operating revenues (expenses):				
Interest income	36,433	-	9,092	45,525
Interest expense	<u>(186,378)</u>	<u>(9,991)</u>	<u>-</u>	<u>(196,369)</u>
Total non-operating revenues (expenses)	<u>(149,945)</u>	<u>(9,991)</u>	<u>9,092</u>	<u>(150,844)</u>
Income (loss) before transfers	(166,360)	(9,991)	39,642	(136,709)
Transfers in	<u>-</u>	<u>28,133</u>	<u>-</u>	<u>28,133</u>
Change in net assets	(166,360)	18,142	39,642	(108,576)
Net assets, beginning	<u>2,852,803</u>	<u>63,505</u>	<u>296,677</u>	<u>3,212,985</u>
Net assets, ending	<u>\$2,686,443</u>	<u>\$ 81,647</u>	<u>\$ 336,319</u>	<u>\$3,104,409</u>

See notes to basic financial statements.

# VILLAGE OF KEY BISCAYNE, FLORIDA

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Business-type Activities -			Totals
	Enterprise Funds			
	Stormwater Utility System	Sanitary Sewer Construction	Solid Waste (A Nonmajor Fund)	
Cash flows from operating activities:				
Receipts from customers and users	\$ 517,366	\$ 425,022	\$ 543,457	\$ 1,485,845
Payments to suppliers	(90,767)	-	(626,451)	(717,218)
Net cash provided (used) by operating activities	426,599	425,022	(82,994)	768,627
Cash flows from non-capital financing activities:				
Transfers from other funds	-	28,133	-	28,133
Net cash provided by non-capital financing activities	-	28,133	-	28,133
Cash flows from capital and related financing activities:				
Net payments on revolving loan	(225,000)	(18,142)	-	(243,142)
Payments for construction in progress	-	(425,022)	-	(425,022)
Interest paid	(186,378)	(9,991)	(2,397)	(198,766)
Net cash used by capital and related financing activities	(411,378)	(453,155)	(2,397)	(866,930)
Cash flows from investing activities:				
Interest received	36,433	-	-	36,433
Net cash provided by investing activities	36,433	-	-	36,433
Net increase (decrease) in cash and cash equivalents	51,654	-	(85,391)	(33,737)
Cash and cash equivalents, beginning	839,912	-	125,135	965,047
Cash and cash equivalents, ending	\$ 891,566	\$ -	\$ 39,744	\$ 931,310
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ (16,415)	\$ -	\$ 30,550	\$ 14,135
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	273,919	-	-	273,919
Provision for uncollectible accounts	-	-	11,490	11,490
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	383	-	(92,860)	(92,477)
Interest receivable	4,879	-	-	4,879
Due from other funds	14,467	-	-	14,467
Increase (decrease) in:				
Accounts payable	(5,416)	-	(42,834)	(48,250)
Deferred revenue	-	-	11,060	11,060
Due to other funds	154,782	425,022	(400)	579,404
Total adjustments	443,014	425,022	(113,544)	754,492
Net cash provided (used) by operating activities	\$ 426,599	\$ 425,022	\$ (82,994)	\$ 768,627

See notes to basic financial statements.

VILLAGE OF KEY BISCAYNE, FLORIDA

STATEMENT OF FIDUCIARY NET ASSETS  
PENSION TRUST FUND

SEPTEMBER 30, 2006

ASSETS

Contributions receivable:	
Village (including State)	\$ 428,657
Employees	<u>37,501</u>
Total contributions receivable	<u>466,158</u>
Investments, at fair value:	
Money market funds	217,626
Common stocks	3,335,991
Mutual funds	<u>3,835,083</u>
Total investments	<u>7,388,700</u>
Total assets	7,854,858

LIABILITIES AND NET ASSETS

Liabilities	<u>-</u>
Net assets held in trust for pension benefits	<u>\$7,854,858</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, 2006

### ADDITIONS

#### Contributions:

Plan members	\$ 549,187
Village (including State)	<u>889,122</u>
Total contributions	<u>1,438,309</u>

#### Investment earnings:

Net increase in the fair value of investments	485,794
Interest and dividends	<u>73,777</u>
Total investments earnings	<u>559,571</u>
Total additions	<u>1,997,880</u>

### DEDUCTIONS

Benefits paid	145,547
Administrative expenses	<u>108,465</u>
Total deductions	<u>254,012</u>

Change in net assets 1,743,868

Net assets, beginning 6,110,990

Net assets, ending \$7,854,858

See notes to basic financial statements.

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**NOTES TO BASIC FINANCIAL STATEMENTS**

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# VILLAGE OF KEY BISCAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

### 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 *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.

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

Additionally, the Village reports the following fund types:

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

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

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

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

# VILLAGE OF KEY BISCAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

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

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

(Continued)

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

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

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

##### 1. Deposits and Investments

The Village's cash and cash equivalents include cash on hand, and certificates of deposit with original maturities of three months or less from the date of acquisition and investments with the State Board Investment Pool. The Investment Pool is recorded at its value of the pool shares (2a-7 like 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 2006.

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, 2006 and were subsequently paid with current available financial resources. The general fund typically is used to liquidate the liability for compensated absences.

##### 5. Long-term obligations

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

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

# VILLAGE OF KEY BISCAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

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

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

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

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

##### 6. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts of assets, liabilities, disclosures of contingent liabilities, revenues and expenditures/expenses reported in the financial statements and accompanying notes. These estimates include assessing the 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 \$35,355,420 difference are as follows:

Bonds payable	\$33,085,960
Debt issuance cost	(24,919)
Capital leases payable	615,347
Compensated absences	1,291,713
Accrued interest payable	387,319
	<u>\$35,355,420</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, 2006, expenditures exceeded appropriations in the Fire Department by \$158,352 and in the Police Department by \$85,384, as presented in the budgetary comparison schedule following the notes to the basic financial statements. These overexpenditures were funded by revenues that were received in excess of estimated revenues.

### NOTE 4. DEPOSITS AND INVESTMENTS

#### *Deposits*

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

#### *Investments*

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

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.

# VILLAGE OF KEY BISCAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

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

#### *Investments – Village*

As of September 30, 2006, the Village 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>
Repurchase agreements	<u>\$2,172,277</u>	<u>\$2,172,277</u>

#### **Interest Rate Risk**

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

#### **Credit Risk**

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

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

As of September 30, 2006, 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, 2006, the Village's Defined Benefit Pension Plan had the following investments with its corresponding maturities in its portfolio:

<u>Investments</u>	<u>Investment Maturities (In Years)</u>				
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>10+</u>
Bond mutual funds	<u>\$2,357,980</u>	<u>\$228,724</u>	<u>\$1,369,986</u>	<u>\$495,176</u>	<u>\$264,094</u>

# VILLAGE OF KEY BISCAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

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

#### *Investments – Pension Plan* (Continued)

##### **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, 2006, the value of each position held in the Plan's portfolio comprised less than 5% of Plan investment assets.

##### **Risks and Uncertainties**

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

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

# VILLAGE OF KEY BISCAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 5. RECEIVABLES

Receivables as of September 30, 2006 for the Village's individual major funds, nonmajor funds and fiduciary fund in the aggregate, including the allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Storm- water</u>	<u>Solid Waste</u>	<u>Pension Trust Fund</u>	<u>Total</u>
Customers billed	\$ -	\$ -	\$ 129,382	\$ 327,797	\$ -	\$ 457,179
Contributions	-	-	-	-	466,158	466,158
Property taxes	166,702	-	-	-	-	166,702
Interest	1,658	-	-	-	-	1,658
Intergovernmental	294,793	104,961	-	-	-	399,754
Other	<u>329,962</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>329,962</u>
Gross receivables	793,115	104,961	129,382	327,797	466,158	1,821,413
Less allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,229)</u>	<u>-</u>	<u>(13,229)</u>
Net total receivables	<u>\$ 793,115</u>	<u>\$ 104,961</u>	<u>\$ 129,382</u>	<u>\$ 314,568</u>	<u>\$ 466,158</u>	<u>\$ 1,808,184</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.

