VILLAGE OF KEY BISCAYNE, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2007

Prepared by:

THE FINANCE DEPARTMENT

VILLAGE OF KEY BISCAYNE, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2007

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INTRODUCTORY SECTION

VILLAGE OF KEY BISCAYNE

Office of the Village Manager

Village Council
Robert L. Vernon, *Mayor*
Jorge E. Mendia, *Vice Mayor*
Michael Davey
Enrique Garcia
Steve Liedman
Thomas Thornton
Patricia Weinman

Village Manager
Genaro "Chip" Iglesias

April 15, 2008

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

The Government Finance Officers Association (GFOA) recommends that all units of local government publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) in the United States and audited in accordance with auditing standards generally accepted in the United States and in accordance with Government Auditing Standards by a firm of licensed certified public accountants. Pursuant to that recommendation, we hereby issue the comprehensive annual financial report of the Village of Key Biscayne for the fiscal year ended September 30, 2007.

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, 2007 are free of material misstatement. The independent audit

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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, 2007, 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 Boulevard 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 capital project has been completed 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 13 of the basic financial statements.

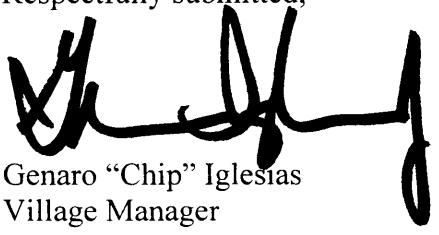
Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Village of key Biscayne for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2006. This was the fifteenth consecutive year that the Village received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of all departments of the Village of Key Biscayne. We would like to express our appreciation to all members of all of the departments who assisted and contributed to the preparation of this report. We would also like to express our appreciation to Rachlin LLP, our independent auditors, for their assistance and efforts in helping the Village prepare the CAFR. Appreciation is also extended to the Mayor and the Village Council for their unfailing support for maintaining the highest standards of professionalism in the management of the Village of Key Biscayne's finances.

Respectfully submitted,



Genaro "Chip" Iglesias
Village Manager

Randolph G. White
Finance Director

VILLAGE OF KEY BISCAYNE, FLORIDA

VILLAGE OFFICIALS

SEPTEMBER 30, 2007

VILLAGE COUNCIL

Robert Vernon, Mayor
Jorge Mendia, Vice-Mayor

Michael Davey
Enrique Garcia
Steve Leidman
Thomas Thornton
Patricia Weineman

VILLAGE MANAGER

Genaro "Chip" Iglesias

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 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, 2006

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.

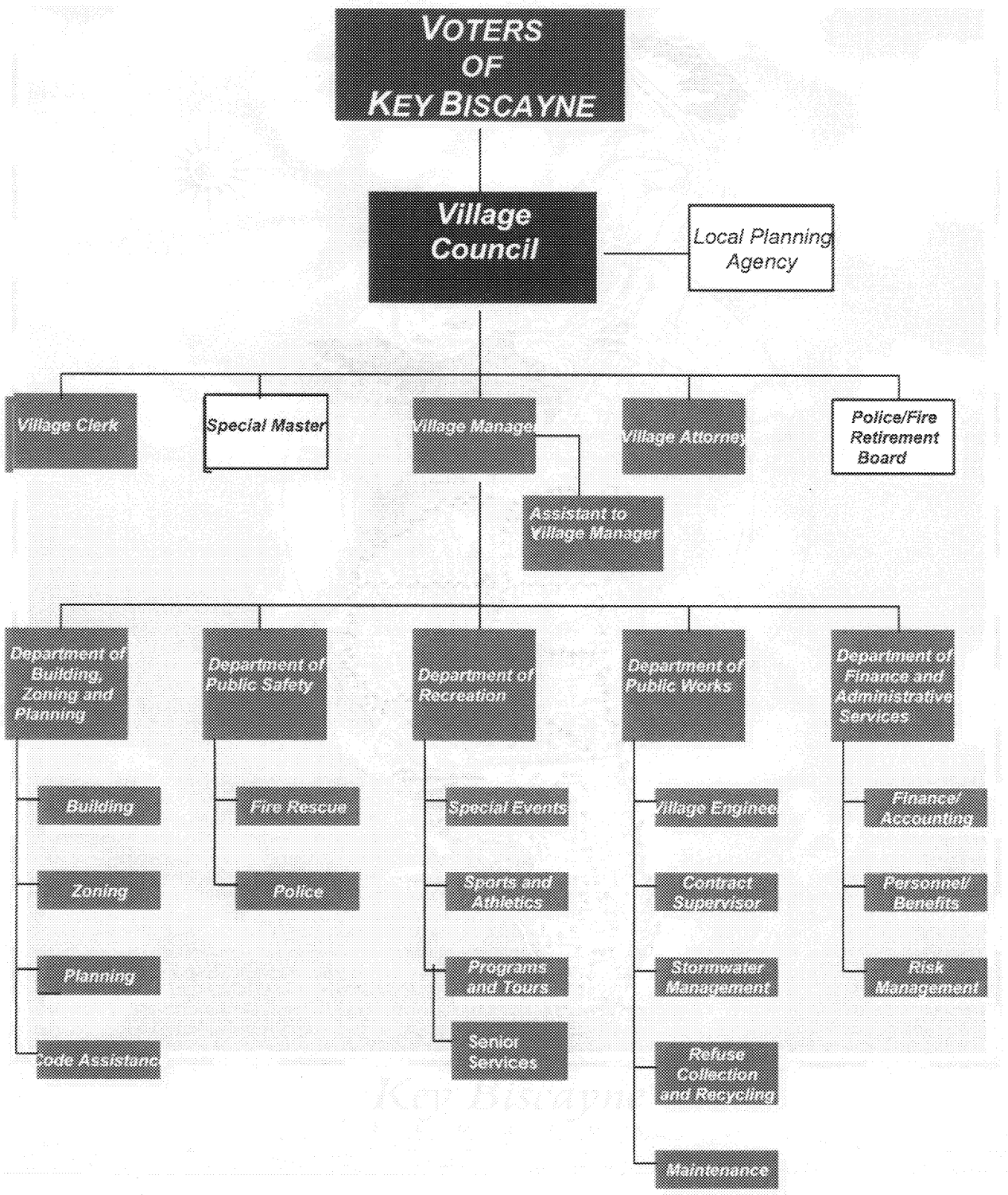
President

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.