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, 2006, there were no material delinquent taxes.

# VILLAGE OF KEY BISCAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

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

The composition of interfund balances as of September 30, 2006 is as follows:

Due from/to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special revenue	\$ 1,912,141
	Capital improvement	210,050
	Stormwater utility	87,562
	Sanitary sewer	47,127
Capital improvements	Stormwater utility	377,895
	Sanitary sewer	67,219
		<u>\$ 2,701,995</u>

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

Interfund transfers:

	Transfers In				<u>Total</u>
	<u>General Fund</u>	<u>Capital Improvement</u>	<u>Special Revenue</u>	<u>Sanitary Sewer</u>	
Transfers out:					
General fund	\$ -	\$ 1,561,323	\$ -	\$ 28,134	\$ 1,589,457
Civic center	-	-	1,390	-	1,390
Capital improvement	<u>168,870</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>168,870</u>
	<u>\$ 168,870</u>	<u>\$ 1,561,323</u>	<u>\$ 1,390</u>	<u>\$ 28,134</u>	<u>\$ 1,759,717</u>

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

# VILLAGE OF KEY BISCAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 8. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2006 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>2,200,636</u>	<u>5,191,965</u>	<u>(2,200,636)</u>	<u>5,191,965</u>
Total capital assets, not being depreciated	<u>24,034,473</u>	<u>5,191,965</u>	<u>(2,200,636)</u>	<u>27,025,802</u>
Capital assets, being depreciated:				
Buildings	23,727,322	-	-	23,727,322
Improvements other than buildings	11,932,301	2,158,373	-	14,090,674
Furniture, fixtures and equipment	<u>4,521,846</u>	<u>610,497</u>	<u>(130,245)</u>	<u>5,002,098</u>
Total capital assets, being depreciated	<u>40,181,469</u>	<u>2,768,870</u>	<u>(130,245)</u>	<u>42,820,094</u>
Less accumulated depreciation for:				
Buildings	(1,458,449)	(479,566)	-	(1,938,015)
Improvements other than buildings	(2,689,576)	(304,815)	-	(2,994,391)
Furniture, fixtures and equipment	<u>(2,131,126)</u>	<u>(404,787)</u>	<u>-</u>	<u>(2,535,913)</u>
Total accumulated depreciation	<u>(6,279,151)</u>	<u>(1,189,168)</u>	<u>-</u>	<u>(7,468,319)</u>
Total capital assets, being depreciated, net	<u>33,902,318</u>	<u>1,579,702</u>	<u>(130,245)</u>	<u>35,351,775</u>
Governmental activities capital assets, net	<u>\$57,936,791</u>	<u>\$6,771,667</u>	<u>\$(2,330,881)</u>	<u>\$62,377,577</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ 463,915	\$ 425,022	\$ -	\$ 888,937
Total capital assets, not being depreciated	<u>463,915</u>	<u>425,022</u>	<u>-</u>	<u>888,937</u>
Capital assets, being depreciated:				
Stormwater utility system	<u>10,056,660</u>	<u>-</u>	<u>-</u>	<u>10,056,660</u>
Total capital assets, being depreciated	<u>10,056,660</u>	<u>-</u>	<u>-</u>	<u>10,056,660</u>
Less accumulated depreciation for:				
Stormwater utility system	<u>(2,182,972)</u>	<u>(273,919)</u>	<u>-</u>	<u>(2,456,891)</u>
Total accumulated depreciation	<u>(2,456,891)</u>	<u>(273,919)</u>	<u>-</u>	<u>(2,456,891)</u>
Total capital assets, being depreciated, net	<u>7,599,769</u>	<u>(273,919)</u>	<u>-</u>	<u>7,599,769</u>
Business-type activities capital assets, net	<u>\$ 8,063,684</u>	<u>\$ 151,103</u>	<u>\$ -</u>	<u>\$ 8,488,706</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	\$ 420,874
Police	144,064
Fire	271,273
Public works	2,033
Building, zoning and planning	6,832
Parks	<u>344,092</u>
Total depreciation expenses - governmental activities	<u>\$ 1,189,168</u>

Business-type activities:

Stormwater	<u>\$ 273,919</u>
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### 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, 2006:

	<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	\$ 8,880,000	\$ -	\$ (410,000)	\$ 8,470,000	\$ 430,000
Land acquisition and capital improvement revenue bonds, Series 2000	9,620,000	-	(400,000)	9,220,000	420,000
Capital improvement bonds, Series 2002	9,500,606	-	(404,646)	9,095,960	420,292
Land acquisition and capital improvement revenue bonds, Series 2004	2,800,000	-	-	2,800,000	265,028
Transportation tax revenue bonds, Series 2005	<u>50,000</u>	<u>3,450,000</u>	<u>-</u>	<u>3,500,000</u>	<u>124,603</u>
Total bonds payable	<u>30,850,606</u>	<u>3,450,000</u>	<u>(1,214,646)</u>	<u>33,085,960</u>	<u>1,659,923</u>
Other liabilities:					
Capital leases	798,598	-	(183,251)	615,347	194,859
Compensated absences	<u>1,417,515</u>	<u>44,079</u>	<u>(169,885)</u>	<u>1,291,709</u>	<u>129,171</u>
Total other liabilities	<u>2,216,113</u>	<u>44,079</u>	<u>(353,136)</u>	<u>1,907,056</u>	<u>324,030</u>
Governmental activities long-term liabilities	<u>\$ 33,066,719</u>	<u>\$ 3,494,079</u>	<u>\$ (1,567,782)</u>	<u>\$ 34,993,016</u>	<u>\$ 1,983,953</u>

# 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:			
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	525,000	299,285	824,285
2012-2016	3,050,000	1,089,166	4,139,166
2017-2019	<u>3,035,000</u>	<u>294,805</u>	<u>3,329,805</u>
	<u>\$8,470,000</u>	<u>\$3,110,722</u>	<u>\$11,580,722</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:			
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	515,000	374,529	889,529
2012-2016	3,005,000	1,427,769	4,432,769
2017-2020	<u>3,885,000</u>	<u>529,895</u>	<u>4,414,895</u>
	<u>\$9,220,000</u>	<u>\$4,080,650</u>	<u>\$13,300,650</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:			
2007	\$ 420,292	\$ 320,907	\$ 741,199
2008	435,584	305,615	741,199
2009	451,434	289,765	741,199
2010	467,860	273,339	741,199
2011	484,883	256,316	741,199
2012-2016	2,702,257	1,003,738	3,705,995
2017-2021	3,230,984	475,011	3,705,995
2022-2023	902,066	24,433	926,499
	<u>\$9,095,360</u>	<u>\$2,949,124</u>	<u>\$12,044,484</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:			
2007	\$ 265,028	\$ 99,206	\$ 364,234
2008	125,226	94,559	219,785
2009	130,053	89,732	219,785
2010	135,066	84,719	219,785
2011	140,272	79,513	219,785
2012-2016	786,753	312,171	1,098,924
2017-2021	950,528	148,396	1,098,924
2022-2023	267,074	7,658	274,732
	<u>\$2,800,000</u>	<u>\$915,954</u>	<u>\$3,715,954</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. During the fiscal year ended September, the Village drew down the remaining \$3,450,000. The bonds mature on July 1, 2025 and 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:			
2007	\$ 124,603	\$ 141,255	\$ 265,858
2008	129,778	136,080	265,858
2009	135,168	130,690	265,858
2010	140,782	125,077	265,859
2011	146,629	119,230	265,859
2012-2016	829,707	499,584	1,329,291
2017-2021	1,016,921	312,370	1,329,291
2022-2025	<u>976,412</u>	<u>87,020</u>	<u>1,063,432</u>
	<u>\$ 3,500,000</u>	<u>\$ 1,551,306</u>	<u>\$ 5,051,306</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 BISCAYNE, 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, 2006 were as follows:

Fiscal year ending September 30:	
2007	\$ 214,928
2008	214,928
2009	114,287
2010	<u>114,287</u>
Total minimum lease payments	658,430
Less amount representing interest	<u>(43,083)</u>
Present value of minimum lease payments	<u>\$ 615,347</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, 2006:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Due <u>Within One Year</u>
<b>Business-type Activities</b>					
Bonds and loan payable:					
Stormwater utility revenue bonds	\$ 6,010,000	\$ -	\$ (225,000)	\$ 5,785,000	\$ 235,000
Revolving loan	<u>395,758</u>	<u>-</u>	<u>(18,141)</u>	<u>377,617</u>	<u>18,609</u>
Total bonds and loan payable	<u>6,405,758</u>	<u>-</u>	<u>(243,141)</u>	<u>6,162,617</u>	<u>253,609</u>
Business-type activities					
long-term liabilities	<u>\$ 6,405,758</u>	<u>\$ -</u>	<u>\$ (243,141)</u>	<u>\$ 6,162,617</u>	<u>\$ 253,609</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:			
2007	\$ 235,000	\$ 238,921	\$ 473,921
2008	350,000	229,215	579,215
2009	365,000	214,760	579,760
2010	385,000	199,686	584,686
2011	405,000	183,785	588,785
2012-2016	2,340,000	651,301	2,991,301
2017-2019	<u>1,705,000</u>	<u>143,104</u>	<u>1,848,104</u>
	<u>\$5,785,000</u>	<u>\$1,860,772</u>	<u>\$7,645,772</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:			
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	20,602	7,532	28,134
2012-2016	111,251	29,419	140,670
2017-2021	127,259	14,330	141,589
2022-2023	<u>41,144</u>	<u>1,058</u>	<u>42,202</u>
	<u>\$377,617</u>	<u>\$87,514</u>	<u>\$465,131</u>

### NOTE 10. COMMITMENTS AND CONTINGENCIES

#### *Construction Commitments*

As of September 30, 2006, the Village had outstanding construction commitments of approximately \$386,000 to complete 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 FUND BALANCES

As of September 30, 2006, fund balances in the general fund have been reserved for the following purposes:

Emergencies	\$1,918,598
Master Plan initiatives	1,873,765
Working capital	600,000
Playing fields	456,403
Law enforcement seizures	359,899
Compensated absences	334,644
Recreation facilities	300,000
Capital lease	298,682
Building inspections	275,000
Roadway improvements	175,000
Prepays	170,539
Community Center equipment	50,000
Fire vehicle replacements	50,000
Police/Administration building	5,890
Fire Station building	5,890
	<u>\$6,874,310</u>

# VILLAGE OF KEY BISCAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 12. DEFICIT FUND BALANCE

The Special Revenue Fund has a deficit fund balance of \$1,496,749 which will be funded from the General Fund until the issuance of the Series 2006 Revenue Bonds in the amount of \$4,000,000 in December 2006 (see Note 15).

### NOTE 13. DEFINED CONTRIBUTION PLANS

The Village as a single-employer contributes to the Village of Key Biscayne Money Purchase Plans, which are defined contribution plans created in accordance with Internal Revenue Code Section 401(a). Under one Plan, which is available to Village employees, the Village contributes 12% and the employees contribute 6%. Under the second plan, which is available only to sworn or certified police officers and firefighters, the Village contributes 12% and there is no employee contribution. Beginning October 1, 1997, the police officers and firefighters, which elected to participate in the defined benefit pension plan (see Note 14), were no longer eligible to contribute to the 401(a) plan. Employer contributions for the fiscal year ended September 30, 2006 were \$402,675 while the employee contributions were \$132,725. Amendments to the Plan must be authorized by the Village Council.

### NOTE 14. DEFINED BENEFIT PENSION PLAN

#### *Plan Description*

Effective October 1, 1997, the Village established a single-employer Public Employee Retirement System (PERS) to provide pension benefits for its police officers and firefighters. The PERS is considered to be part of the Village's financial reporting entity and is included in the Village's financial reports as a pension trust fund. The Plan was created under Village Ordinance 97-21. The latest available actuarial valuation is as of October 1, 2005. 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 and refunds are recognized when due and payable in accordance with the terms of the plan. Benefits are recorded when paid.

# VILLAGE OF KEY BISCAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 14. DEFINED BENEFIT PENSION PLAN (Continued)

#### *Plan Description* (Continued)

At October 1, 2005 (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	34
Non-vested	<u>34</u>
Total	<u>68</u>

#### *Funding Policy*

The Village's contribution rate is adjusted each year to an amount equal to the total pension cost for the year, as determined by the most recent actuarial valuation, less the amount of revenue received from the State of Florida pursuant to Chapters 175 and 185 of the Florida Statutes. The Village's contribution rate was 10.74% of covered payroll for the year ended September 30, 2006. The participant contribution rate for the year ended September 20, 2006 was 10.5%. This funding policy is designed to limit the Village's exposure to contribute to the Plan. State contributions are recognized as a revenue and expenditure in the general fund.

#### *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	\$ 729,857
Interest on net pension asset	(12,417)
Adjustment to annual required contribution	<u>16,438</u>
Annual pension cost	733,878
Contributions made	<u>729,857</u>
Decrease in net pension asset	4,021
Net pension asset, beginning of year	<u>(146,088)</u>
Net pension asset, end of year	<u><u>\$ (142,067)</u></u>

# VILLAGE OF KEY BISCAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 14. DEFINED BENEFIT PENSION PLAN (Continued)

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

The annual required contribution for the current year was determined as part of the October 1, 2005 actuarial valuation using the entry age normal funding method. This method does not identify and separately amortize unfunded actuarial liabilities. The actuarial assumptions included (a) 8.5% investment rate of return (net of investment related expenses) and (b) projected salary increases of 9.4 to 3.5% variable per year. Both (a) and (b) included an inflation component of 4%. The actuarial value of assets was determined using the difference between actual and expected return recognized over five years.

Fiscal Year <u>Ended</u>	Trend Information		Net Pension Obligation <u>(Asset)</u>
	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	
9/30/2004	\$ 574,165	110.9%	\$ (149,942)
9/30/2005	768,274	99.5%	(146,088)
9/30/2006	733,878	99.5%	(142,067)

### NOTE 15. SUBSEQUENT EVENT

In December 2006, the Village issued \$4,000,000 of Revenue Bonds, Series 2006 for the purpose of financing a portion of the costs of road improvements within the Village (Crandon Boulevard Improvements – Phase III), for financing architectural, engineering, environmental, legal and other planning costs.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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# VILLAGE OF KEY BISCAWAYNE, FLORIDA