VILLAGE OF KEY BISCAYNE
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PARADISE
1991
FLORIDA

FINANCIAL SECTION

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Rachlin
accountants • advisors

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, 2007 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, 2007 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 May 21, 2008 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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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. 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 LLP

Miami, Florida
May 21, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Management's Discussion and Analysis

As Management of the Village of Key Biscayne, we offer readers of the Village of Key Biscayne's (the Village) financial statements this narrative overview and analysis of the financial activities of the Village of Key Biscayne for the fiscal year ended September 30, 2007. 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 $43,075,575 (net assets).
- The Village's total net assets increased by $6,008,367, 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 $10,347,973, an increase of $3,550,788 in comparison with the prior year. The total amount of fund balance is either reserved or designated for spending at the Council's direction.
- The Village incurred $4,000,000 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 required supplementary information in addition to the basic financial statements themselves.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other Information

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

Required supplementary information can be found on pages 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 $43,075,575 at the close of the most recent fiscal year.

A portion of the Village's assets, $75,920,147 or 84.74 %, reflects its investment in capital assets (e.g., land and equipment). The Village of Key Biscayne uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

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

Governmental Activities. Governmental activities increased the Village of Key Biscayne fund balances by approximately $3,550,788. 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 $3,837,741 (25.88 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 2007 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.

Table A - 1
Summary of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current assets	$13,162,063	$ 8,155,986	$ 510,553	$ 809,571	$13,672,616	$ 8,965,557
Capital assets, net	67,505,258	62,377,577	8,414,889	8,488,706	75,920,147	70,866,283
Total assets	80,667,321	70,533,563	8,925,442	9,298,277	89,592,763	79,831,840
Current liabilities	5,002,055	3,561,695	447,508	284,860	5,449,563	3,846,555
Noncurrent liabilities	35,527,705	33,009,069	5,539,920	5,909,008	41,067,625	38,918,077
Investment in capital assets, net of related debt	31,422,358	28,676,266	2,505,881	2,326,089	33,928,239	31,002,355
Restricted	261,813	359,899	-	-	261,813	359,899
Unrestricted	8,453,390	4,926,634	432,133	778,320	8,885,523	5,704,954
Total net assets	$40,137,561	$33,962,799	$2,938,014	$ 3,104,409	$43,075,575	$37,067,208

Table A - 2
Summary of Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	$ 3,060,790	$ 3,238,022	$ 1,030,221	$ 1,049,332	$ 4,091,011	$ 4,287,354
Operating grants and contributions	799,493	3,559,753	-	-	799,493	3,559,753
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	18,667,979	14,830,238	-	-	18,667,979	14,830,238
Utility taxes	2,231,193	2,346,655	-	-	2,231,193	2,346,655
Franchise fees	1,113,194	1,088,929	-	-	1,113,194	1,088,929
Intergovernmental	1,000,265	996,092	-	-	1,000,265	996,092
Investment income and miscellaneous	641,115	306,339	49,086	45,527	690,201	351,866
Total revenues	27,514,029	26,366,028	1,079,307	1,094,859	28,593,336	27,460,887
Expenses:						
General government	3,781,396	4,252,037	-	-	3,781,396	4,252,037
Public safety	9,909,449	9,222,766	-	-	9,909,449	9,222,766
Parks and recreation	3,077,624	2,849,434	-	-	3,077,624	2,849,434
Public works	1,589,444	4,004,651	-	-	1,589,444	4,004,651
Building, zoning and planning	1,447,968	1,547,042	-	-	1,447,968	1,547,042
Debt service	1,505,253	1,413,272	-	-	1,505,253	1,413,272
Stormwater	-	-	693,135	720,158	693,135	720,158
Solid waste collection	-	-	571,246	501,417	571,246	501,417
Sanitary sewer construction	-	-	9,454	9,992	9,454	9,992
Total expenses	21,311,134	23,289,202	1,273,835	1,231,567	22,584,969	24,520,769
Changes in net assets before transfers	6,202,895	3,076,826	(194,528)	(136,708)	6,008,367	2,940,118
Transfers	(28,133)	(28,133)	28,133	28,133	-	-
Changes in net assets after transfers	6,174,762	3,048,693	(166,395)	(108,575)	6,008,367	2,940,118
Net assets, beginning	33,962,799	30,914,106	3,104,409	3,212,984	37,067,208	34,127,090
Net assets, ending	$40,137,561	$33,962,799	$2,938,014	$3,104,409	$43,075,575	$37,067,208