## REQUIRED SUPPLEMENTARY INFORMATION

### BUDGETARY COMPARISON SCHEDULE GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2006

Revenues:	Budgeted Amounts		Actual	Prior Year Reserves	Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	on a GAAP		Amounts on a	
			Basis		Budgetary	
			Basis			
Property taxes	\$ 14,688,288	\$ 14,688,288	\$ 14,830,238	\$ -	\$ 14,830,238	\$ 141,950
Utility taxes	2,243,050	2,243,050	2,346,655	-	2,346,655	103,605
Franchise fees	700,000	700,000	1,088,929	-	1,088,929	388,929
Licenses and permits	919,945	919,945	1,196,853	-	1,196,853	276,908
Intergovernmental	882,500	882,500	996,092	-	996,092	113,592
Charges for services	1,454,596	1,454,596	2,041,169	-	2,041,169	586,573
Grants	7,500	7,500	2,478,566	-	2,478,566	2,471,066
Interest	225,000	225,000	285,688	-	285,688	60,688
Total revenues	21,120,879	21,120,879	25,264,190	-	25,264,190	4,143,311
Expenditures:						
Current:						
General government:						
Elected officials	362,912	362,912	347,397	-	347,397	15,515
Village Clerk	372,937	372,937	334,587	-	334,587	38,350
Administration	1,167,943	1,167,942	1,206,162	(38,220)	1,167,942	-
Village Attorney	383,000	383,000	350,906	-	350,906	32,094
Total general government	2,286,792	2,286,791	2,239,052	(38,220)	2,200,832	85,959
Public safety:						
Police	4,302,975	4,302,978	4,388,362	-	4,388,362	(85,384)
Fire	4,853,035	4,853,035	5,117,176	(105,789)	5,011,387	(158,352)
Total public safety	9,156,010	9,156,013	9,505,538	(105,789)	9,399,749	(243,736)
Public works:						
Building, zoning and planning	1,361,663	1,361,662	4,002,609	(3,111,114)	891,495	470,167
Parks and recreation	1,416,330	1,416,328	1,544,696	(128,368)	1,416,328	-
	2,468,161	2,468,162	2,634,887	-	2,634,887	(166,725)
Debt service:						
Principal	1,350,001	1,350,001	1,214,646	-	1,214,646	135,355
Interest and fiscal charges	1,351,729	1,351,729	1,413,272	-	1,413,272	(61,543)
Total expenditures	19,390,686	19,390,686	22,554,700	(3,383,491)	19,171,209	219,477
Excess of revenues over expenditures	1,730,193	1,730,193	2,709,490	3,383,491	6,092,981	4,362,788
Other financing uses:						
Appropriation of prior years' fund balance	-	-	-	(3,383,491)	-	-
Transfers out	(1,730,193)	(1,730,193)	(1,589,457)	-	-	1,730,193
Total other financing uses	(1,730,193)	(1,730,193)	(1,589,457)	(3,383,491)	-	1,730,193
Net change in fund balances	\$ -	\$ -	\$ 1,120,033	\$ -	\$ 6,092,981	\$ 6,092,981

See note to budgetary comparison schedule.

# VILLAGE OF KEY BISCAYNE, FLORIDA

## REQUIRED SUPPLEMENTARY INFORMATION

### NOTE TO BUDGETARY COMPARISON SCHEDULE

FISCAL YEAR ENDED SEPTEMBER 30, 2006

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

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

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

- (a) The Village Manager submits to the Council a proposed operating budget for the ensuing fiscal year. The operating budget includes appropriations and the means of financing them with an explanation regarding each expenditure that is not of a routine nature.
- (b) Public hearings are conducted to obtain taxpayer comments.
- (c) Prior to October 1, the budget is legally enacted through passage of an ordinance.
- (d) The Village Council, by motion, may make supplemental appropriations for the year up to the amount of revenues in excess of those estimated. During fiscal year ended September 30, 2006, 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, 2006.
- (i) Excess of expenditures over appropriations are described in the notes to the basic financial statements. There is no overexpenditure in debt service as the principal and interest are combined in preparation of the Village's budget. There is no overexpenditure in the parks and recreation department as the Village Council allows for up to \$250,000 of overexpenditure without considering this a violation of the budget.

# VILLAGE OF KEY BISCAYNE, FLORIDA

## REQUIRED SUPPLEMENTARY INFORMATION PENSION TRUST FUND

### SCHEDULE OF FUNDING PROGRESS

Actual Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL As % of Covered Payroll (b - a) / c
10/1/00	\$ 1,296,095	\$ 2,483,593	\$ 1,187,498	52.2%	\$ 3,472,773	34.2%
10/1/01	1,824,306	4,394,237	2,569,931	41.5%	3,732,996	68.8%
10/1/02	2,360,957	5,430,198	3,069,241	43.5%	3,984,900	77.0%
10/1/03	3,309,812	6,678,603	3,368,791	49.6%	4,278,629	78.7%
10/1/04	4,400,914	8,021,413	3,620,499	54.9%	4,960,542	73.0%
10/1/05	5,703,772	9,379,732	3,675,960	60.8%	5,320,018	69.1%

# 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>
2001	\$ 45,199	296%
2002	377,777	88%
2003	465,562	100%
2004	515,437	100%
2005	764,420	100%
2006	729,857	100%

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.

Valuation date	10/1/05
Actuarial cost method	Entry age normal
Amortization method	Level percent of pay, closed
Remaining amortization	30 years
Asset valuation method	5 year Smoothed Market value
Actuarial assumptions:	
Investment rate of return*	8.5% per year compounded annually, net of investment related expenses
Projected salary increases*	9.4 to 3.5% variable
Cost of living adjustments	N/A

\*Includes inflation at 4%

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**STATISTICAL SECTION**

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## STATISTICAL SECTION

This part of the Village of Key Biscayne's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Village's overall financial health.

<u>Contents</u>	<u>Page</u>
<b>Financial Trends</b>	
<i>These schedules contain trend information to help the reader understand how the Village's financial performance and well-being have changed over time. These schedules include:</i>	<b>47-51</b>
<b>Revenue Capacity</b>	
<i>These schedules contain information to help the reader assess the Village's most significant local revenue source, the property tax.</i>	<b>52-56</b>
<b>Debt Capacity</b>	
<i>These schedules present information to help the reader assess the affordability of the Village's current levels of outstanding debt and the Village's ability to issue additional debt in the future.</i>	<b>57-60</b>
<b>Demographic and Economic Information</b>	
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Village's financial activities take place.</i>	<b>61-63</b>
<b>Operating Information</b>	
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the Village's financial report relates to the services the Village provides and the activities it performs.</i>	<b>64-65</b>

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

# VILLAGE OF KEY BISCAYNE, FLORIDA

## NET ASSETS BY COMPONENT

LAST THREE FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year		
	2004	2005	2006
Governmental activities:			
Invested in capital assets, net of related debt	\$27,917,792	\$26,284,600	\$28,676,266
Restricted	283,180	326,826	359,899
Unrestricted	4,064,323	4,302,680	4,926,634
Total governmental activities net assets	32,265,295	30,914,106	33,962,799
Business-type activities:			
Invested in capital assets, net of related debt	1,768,078	1,931,844	2,326,089
Restricted	-	-	-
Unrestricted	1,254,664	1,281,141	778,320
Total business-type activities net assets	3,022,742	3,212,985	3,104,409
Total government:			
Invested in capital assets, net of related debt	29,685,870	28,216,444	31,002,355
Restricted	283,180	326,826	359,899
Unrestricted	5,318,987	5,583,821	5,704,954
Total government net assets	\$35,288,037	\$34,127,091	\$37,067,208