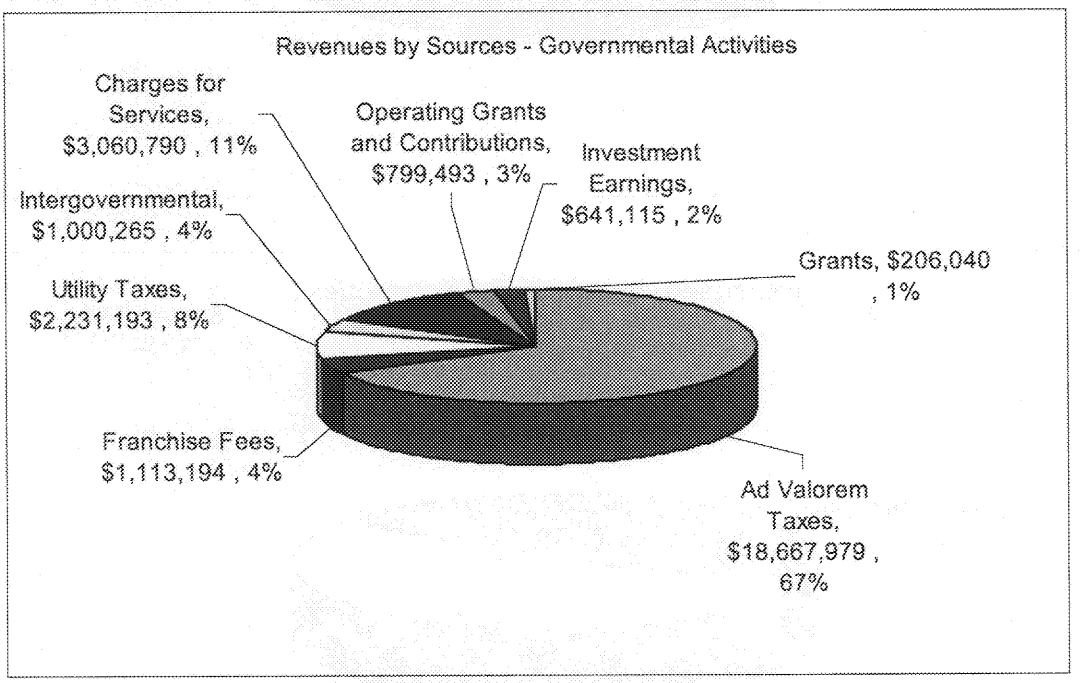
The Village's net assets increased by $6,008,367 during the current fiscal year. This increase represents the results of operations for a full 12-month period with no capital contributions from outside sources.

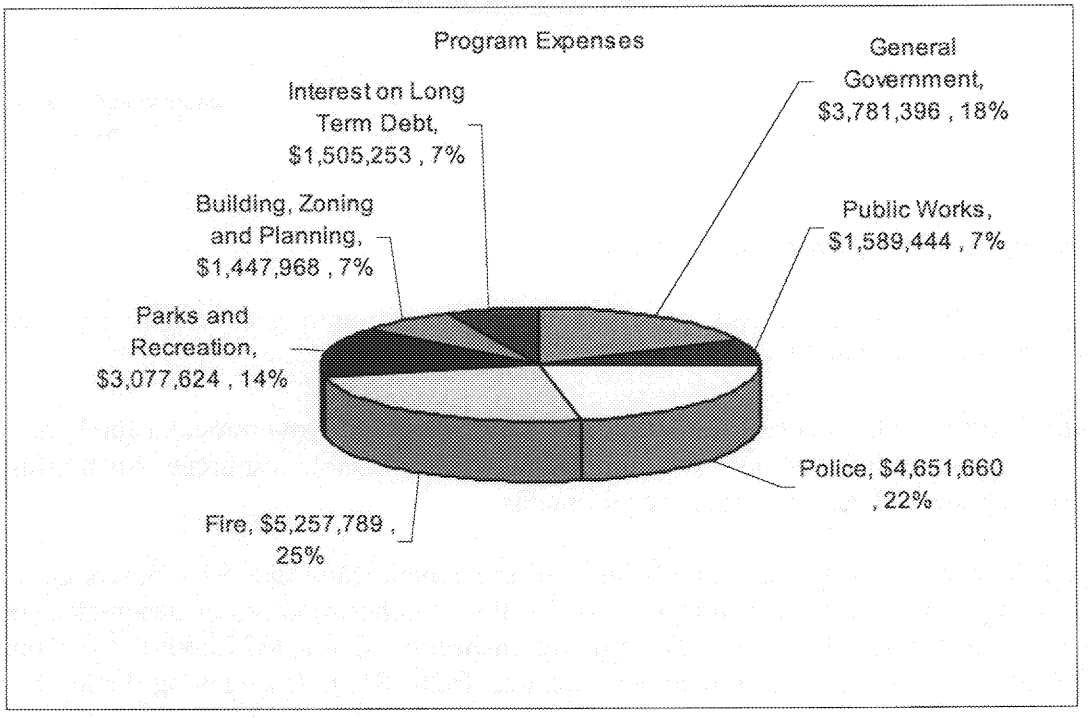
Business-type Activities

Business-type activities decreased the Village's net assets by $166,395.

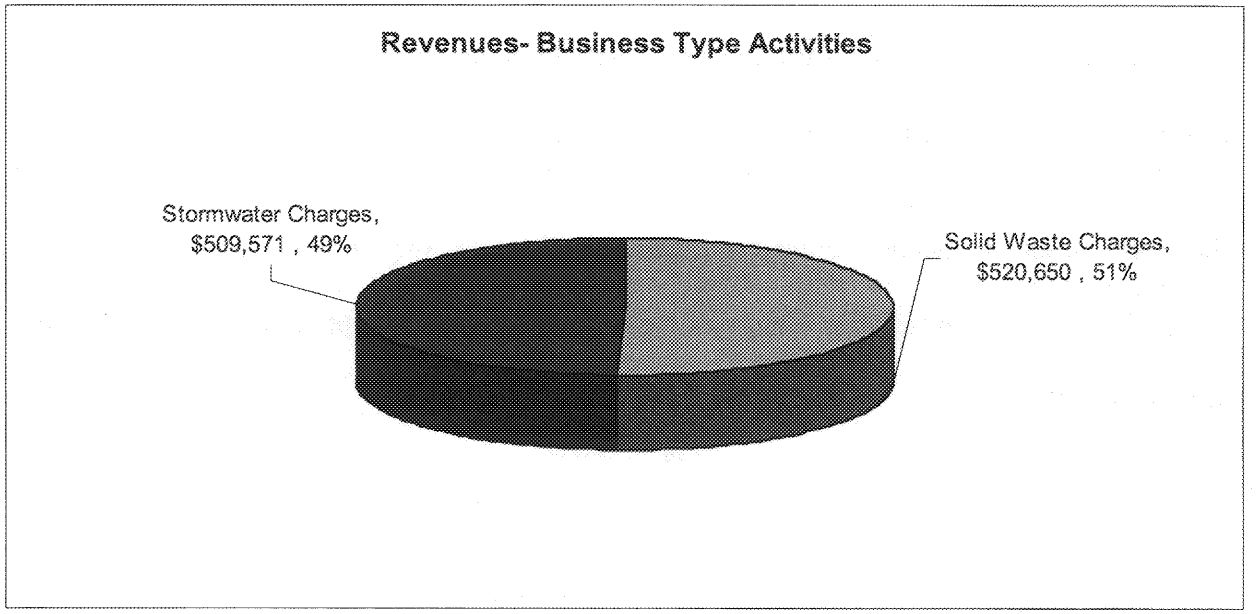
- In fiscal 2007, one of the three business-type activities reflected operational profits.
- The Stormwater Utility Fund reflected a net loss of $139,534, due mainly to depreciation expense in the amount of $273,919.
- The Solid Waste Collection Fund reported a net loss of $45,540, due mainly to increased contractual costs.
- The Sanitary Sewer Construction Fund was dormant awaiting a resumption of construction activity.

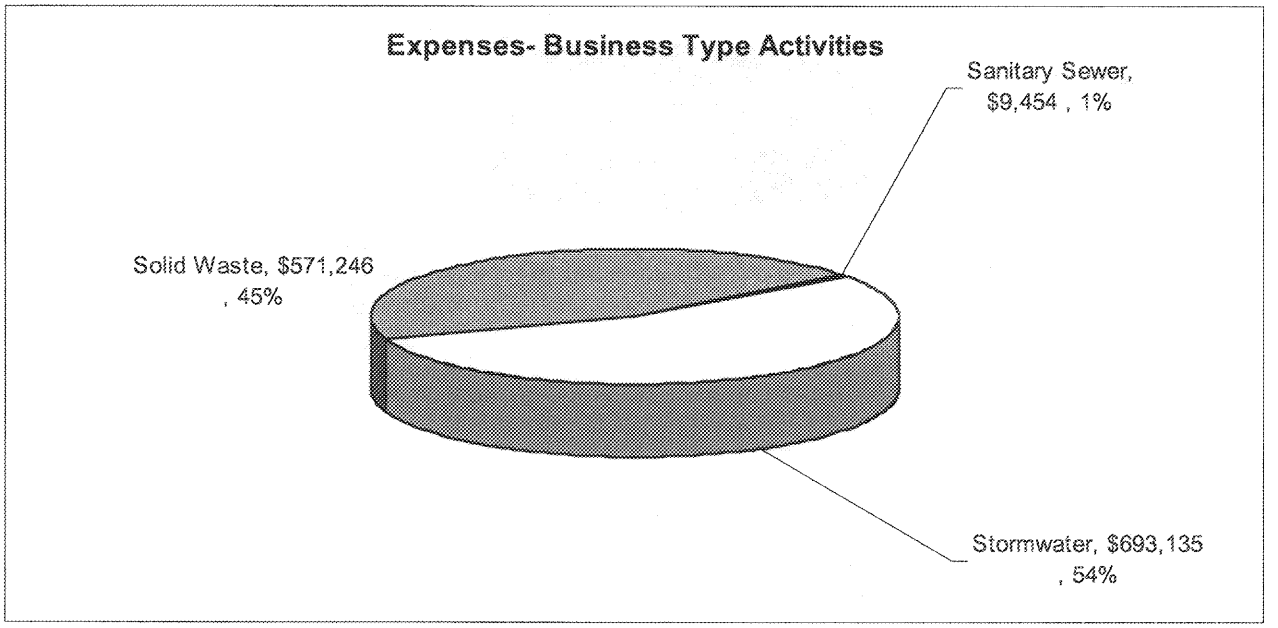
Governmental Activities





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 $9,875,416, an increase of $3,001,107 in comparison with the prior year. All of this is either reserved or designated for specific uses: (1) emergencies ($4,000,000), (2) Building Inspection Costs ($275,000), (3) Compensated Absences ($338,539), (4) Law Enforcement Seizures ($261,813), (5) Playing Field Acquisitions

($416,403), (7) Working Capital Reserves ($1,000,000), (8) Police/Administration Building Reserve ($13,632), (9) Fire Station Building Reserve ($13,632), (10) Community Center Equipment Reserve ($50,000), (11) Fire Vehicles Replacement Reserve ($50,000), (12) Master Plan Initiatives ($1,873,764), (13) Capital Lease ($298,682), (14) Prepaid Items ($198,990), (15) Roadway Improvements ($175,000), (16) Recreation Facilities ($300,000),(17) Police Labor Costs ($90,000), (18) Fire Labor Costs ($155,000) and (19) Capital Improvement Plan ($341,017).

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 47.74 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, 2007 and 2006, is shown as follows:

Table B-1
Summary of Condensed Balance Sheet

	2007	2006
Total assets	$ 11,623,098	$ 8,045,610
Total liabilities	$ 1,747,682	$ 1,171,300
Reserved or designated fund balance	9,875,416	6,874,310
Total liabilities and fund balance	$ 11,623,098	$ 8,045,610

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

	2007	2006
Total revenues	$ 26,592,900	$ 25,264,190
Total expenditures	20,686,819	22,554,700
Excess of revenues over expenditures	$ 5,906,081	$ 2,709,490

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 was to be corrected with the Series 2006 Roadway Improvement Revenue Bonds, issued in late December 2006. The remainder of the negative fund balance will be eliminated with receipt of the County bridge toll revenues and State xoxo funds receipts.