# VILLAGE OF KEY BISCAIYNE, FLORIDA

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

	Fiscal Year		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Expenses:			
Governmental activities:			
General government	\$ 1,712,899	\$ 2,136,375	\$ 2,239,052
Fire	4,462,601	4,749,407	5,117,176
Police	4,113,946	4,605,148	4,388,362
Building, zoning and planning	1,212,290	1,238,376	1,544,696
Public works	1,098,250	2,183,774	4,002,609
Parks and recreation	952,261	2,193,633	2,634,887
Principal on long-term debt	1,583,924	1,161,298	1,214,646
Interest on long-term debt	1,107,697	1,300,596	1,413,272
Issuance costs	-	-	-
Total governmental activities	<u>16,243,868</u>	<u>19,568,607</u>	<u>22,554,700</u>
Business-type activities:			
Stormwater system	439,236	454,963	720,158
Solid waste collection	259,173	466,162	501,417
Sanitary sewer	-	-	9,993
Total business-type activities	<u>698,409</u>	<u>921,125</u>	<u>1,231,568</u>
Total government expenses	<u>\$ 16,942,277</u>	<u>\$ 20,489,732</u>	<u>\$ 23,786,268</u>
Program revenues:			
Governmental activities:			
Charges for services:			
General government	\$ 961,100	\$ 1,257,895	\$ 1,466,186
Police	197,244	212,121	40,719
Fire	6,505	7,120	50,392
Parks and recreation	35,787	1,287,806	1,512,923
Building, zoning and planning	86,455	142,550	167,802
Operating grants and contributions	-	650,679	3,559,753
Capital grants and contributions	524,736	-	-
Total governmental activities program revenues	<u>1,811,827</u>	<u>3,558,171</u>	<u>6,797,775</u>
Business-type activities:			
Charges for services:			
Stormwater system	520,729	-	517,365
Solid waste collection	284,900	-	531,967
Operating grants and contributions	-	-	-
Capital grants and contributions	-	-	-
Total business-type activities program revenues	<u>805,629</u>	<u>-</u>	<u>1,049,332</u>
Total program revenues	<u>\$ 2,617,456</u>	<u>\$ 3,558,171</u>	<u>\$ 7,847,107</u>

(Continued)

# VILLAGE OF KEY BISCAYNE, FLORIDA

## CHANGES IN NET ASSETS

(Continued)

LAST THREE FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year		
	2004	2005	2006
Net (expense) revenue:			
Governmental activities	\$ (14,432,041)	\$ (16,010,436)	\$ (15,756,925)
Business-type activities	<u>107,220</u>	<u>(921,125)</u>	<u>(182,236)</u>
Total net expense	<u>\$ (14,324,821)</u>	<u>\$ (16,931,561)</u>	<u>\$ (15,939,161)</u>
General revenues:			
Governmental activities:			
Taxes:			
Property taxes	\$ 12,770,711	\$ 13,360,251	\$ 14,830,238
Utility taxes	1,448,481	1,488,002	1,549,601
Franchise fees	677,203	705,810	1,088,929
Communications services tax	770,637	746,400	797,054
Intergovernmental	821,883	978,304	996,092
Investment earnings	110,562	255,611	306,339
Miscellaneous	126,607	281,657	-
Transfers	<u>(28,134)</u>	<u>(28,135)</u>	<u>(28,133)</u>
Total governmental activities	<u>16,697,950</u>	<u>17,787,900</u>	<u>19,540,120</u>
Business-type activities:			
Investment earnings	21,235	41,050	45,527
Transfers	<u>28,134</u>	<u>28,135</u>	<u>28,133</u>
Total business-type activities	<u>49,369</u>	<u>69,185</u>	<u>73,660</u>
Total general revenues	<u>\$ 16,747,319</u>	<u>\$ 17,857,085</u>	<u>\$ 19,613,780</u>
Change in net assets:			
Governmental activities	\$ 2,265,909	\$ 1,777,464	\$ 3,783,195
Business-type activities	<u>156,589</u>	<u>(851,940)</u>	<u>(108,576)</u>
Total change in net assets	<u>\$ 2,422,498</u>	<u>\$ 925,524</u>	<u>\$ 3,674,619</u>

# VILLAGE OF KEY BISCAYNE, FLORIDA

## FUND BALANCES OF GOVERNMENTAL FUNDS

LAST THREE FISCAL YEARS

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
General fund:			
Reserved	\$4,952,188	\$5,754,277	\$6,874,310
Unreserved	-	-	-
Total general fund	<u>4,952,188</u>	<u>5,754,277</u>	<u>6,874,310</u>
All other governmental funds:			
Reserved	-	-	-
Unreserved, reported in:			
Special revenue funds	513,862	(638,221)	(1,496,749)
Capital projects funds	<u>(489,979)</u>	<u>881,595</u>	<u>1,421,014</u>
Total all other governmental funds	<u>23,883</u>	<u>243,374</u>	<u>(75,735)</u>
Total governmental funds	<u>\$4,976,071</u>	<u>\$5,997,651</u>	<u>\$6,798,575</u>

# VILLAGE OF KEY BISCAYNE, FLORIDA

## CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST THREE FISCAL YEARS

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Revenues:			
Ad valorem taxes	\$ 12,770,711	\$ 13,360,251	\$ 14,830,238
Franchise fees	1,447,840	1,452,210	1,885,983
Utility taxes	1,448,481	1,488,002	1,549,601
Licenses and permits	961,100	1,040,130	1,196,853
Intergovernmental revenue	1,031,805	1,495,947	1,756,083
Charges for services	325,651	1,867,362	2,041,169
Grants	-	650,679	2,799,762
Investment income	110,562	255,611	306,339
Miscellaneous	441,761	281,657	-
Total revenues	18,537,911	21,891,849	26,366,028
Expenditures:			
Current:			
General government	1,712,899	2,136,375	2,239,052
Fire	4,462,601	4,749,407	5,117,176
Police	4,113,946	4,605,148	4,388,362
Public works	1,098,250	2,183,774	4,002,609
Building, planning and zoning	1,212,290	1,238,376	1,544,696
Parks and recreation	952,261	2,193,633	2,634,887
Capital outlay	10,664,348	4,527,998	6,432,271
Debt service:			
Principal retirement	1,583,924	1,161,298	1,214,646
Interest and other fiscal charges	1,135,384	1,300,596	1,413,272
Total expenditures	26,935,903	24,096,605	28,986,971
Excess (deficiency) of revenues over expenditures	(8,397,992)	(2,204,756)	(2,620,943)
Other financing sources (uses):			
Transfers in	819,251	1,245,653	1,731,583
Transfers out	(847,385)	(1,273,788)	(1,759,716)
Bonds issued	8,330,462	2,850,000	3,450,000
Capital lease proceeds	-	404,471	-
Total other financing sources (uses)	8,302,328	3,226,336	3,421,867
Net change in fund balances	\$ (95,664)	\$ 1,021,580	\$ 800,924
Debt service as a percentage of non-capital expenditures	10.10%	10.22%	9.07%

# VILLAGE OF KEY BISCAYNE, FLORIDA

## GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE

LAST TEN FISCAL YEARS

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

<u>Fiscal Year</u>	<u>Ad Valorem Taxes</u>	<u>Franchise Taxes</u>	<u>Utility Taxes</u>	<u>Inter-governmental*</u>	<u>Communications Services Tax**</u>	<u>Total</u>
1997	\$ 6,495,465	\$ 667,815	\$ 1,555,812	\$ 766,638	\$ -	\$9,485,730
1998	6,963,900	709,067	1,514,697	843,812	-	10,031,476
1999	7,012,714	740,031	1,621,473	807,924	-	10,182,142
2000	7,799,633	729,998	1,723,902	889,704	-	11,143,237
2001	8,737,608	738,513	1,772,208	930,169	-	12,178,498
2002	9,569,030	639,072	2,258,931	971,136	904,475	14,342,644
2003	11,317,161	611,502	2,251,876	999,391	825,739	16,005,669
2004	12,770,711	677,203	2,219,118	1,031,805	770,637	17,469,474
2005	13,360,125	705,810	2,234,402	1,140,599	746,400	18,187,336
2006	14,830,238	1,088,929	1,549,601	1,756,083	797,054	20,021,905