The Capital Improvement Fund receives an annual budgeted transfer from the general fund to fund capital construction of infrastructure at various locations on the island. All transfers are allocated to specific projects by management and the council during the annual budgeting process. The fund balance increased by $1,533,738 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 or budget amendments for the fiscal year ended September 30, 2007.

Capital Assets

As of September 30, 2007, the Village's capital assets net of accumulated depreciation amounted to $75,920,147. The total increase in capital assets for the fiscal year was as follows:

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

- Continuation of the Village Tree Replacement Program
- Completion of drainage improvements on Woodcrest and Buttonwood Drives.
- Completion of the Crandon Blvd Improvement. Project, phase two

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

Debt Administration

At September 30, 2007, the Village had bonded debt outstanding of $41,819,708. Of this amount, $5,550,000 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 $4,000,000 due to the additional borrowing required for Crandon Blvd. Phase 3 construction.

Additional information on the Village's long-term debt can be found in Note 8 on pages 33-37 of this report.

Economic Factors and Next Years Budgets and Rates

- The unemployment rate for Miami-Dade County is currently 4.2 percent, which is a decrease from a rate of 4.5 percent a year ago. This compares exactly to the state's average unemployment rate of 4.2 percent but favorable to the national average rate of 4.6 percent. The Village's average rate remained unchanged at 3.2 percent.
- The occupancy rate of the Village's retail rentals and hospitality service industry has remained stable for the past several years.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the Village of Key Biscayne's budget for the 2008 fiscal year.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

VILLAGE OF KEY BISCAYNE, FLORIDA

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 10,100,283	$1,296,651	$11,396,934
Receivables, net	908,228	533,632	1,441,860
Interest receivable	-	19,509	19,509
Prepaids	198,990	-	198,990
Internal balances	1,339,239	(1,339,239)	-
Negative net pension obligation	137,831	-	137,831
Other assets	23,537	-	23,537
Restricted assets:			
Cash and cash equivalents	178,325	-	178,325
Investments	275,630	-	275,630
Capital assets not being depreciated	32,545,408	1,089,039	33,634,447
Capital assets being depreciated, net	34,959,850	7,325,850	42,285,700
Total assets	80,667,321	8,925,442	89,592,763
LIABILITIES			
Accounts payable and accrued liabilities	2,025,005	52,260	2,077,265
Accrued interest payable	336,175	-	336,175
Payable to pension plan	150,113	-	150,113
Unearned revenue	477,604	26,160	503,764
Noncurrent liabilities:			
Due within one year	2,013,158	369,088	2,382,246
Due in more than one year	35,527,705	5,539,920	41,067,625
Total liabilities	40,529,760	5,987,428	46,517,188
NET ASSETS			
Invested in capital assets, net of related debt	31,422,358	2,505,881	33,928,239
Restricted for law enforcement	261,813	-	261,813
Unrestricted	8,453,390	432,133	8,885,523
Total net assets	$ 40,137,561	$2,938,014	$43,075,575

See notes to basic financial statements.

VILLAGE OF KEY BISCAYNE, FLORIDA

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2007

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-type Activities	Total
Governmental activities:							
General government	$ 3,781,396	$ 1,389,163	$ 600,985	$ -	$ (1,791,248)	$ -	$ (1,791,248)
Public works	1,589,444	-	198,508	-	(1,390,936)	-	(1,390,936)
Police	4,651,660	21,385	-	-	(4,630,275)	-	(4,630,275)
Fire	5,257,789	40,144	-	-	(5,217,645)	-	(5,217,645)
Parks and recreation	3,077,624	1,416,707	-	-	(1,660,917)	-	(1,660,917)
Building, zoning and planning	1,447,968	193,391	-	-	(1,254,577)	-	(1,254,577)
Interest on long-term debt	1,505,253	-	-	-	(1,505,253)	-	(1,505,253)
Total governmental activities	21,311,134	3,060,790	799,493	-	(17,450,851)	-	(17,450,851)
Business-type activities:							
Stormwater	693,135	509,571	-	-	-	(183,564)	(183,564)
Solid waste	571,246	520,650	-	-	-	(50,596)	(50,596)
Sanitary sewer	9,454	-	-	-	-	(9,454)	(9,454)
Total business-type activities	1,273,835	1,030,221	-	-	-	(243,614)	(243,614)
Total	$ 22,584,969	$ 4,091,011	$ 799,493	$ -	(17,450,851)	(243,614)	(17,694,465)
General revenues:							
Property taxes					18,667,979	-	18,667,979
Franchise fees based on gross receipts					1,113,194	-	1,113,194
Utility taxes					1,467,392	-	1,467,392
Communications services tax					763,801	-	763,801
Unrestricted intergovernmental revenue					1,000,265	-	1,000,265
Unrestricted investment earnings					641,115	49,086	690,201
Transfers					(28,133)	28,133	-
Total general revenues					23,625,613	77,219	23,702,832
Change in net assets					6,174,762	(166,395)	6,008,367
Net assets, beginning					33,962,799	3,104,409	37,067,208
Net assets, ending					$ 40,137,561	$ 2,938,014	$ 43,075,575

See notes to basic financial statements.

VILLAGE OF KEY BISCAYNE, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2007

	General	Special Revenue	Capital Improvements	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 7,165,598	$ -	$ 2,934,685	$ 10,100,283
Receivables, net	805,061	103,167	-	908,228
Due from other funds	3,135,908	-	450,189	3,586,097
Prepaid items	198,990	-	-	198,990
Restricted cash and cash equivalents	41,911	136,414	-	178,325
Restricted investments	275,630	-	-	275,630
Total assets	$11,623,098	$ 239,581	$ 3,384,874	$ 15,247,553
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	$ 1,119,966	$ 848,574	$ 56,465	$ 2,025,005
Due to other funds	-	1,873,203	373,655	2,246,858
Payable to pension plan	150,113	-	-	150,113
Deferred revenue	477,604	-	-	477,604
Total liabilities	1,747,683	2,721,777	430,120	4,899,580
Fund balances:				
Reserved (Note 11)	9,875,416	-	-	9,875,416
Unreserved, undesignated reported in:				
Special revenue fund	-	(2,482,196)	-	(2,482,196)
Capital improvements	-	-	2,954,753	2,954,753
Total fund balances (deficit)	9,875,416	(2,482,196)	2,954,753	10,347,973
Total liabilities and fund balances	$11,623,099	$ 239,581	$ 3,384,873	

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	67,505,258
A negative net pension obligation (NPO) is not considered to represent a financial asset and therefore is not reported in the governmental funds	137,831
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore not reported in the funds	(37,853,501)
Net assets of governmental activities	$ 40,137,561

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, 2007

	General	Special Revenue	Capital Improvements	Total Governmental Funds
Revenues:				
Property taxes	$18,667,979	$ -	$ -	$ 18,667,979
Utility taxes	1,467,392	-	-	1,467,392
Communications services tax	763,801	-	-	763,801
Franchise fees	1,113,194	-	-	1,113,194
Licenses and permits	1,298,133	-	-	1,298,133
Intergovernmental	1,000,265	593,453	-	1,593,718
Charges for services	1,762,657	-	-	1,762,657
Interest	313,389	136,950	182,016	632,355
Grants	206,040	-	-	206,040
Other income	50	-	8,712	8,762
Total revenues	26,592,900	730,403	190,728	27,514,031
Expenditures:				
Current:				
General government	2,543,134	-	-	2,543,134
Fire	5,122,699	-	-	5,122,699
Police	4,590,962	-	-	4,590,962
Public works	1,587,460	-	-	1,587,460
Building, zoning and planning	1,455,193	-	-	1,455,193
Parks and recreation	2,830,020	-	-	2,830,020
Capital outlay	-	5,297,014	1,533,830	6,830,844
Debt service:				
Principal	1,264,676	153,725	-	1,418,401
Interest and fiscal charges	1,292,675	263,721	-	1,556,396
Total expenditures	20,686,819	5,714,460	1,533,830	27,935,109
Excess (deficiency) of revenues over expenditures	5,906,081	(4,984,057)	(1,343,102)	(421,078)
Other financing sources (uses):				
Transfers in	1,910,507	-	4,787,347	6,697,854
Transfers out	(4,815,481)	-	(1,910,507)	(6,725,988)
Bonds issued	-	4,000,000	-	4,000,000
Total other financing sources (uses)	(2,904,974)	4,000,000	2,876,840	3,971,866
Net change in fund balances	3,001,107	(984,057)	1,533,738	3,550,788
Fund balances (deficit), beginning	6,874,309	(1,498,139)	1,421,015	6,797,185
Fund balances (deficit), ending	$ 9,875,416	$(2,482,196)	$ 2,954,753	$ 10,347,973

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, 2007

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)		$ 3,550,788
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	$ 6,224,242	
Depreciation expense	(1,329,350)	
Net adjustment		4,894,892
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	1,618,207	
Revenue bonds issued	(4,000,000)	
Net adjustment		(2,381,793)
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	166,254	
Accrued interest expense	(51,143)	
Negative net pension obligation	(4,236)	
		110,875
Change in net assets of governmental activities (Page 12)		$ 6,174,762

See notes to basic financial statements.

VILLAGE OF KEY BISCAYNE, FLORIDA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

SEPTEMBER 30, 2007

	Business-type Activities - Enterprise Funds			
	Stormwater Utility System	Sanitary Sewer Construction	Solid Waste (A Nonmajor Fund)	Totals
ASSETS				
Current assets:				
Cash and cash equivalents	$1,006,570	$ -	$ 290,081	$1,296,651
Accounts receivables, net	124,286	-	409,346	533,632
Interest receivable	19,509	-	-	19,509
Total current assets	1,150,365	-	699,427	1,849,792
Noncurrent assets:				
Capital assets not being depreciated	-	1,089,039	-	1,089,039
Capital assets being depreciated, net	7,325,850	-	-	7,325,850
Total noncurrent assets	7,325,850	1,089,039	-	8,414,889
Total assets	8,476,215	1,089,039	699,427	10,264,681
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	-	4,584	47,676	52,260
Due to other funds	379,306	625,121	334,812	1,339,239
Deferred revenue	-	-	26,160	26,160
Current portion of revenue bonds payable	350,000	19,088	-	369,088
Total current liabilities	729,306	648,793	408,648	1,786,747
Noncurrent liabilities:				
Revenue bonds	5,200,000	-	-	5,200,000
Revolving loan	-	339,920	-	339,920
Total noncurrent liabilities	5,200,000	339,920	-	5,539,920
Total liabilities	5,929,306	988,713	408,648	7,326,667
NET ASSETS				
Invested in capital assets, net of related debt	1,775,850	730,031	-	2,505,881
Unrestricted	771,059	(629,705)	290,779	432,133
Total net assets	$2,546,909	$ 100,326	$ 290,779	$2,938,014

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, 2007

	Business-type Activities - Enterprise Funds			
	Stormwater Utility System	Sanitary Sewer Construction	Solid Waste (A Nonmajor Fund)	Totals
Operating revenues:				
Charges for services	$ 509,571	$ -	$ 520,650	$1,030,221
Operating expenses:				
General and administrative	180,423	-	571,246	751,669
Depreciation	273,919	-	-	273,919
Total operating expenses	454,342	-	571,246	1,025,588
Operating income (loss)	55,229	-	(50,596)	4,633
Non-operating revenues (expenses):				
Interest income	44,030	-	5,056	49,086
Interest expense	(238,793)	(9,454)	-	(248,247)
Total non-operating revenues (expenses)	(194,763)	(9,454)	5,056	(199,161)
Loss before transfers	(139,534)	(9,454)	(45,540)	(194,528)
Transfers in	-	28,133	-	28,133
Change in net assets	(139,534)	18,679	(45,540)	(166,395)
Net assets, beginning	2,686,443	81,647	336,319	3,104,409
Net assets, ending	$2,546,909	$ 100,326	$ 290,779	$2,938,014

See notes to basic financial statements.