Source: Village of Key Biscayne Finance Department

\*Includes half cent sales tax and state revenue sharing

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

# VILLAGE OF KEY BISCAYNE, FLORIDA

## NET ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

### LAST TEN FISCAL YEARS

Fiscal Year Ended <u>September 30,</u>	<u>Real Property</u>			Total Net Assessed <u>Value</u>	Total Direct Tax <u>Rate</u>
	<u>Residential Property</u>	<u>Commercial Property</u>	<u>Personal Property</u>		
1997	\$1,917,487,798	\$ 60,731,327	\$ 24,830,107	\$2,003,049,232	3.606
1998	1,941,484,664	62,523,036	24,166,508	2,028,174,208	3.606
1999	2,137,666,293	67,704,896	27,086,715	2,232,457,904	3.606
2000	2,394,282,542	75,832,533	28,934,086	2,499,049,161	3.606
2001	2,618,160,883	82,923,284	30,749,478	2,731,833,645	3.606
2002	3,128,872,469	99,098,715	31,948,797	3,259,919,981	3.606
2003	3,506,812,044	111,068,946	43,233,556	3,661,114,546	3.606
2004	3,713,841,630	117,626,058	43,867,688	3,875,335,376	3.606
2005	4,115,175,292	130,346,736	41,852,920	4,287,374,948	3.606
2006	5,421,393,923	166,638,240	47,020,078	5,635,052,241	3.606

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

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

# VILLAGE OF KEY BISCAIYNE, FLORIDA

## PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

### LAST TEN FISCAL YEARS

Fiscal Year	Tax Roll Year	Village of Key Biscayne			Overlapping Rates (1)									Total Direct and Overlapping Rates
		General Operations	Debt Service	Total Village	Miami-Dade County			Miami-Dade Schools			Florida	South	Other	
					Operating Millage	Service Millage	County Millage	Operating Millage	Service Millage	School Millage	Inland Navigation District	Florida Water Management		
1997	1996	3.606	-	3.606	6.023	0.929	6.952	9.356	1.106	10.462	0.050	0.597	0.416	22.083
1998	1997	3.606	-	3.606	6.023	0.837	6.860	9.182	0.978	10.160	0.047	0.597	0.434	21.704
1999	1998	3.606	-	3.606	5.809	0.816	6.625	8.654	0.990	9.644	0.044	0.597	0.421	20.937
2000	1999	3.606	-	3.606	5.751	0.653	6.404	8.702	0.915	9.617	0.041	0.597	0.451	20.716
2001	2000	3.606	-	3.606	5.713	0.552	6.265	8.528	0.848	9.376	0.039	0.697	0.451	20.434
2002	2001	3.606	-	3.606	5.889	0.390	6.279	8.482	0.770	9.252	0.039	0.697	0.451	20.324
2003	2002	3.606	-	3.606	5.969	0.285	6.254	8.418	0.682	9.100	0.039	0.597	1.086	20.682
2004	2003	3.606	-	3.606	5.935	0.285	6.220	8.090	0.597	8.687	0.039	0.597	1.030	20.179
2005	2004	3.606	-	3.606	5.835	0.285	6.120	7.947	0.491	8.438	0.039	0.597	1.014	19.814
2006	2005	3.606	-	3.606	5.615	0.285	5.900	7.691	0.414	8.105	0.039	0.597	3.659	21.906

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

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

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

# VILLAGE OF KEY BISCAIYNE, FLORIDA

## PRINCIPAL PROPERTY TAXPAYERS

### CURRENT YEAR AND NINE YEARS AGO

2006				1997			
<u>Taxpayer</u>	Net Assessed Value	Rank	Percent of Total Village Net Assessed Value	<u>Taxpayer</u>	Net Assessed Value	Rank	Percent of Total Village Net Assessed Value
Sonesta Beach Resort	\$ 44,568,400	1	0.79%	Ocean Club Key Biscayne	\$ 61,893,774	1	2.77%
United Real Estate Ventures	42,064,691	2	0.75%	Grand Bay Residence of Key Biscayne	48,067,499	2	2.15%
GB Hotel Partners LTD	34,700,000	3	0.62%	Sonesta Beach Hotel	28,855,555	3	1.29%
260 Cape Florida LLC	12,663,250	4	0.22%	GB Hotel Partners LTD	16,842,465	4	0.75%
Ocean Club Community Assoc.	12,500,000	5	0.22%	VMS Partnership LTD	12,662,248	5	0.57%
Claudio & Yvonne Alvarez	9,202,584	6	0.16%	Key Biscayne Shopping Center	9,263,589	6	0.41%
Aurelio & Berta Fernandez	7,813,741	7	0.14%	Fininvest Investment, et al Key Colony	8,230,098	7	0.37%
Garflo Investments	7,361,525	8	0.13%	Coldwell Banker	6,385,810	8	0.29%
Roger & Susana Khouri	6,979,000	9	0.12%	Florida Power & Light	5,805,342	9	0.26%
CSM Key Biscayne Equities LLC	<u>6,438,569</u>	10	<u>0.00%</u>	Red Dragon Sands, LTD	<u>5,797,604</u>	10	<u>0.26%</u>
	<u>\$ 184,291,760</u>		<u>3.15%</u>		<u>\$ 203,803,984</u>		9.12%

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

# VILLAGE OF KEY BISCAYNE, FLORIDA

## PROPERTY TAX LEVIES AND COLLECTIONS

### LAST TEN FISCAL YEARS

Fiscal Year Ended <u>September 30,</u>	Total Taxes Levied for Fiscal <u>Year</u>	Collected within the Fiscal Year of the Levy		Collections in Subsequent <u>Year's</u>	Total Collections to Date	
		<u>Amount</u>	<u>Percent of Levy</u>		<u>Amount</u>	<u>Percent of Levy</u>
1997	\$6,711,642	\$ 6,495,465	96.78%	\$ 9,743	\$6,505,208	96.92%
1998	7,222,995	6,948,521	96.20%	10,423	6,958,944	96.34%
1999	7,313,596	7,012,714	95.89%	10,519	7,023,233	96.03%
2000	8,050,243	7,799,633	96.89%	11,699	7,811,332	97.03%
2001	9,011,571	8,738,608	96.97%	13,108	8,751,716	97.12%
2002	9,850,992	9,515,138	96.59%	14,273	9,529,411	96.74%
2003	11,755,271	11,317,160	96.27%	16,976	11,334,136	96.42%
2004	13,201,979	12,869,711	97.48%	19,305	12,889,016	97.63%
2005	13,974,460	13,360,251	95.60%	20,040	13,380,291	95.75%
2006	15,461,356	14,830,238	95.92%	22,245	14,852,483	96.06%

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

# VILLAGE OF KEY BISCAIYNE, FLORIDA

## RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

Fiscal Year Ended <u>September 30,</u>	<u>Governmental Activities</u>			<u>Business-Type Activities</u>		<u>Total</u>	Percent of Personal <u>Income (1)</u>	Per <u>Capita (1)</u>
	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Loans Payable</u>	<u>Revenue Bonds</u>				
1997	\$ -	\$7,675,000	\$ -	\$ -	\$7,675,000	0.00%	\$ -	
1998	-	6,850,000	-	-	6,850,000	0.00%	-	
1999	-	22,290,000	-	7,200,000	29,490,000	0.00%	-	
2000	-	21,220,000	-	7,065,000	28,285,000	0.00%	2,742	
2001	-	30,120,000	-	6,940,000	37,060,000	0.00%	3,592	
2002	-	29,935,000	-	6,810,000	36,745,000	0.00%	3,562	
2003	-	29,271,000	-	6,625,000	35,896,000	0.00%	3,479	
2004	-	29,164,892	-	6,430,000	35,594,892	0.00%	3,450	
2005	-	30,850,606	-	6,010,000	36,860,606	0.00%	3,573	
2006	-	33,085,960	-	5,785,000	38,870,960	0.00%	3,768	

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

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

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

The Village has never had general obligation debt.

# VILLAGE OF KEY BISCAYNE, FLORIDA

## DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

SEPTEMBER 30, 2006

<u>Government Unit</u>	2006		
	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to the Village of Key Biscayne (1)</u>	<u>Amount Applicable to the Village of Key Biscayne</u>
Direct:			
Village of Key Biscayne	\$38,870,960	100.00%	\$ 38,870,960
Overlapping debt:			
Miami-Dade County	507,316,000	2.98%	15,118,017
Miami-Dade County School Board	560,574,000	2.98%	<u>16,705,105</u>
Subtotal, Overlapping Debt			31,823,122
Village of Key Biscayne Direct Debt			<u>38,870,960</u>
Total Direct and Overlapping Debt			<u>\$ 70,694,082</u>

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

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

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

# VILLAGE OF KEY BISCAYNE, FLORIDA

## PLEGDED REVENUE COVERAGE

### LAST TEN FISCAL YEARS

Fiscal Year Ended <u>September 30,</u>	Non- Ad Valorem <u>Revenues</u>	<u>Debt Service</u>		<u>Coverage</u>
		<u>Principal</u>	<u>Interest</u>	
1997	\$4,233,483	\$ 820,000	\$ 315,901	3.73
1998	4,697,973	855,000	277,825	4.15
1999	5,364,921	895,000	241,329	4.72
2000	5,324,756	935,000	595,767	3.48
2001	5,777,408	975,000	631,875	3.60
2002	5,426,424	1,015,000	1,420,845	2.23
2003	5,315,452	1,415,000	590,737	2.65
2004	5,305,171	1,583,924	1,107,696	1.97
2005	7,879,761	1,161,298	1,300,596	3.20
2006	10,433,952	1,350,001	1,351,729	3.86

Source: Village of Key Biscayne Finance Department

# VILLAGE OF KEY BISCAYNE, FLORIDA

## DEMOGRAPHIC AND ECONOMIC STATISTICS

### LAST TEN FISCAL YEARS

<u>Year</u>	<u>Population (1)</u>	<u>Personal Income (Amounts Expressed in Thousands) (2)</u>	<u>Per Capita Personal Income (3)</u>	<u>Unemployment Rate (4)</u>
1997	-	\$ -	\$ -	7.1%
1998	-	-	-	6.7%
1999	-	-	-	5.9%
2000	10,317	-	86,599	5.6%
2001	10,317	-	86,599	5.7%
2002	10,317	-	86,599	7.4%
2003	10,317	-	86,599	7.3%
2004	10,317	-	86,599	5.0%
2005	10,317	-	89,400	3.9%
2006	10,317	-	89,400	3.8%

Sources:

- (1) United States Census Bureau, 2000 Census data. Prior to 2000, data not available
- (2) Information not available
- (3) Years 2000-2004 , US Census 2000, Year 2005 City Data.com
- (4) US Department of Labor. Rates are for Miami-Dade County.

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

# VILLAGE OF KEY BISCAWAYNE, FLORIDA

## OPERATING INDICATORS BY FUNCTION/PROGRAM

### LAST TEN FISCAL YEARS

<u>Function/Program</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Public safety:										
Police:										
Police personnel and officers	37	37	38	40	40	40	40	41	40	40
Police calls for service	16,370	21,982	20,846	21,127	20,659	21,127	20,660	19,004	16,510	13,006
Parking violations	535	703	901	789	639	789	639	628	682	801
Traffic violations	1,817	1,779	2,737	2,875	2,433	2,875	2,433	3,035	1,397	1,468
Fire:										
Fire personnel	33	33	33	33	33	33	34	35	39	39
Fire incidents	561	760	868	1,051	485	1,050	1,114	1,148	1,403	1,103
Fire inspections performed	3,594	2,250	197	565	470	476	840	307	332	269
Planning and development:										
Business permits issued	3,435	3,457	2,851	2,408	1,803	2,313	2,581	3,061	3,045	3,000
Occupational licenses issued	443	409	576	598	625	729	668	428	433	475
Culture and recreation:										
Number of building users	-	-	-	-	-	-	-	1,250	1,600	1,400
Solid waste:										
Residential accounts	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200

Sources: Various Village Departments

Note: Indicators are not available for the general government function

# VILLAGE OF KEY BISCAYNE, FLORIDA

## CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

<u>Function/Program</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General government:										
Number of general government buildings	1	1	1	1	1	1	1	1	1	1
Public safety:										
Police:										
Police stations	1	1	1	1	1	1	1	1	1	1
Patrol units	3	3	3	3	3	3	3	3	3	3
Fire:										
Fire stations	1	1	1	1	1	1	1	1	1	1
Transportation:										
Miles of streets	22.4	22.4	22.4	22.4	22.4	22.4	22.4	22.4	22.4	22.4
Number of street lights	250	250	250	250	250	300	300	300	300	300
Number of traffic signals	4	4	4	4	4	4	4	4	4	4
Culture and recreation:										
Parks	3	3	3	3	3	3	3	3	3	3
Parks acreage	9	9	9	9	9	9	9	9	9	9
Community center	-	-	-	-	-	-	-	-	1	1
Swimming pools	-	-	-	-	-	-	-	-	1	1

Sources: Various Village Departments



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## **COMPLIANCE SECTION**

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**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, 2006 and for the year then ended which collectively comprise the Village's basic financial statements, and have issued our report dated February 15, 2007. 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 opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as items 06-01.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

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

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 instance of noncompliance that is required to be reported under *Government Auditing Standards*.

However, we noted one immaterial instance of noncompliance that is presented in the accompanying schedule of findings and questioned costs as item 06-02.

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  
February 15, 2007

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

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

We have audited the financial statements of the Village of Key Biscayne, Florida (the Village) as of and for the year ended September 30, 2006, and have issued our report thereon dated February 15, 2007.

We conducted our audit in accordance with United States generally accepted auditing standards, and *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 and our Report of Independent Certified Public Accountants on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 and Schedule of Findings and Questioned Costs. Disclosures in these reports and schedule, which are dated February 15, 2007, should be considered in conjunction with this management letter. Additionally, our audit was conducted in accordance with provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

The Rules of the Auditor General (Section 10.554(1)(h)1.) require that we address in the management letter, if not already addressed in the auditor's report on compliance and internal controls or schedule of findings and questioned costs, whether or not recommendations made in the preceding annual financial report have been followed. The Village implemented the recommendations made in the preceding annual financial audit report.

As required by the Rules of the Auditor General (Section 10.554(1)(h)2.), the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Village complied with Section 218.415, Florida Statutes.

The Rules of the Auditor General (Section 10.554(1)(h)3.), require that we address in the management letter any findings and recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, the findings and recommendations are incorporated in the accompanying schedule of findings and questioned costs.

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**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, 2006. 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, 2006.