VILLAGE OF KEY BISCAYNE, FLORIDA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2007

	Business-type Activities - Enterprise Funds			
	Stormwater Utility System	Sanitary Sewer Construction	Solid Waste (A Nonmajor Fund)	Totals
Cash flows from operating activities:				
Receipts from customers and users	$ 725,190	$ 200,032	$ 537,238	$ 1,462,460
Payments to suppliers	(180,423)	-	(291,957)	(472,380)
Net cash provided by operating activities	544,767	200,032	245,281	990,080
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	(235,000)	(18,609)	-	(253,609)
Payments for construction in progress	-	(200,102)	-	(200,102)
Interest paid	(238,793)	(9,454)	-	(248,247)
Net cash used by capital and related financing activities	(473,793)	(228,165)	-	(701,958)
Cash flows from investing activities:				
Interest received	44,030	-	5,056	49,086
Net cash provided by investing activities	44,030	-	5,056	49,086
Net increase in cash and cash equivalents	115,004	-	250,337	365,341
Cash and cash equivalents, beginning	891,566	-	39,744	931,310
Cash and cash equivalents, ending	$ 1,006,570	$ -	$ 290,081	$ 1,296,651
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	$ 55,229	$ -	$ (50,596)	$ 4,633
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	273,919	-	-	273,919
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	5,096	-	(94,779)	(89,683)
Interest receivable	(5,394)	-	-	(5,394)
Increase (decrease) in:				
Accounts payable	(8,607)	(67)	47,676	39,002
Deferred revenue	-	-	8,168	8,168
Due to other funds	224,524	200,099	334,812	759,435
Total adjustments	489,538	200,032	295,877	985,447
Net cash provided by operating activities	$ 544,767	$ 200,032	$ 245,281	$ 990,080

See notes to basic financial statements.

VILLAGE OF KEY BISCAYNE, FLORIDA

STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUND

SEPTEMBER 30, 2007

ASSETS	
Contributions receivable:	
Village (including State)	$ 259,233
Employees	37,501
Total contributions receivable	296,734
Investments, at fair value:	
Money market funds	430,509
Common stocks	3,698,270
Mutual funds	5,843,719
Total investments	9,972,498
Total assets	10,269,232
LIABILITIES AND NET ASSETS	
Liabilities	-
Net assets held in trust for pension benefits	$10,269,232

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, 2007

ADDITIONS	
Contributions:	
Plan members	$ 553,045
Village (including State)	1,075,659
Total contributions	1,628,704
Investment earnings:	
Net increase in the fair value of investments	1,102,748
Interest and dividends	101,757
Total investments earnings	1,204,505
Total additions	2,833,209
DEDUCTIONS	
Benefits paid	319,510
Administrative expenses	99,325
Total deductions	418,835
Change in net assets	2,414,374
Net assets, beginning	7,854,858
Net assets, ending	$ 10,269,232

See notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Village reports the following major governmental funds:

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

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

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

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

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

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

Additionally, the Village reports the following fund types:

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

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

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

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

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.

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 2007.

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

Assets	Years
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, 2007 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

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 $37,853,501 difference are as follows:

Bonds payable	$35,667,559
Debt issuance cost	(23,537)
Capital leases payable	415,341
Compensated absences	1,457,963
Accrued interest payable	336,175
	$37,853,501

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits

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

Investments

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

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. See Note 14 for subsequent event relative to the SBA.

Investments – Village

As of September 30, 2007, the Village had the following investments with its corresponding maturities in its portfolio:

		Investment Maturities (In Years)
Investments	Fair Value	Less Than 1
Repurchase agreements	$2,193,473	$2,193,473

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.

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments – Village (Continued)

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, 2007, 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, 2007, the Village's Defined Benefit Pension Plan had the following investments with its corresponding maturities in its portfolio:

		Investment Maturities (In Years)			
Investments	Fair Value	Less Than 1	1-5	6-10	10+
Bond mutual funds	$2,720,242	$ 92,488	$1,719,193	$590,293	$318,268

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.

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments – Pension Plan (Continued)

Credit Risk (Continued)

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, 2007, the value of each position held in the Plan's portfolio comprised less than 5% of Plan investment assets.