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

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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  
February 15, 2007

# VILLAGE OF KEY BISCAYNE, FLORIDA

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FISCAL YEAR ENDED SEPTEMBER 30, 2006

<u>Federal Grantor/Pass Through Grantor Programs</u>	<u>CFDA Number</u>	<u>Grant/ Contract Number</u>	<u>Expenditures</u>
<b><i><u>Department of Homeland Security</u></i></b>			
Federal Emergency Management Agency Pass through State of Florida Department of Community Affairs Disaster Relief Funding Agreement - Wilma	97.036	06-WL-&K-11-23-02-863	\$ <u>2,270,704</u>
<b>Total Expenditures of Federal Awards</b>			\$ <u>2,270,704</u>

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, 2006

### 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, 2006

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

The following addresses the status of financial statement findings reported in the fiscal year ended September 30, 2005 schedule of findings and questioned costs:

#### Matters that are not repeated in the accompanying schedule of findings and questioned costs

- Acquisition of a capital asset software system that will allow the Village to more effectively and efficiently track and maintain their acquired and constructed capital assets

VILLAGE OF KEY BISCAYNE, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FISCAL YEAR ENDED SEPTEMBER 30, 2006

**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 checked="" type="checkbox"/> yes	<input 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>
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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
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# VILLAGE OF KEY BISCAYNE, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### SECTION II – FINANCIAL STATEMENT FINDINGS

#### Reportable Condition

##### 06-01 Village Credit Cards

###### *Condition*

When performing a test over the process of the Village personnel and their use of Village issued credit cards, we noted in various instances that there was no support attached or in adequate support attached to the credit card statement identifying the business purpose of the transaction. In those instances, sign offs of responsible officials were noted on the credit card statement. In addition, we noted that the Village does not have a written credit card policy so there is no standardized adherence to Village policies and procedures.

###### *Criteria*

The Village has the responsibility to safeguard their assets from loss or misuse.

###### *Cause*

Lack of adequate internal controls over credit cards stemming from lack of a written defined policy. Even with a formal policy, internal controls would have to be in place to ensure compliance with the stated policies.

###### *Effect*

Inadequately supported transactions of expenses paid with the Village credit cards.

###### *Recommendation*

We recommend that the Village establish written policies and procedures for the proper safeguarding and usage of the Village credit card. Examples of what the written policy may include are as follows: adequate oversight and internal controls should include safeguarding the actual credit card; ensuring only authorized personnel have access to the credit card; sufficient documentation of all credit cards purchases should be maintained in the form of invoices and/or receipts and in the rare instance where a receipt is lost or cannot be obtained, a sign off by a responsible Village official; monthly credit cards statements should be reconciled to the receipts on hand by a person other than the individual who are authorized to use the credit card and documentation should support a valid business purpose; payments should be remitted to the credit card vendor in a timely fashion to avoid late fees and charges. Subsequent to the reporting of this matter, the Village prepared and provided the auditors a written policy.

###### *Views of Responsible Officials and Planned Corrective Actions*

The Village, since incorporation, has had a verbal policy governing credit card use between management and department heads. The policy is understood to require receipts and a department head approval for all charges appearing on the periodic statement.

In the case where a receipt is not produced, the responsible department head will describe the nature of the purchase and sign off its validity as a legitimate Village operating expense directly associated to Village operations.

# VILLAGE OF KEY BISCAYNE, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

The Village has since put this policy into a written policy.

#### **Compliance**

#### **06-02 Cash Disbursements**

##### *Condition*

When performing our tests over cash disbursements, we noted one (1) instance where a check for \$160,000 was not signed by two authorized signatories as prescribed by the Village's Resolution. Also, we noted two (2) checks that were less than \$10,000 each had no signature and were cashed by the bank. The three checks noted above were to vendors of the Village and did not appear to be of an emergency nature.

##### *Criteria*

To comply with the Village's Resolution requiring two (2) signatures on each check issued for more than \$10,000 and prudent business practice would dictate that at least one signature on checks issued for less than \$10,000.

##### *Effect*

Although disbursements were determined to be business related expenses, the Village should ensure that it has the controls in place to safeguard assets from loss or misuse.

##### *Recommendation*

We recommend that a person independent of the bank reconciliation should review all checks prior to mailing to ensure checks contain the authorized signatory(ies), as required by the Village's resolution and prudent business practice. We did not audit the information provided below in the "Views of Responsible Officials and Planned Corrective Actions".

##### *Views of Responsible Officials and Planned Corrective Actions*

One single check that exceeded \$10,000 was released to a vendor without bearing two signatures.

A check in November 2005 in payment for Hurricane Wilma debris removal hauling was fully documented with complete support. This check was reviewed by the previous Mayor who signed the check to the vendor. In the haste and confusion of the aftermath of this devastating storm, the check was hand delivered to the hauler without the signature of the manager or clerk. The Manager did however approve the payment by way of signature on the actual check request.

This was a single incident in a field of over 3,500 checks issued during the year.

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

None.

# VILLAGE OF KEY BISCAYNE, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### SECTION IV – NEW PRONOUNCEMENT

#### ***Governmental Accounting Standards Board Statement No. 45 – Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions***

As part of the total compensation offered to attract and retain the services of qualified employees, many state and local governmental employers, in addition to pensions, provide other post-employment benefits (OPEB). OPEB includes post-employment healthcare, as well as other forms of post-employment benefits when provided separately from a pension plan. The Governmental Accounting Standards Board has issued Statement No. 45 which establishes standards for the measurement, recognition, and display of OPEB expenses/expenditures and related liabilities (assets), note disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

Post-employment benefits (OPEB) are part of an exchange of salaries and benefits for employee services rendered, and are taken after the employee's services have ended. From an accrual accounting perspective, the cost of OPEB should be associated with the periods in which the exchange occurs, rather than with the periods, often many years later, when benefits are paid or provided. However, in current practice, most OPEB plans are financed on a pay-as-you-go basis, and financial statements generally do not report financial effects of OPEB until the promised benefits are paid. As a result, current financial reporting generally fails to recognize the cost of the benefits in periods when the related services are received by the employer, provide information about the actuarial accrued liabilities for promised benefits associated with past services and whether and to what extent those benefits have been funded and provide information useful in assessing potential demands on the employer's future cash flows. This Statement improves the relevance and usefulness of financial reporting by (a) requiring systematic, accrual basis measurement and recognition of OPEB expense over a period that approximates employees' years of service and (b) providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan.

OPEB expenditures for governmental funds should be recognized on the modified accrual basis. The amount recognized should be equal to the amount contributed to the plan or expected to be liquidated with expendable available resources. Essentially, there is no change from current practice for governmental funds. However, for government-wide financial statements, the accrual basis must be used.

The accrual method will require the calculations to be made using actuarial computations and will result in the recognition of a present value liability which measures the value of OPEB benefits earned by employees during their tenure with the government and likely to be paid upon retirement. This calculation will result in substantial amounts, due to the current cost of such benefits and their escalating costs. It should also be emphasized that there is no requirement to fund these benefits with current resources. The Statement merely requires the reporting of the value of the benefit primarily in the government-wide financial statements. The computations can be extremely complex and the use of an actuary will invariably be required.

An alternative measurement method exists for a sole employer in a plan with fewer than one hundred total plan members (including employees in active service, terminated employees who have accumulated benefits but are not yet receiving them, and retirees and beneficiaries currently receiving benefits) has the option to apply a simplified *alternative measurement method* instead of obtaining actuarial valuations.

# VILLAGE OF KEY BISCAYNE, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### **NEW PRONOUNCEMENT** (Continued)

This alternative method includes the same broad measurement steps as an actuarial valuation (projecting future cash outlays for benefits, discounting projected benefits to present value, and allocating the present value of benefits to periods using an actuarial cost method). However, it permits simplification of certain assumptions to make the method potentially usable by nonspecialists.

The Statement would permit prospective implementation, that is, employers would be permitted to set the beginning net OPEB obligation at zero as of the beginning of the initial year. Implementation would occur in three phases based on the government's total annual revenues in the first fiscal year ending after June 15, 1999. The definitions and cutoff points for that purpose otherwise would be the same as in GASB's Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. For the District, this Statement is effective for the fiscal year ended September 30, 2009.

### ***Recommendation***

The contents of this statement are highly complex and will require significant lead time to implement on the respective implementation date. We would suggest that the Town obtain a thorough understanding of the requirements and initiate planning for implementation in a prudent manner.