Risks and Uncertainties

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

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

NOTE 4. RECEIVABLES

Receivables as of September 30, 2007 for the Village's individual major funds, nonmajor funds and fiduciary fund in the aggregate, including the allowances for uncollectible accounts, are as follows:

	General	Special Revenue	Storm-water	Solid Waste	Pension Trust Fund	Total
Customers billed	$ -	$ -	$ 124,286	$ 422,575	$ -	$ 546,861
Contributions	-	-	-	-	296,734	296,734
Property taxes	309,967	-	-	-	-	309,967
Interest	2,700	-	-	-	-	2,700
Intergovernmental	26,013	103,167	-	-	-	129,180
Other	466,381	-	-	-	-	466,381
Gross receivables	805,061	103,167	124,286	422,575	296,734	1,751,823
Less allowance for uncollectibles	-	-	-	(13,229)	-	(13,229)
Net total receivables	$ 805,061	$ 103,167	$ 124,286	$ 409,346	$ 296,734	$ 1,738,594

NOTE 5. PROPERTY TAXES

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

Property taxes levied each November 1, by the Village and all other taxing authorities within the County, are centrally billed and collected by Miami-Dade County, with remittances to the Village of their proportionate share of collected taxes. Taxes for the fiscal year beginning October 1 are billed in the month of November, subject to a 1% per month discount for the period November through February, and are due no later than March 31. On April 1, unpaid amounts become delinquent with interest and penalties added thereafter. Beginning June 1, tax certificates representing delinquent taxes with interest and penalties are sold by Miami-Dade County, with remittance to the Village for its share of those receipts. At September 30, 2007, there were no material delinquent taxes.

NOTE 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of September 30, 2007 is as follows:

Due from/to other funds:

Receivable Fund	Payable Fund	Amount
General	Special revenue	$1,873,204
	Capital improvement	373,656
	Stormwater utility	312,086
	Sanitary sewer	242,150
	Solid Waste	334,812
Capital improvements	Stormwater utility	67,219
	Sanitary sewer	382,970
		$3,586,097

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			
	General Fund	Capital Improvement	Sanitary Sewer	Total
Transfers out:				
General fund	$ -	$ 4,787,347	$28,134	$4,815,481
Capital improvement	1,910,507	-	-	1,910,507
	$1,910,507	$ 4,787,347	$28,134	$6,725,988

NOTE 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund transfers: (Continued)

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

NOTE 7. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2007 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$21,833,837	$ -	$ -	$21,833,837
Construction in progress	5,191,965	6,307,375	(787,769)	10,711,571
Total capital assets, not being depreciated	27,025,802	6,307,375	(787,769)	32,545,408
Capital assets, being depreciated:				
Buildings	23,727,322	-	-	23,727,322
Improvements other than buildings	14,090,674	787,769	-	14,878,443
Furniture, fixtures and equipment	5,002,098	153,021	(3,365)	5,151,754
Total capital assets, being depreciated	42,820,094	940,790	(3,365)	43,757,519
Less accumulated depreciation for:				
Buildings	(1,938,015)	(479,555)	-	(2,417,570)
Improvements other than buildings	(2,994,391)	(328,047)	-	(3,322,438)
Furniture, fixtures and equipment	(2,535,913)	(521,748)	-	(3,057,661)
Total accumulated depreciation	(7,468,319)	(1,329,350)	-	(8,797,669)
Total capital assets, being depreciated, net	35,351,775	(388,560)	(3,365)	34,959,850
Governmental activities capital assets, net	$62,377,577	$5,918,815	$ (791,134)	$67,505,258
Business-type activities:				
Capital assets, not being depreciated:				
Construction in progress	$ 888,937	$ 200,102	$ -	$ 1,089,039
Total capital assets, not being depreciated	888,937	200,102	-	1,089,039
Capital assets, being depreciated:				
Stormwater utility system	10,056,660	-	-	10,056,660
Total capital assets, being depreciated	10,056,660	-	-	10,056,660
Less accumulated depreciation for:				
Stormwater utility system	(2,456,891)	(273,919)	-	(2,730,810)
Total accumulated depreciation	(2,456,891)	(273,919)	-	(2,730,810)
Total capital assets, being depreciated, net	7,599,769	(273,919)	-	7,325,850
Business-type activities capital assets, net	$ 8,488,706	$ (73,817)	$ -	$ 8,414,889

NOTE 7. CAPITAL ASSETS (Continued)

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

Governmental activities:	
General government	$ 464,631
Police	329,377
Fire	269,969
Public works	1,984
Building, zoning and planning	9,522
Parks	253,867
Total depreciation expense - governmental activities	$1,329,350
Business-type activities:	
Stormwater	$ 273,919

NOTE 8. 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, 2007:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds payable:					
Land acquisition and capital improvement revenue bonds, Series 1999	$ 8,470,000	$ -	$ (430,000)	$ 8,040,000	$ 455,000
Land acquisition and capital improvement revenue bonds, Series 2000	9,220,000	-	(420,000)	8,800,000	440,000
Capital improvement bonds, Series 2002	9,095,960	-	(414,676)	8,681,284	435,584
Land acquisition and capital improvement revenue bonds, Series 2004	2,800,000	-	-	2,800,000	69,929
Transportation tax revenue bonds, Series 2005	3,500,000	-	-	3,500,000	47,734
Transportation tax revenue bonds, Series 2006	-	4,000,000	(153,725)	3,846,275	204,187
Total bonds payable	33,085,960	4,000,000	(1,418,401)	35,667,559	1,652,434
Other liabilities:					
Capital leases	615,347	-	(200,006)	415,341	214,928
Compensated absences	1,291,709	193,203	(26,949)	1,457,963	145,796
Total other liabilities	1,907,056	193,203	(226,955)	1,873,304	360,724
Governmental activities long-term liabilities	$34,993,016	$4,193,203	$(1,645,356)	$37,540,863	$2,013,158

NOTE 8. 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:

	Principal	Interest	Total
Fiscal year ending September 30:			
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	550,000	273,942	823,942
2013-2017	3,205,000	941,603	4,146,603
2018-2019	2,330,000	168,223	2,498,223
	$8,040,000	$2,721,296	$10,761,296

Capital Improvement Revenue Bonds

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

Debt service requirements to maturity are as follows:

	Principal	Interest	Total
Fiscal year ending September 30:			
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	540,000	346,888	886,888
2013-2017	3,165,000	1,330,698	4,495,698
2018-2020	3,185,000	280,474	3,465,474
	$8,800,000	$3,608,922	$12,408,922

NOTE 8. 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:

	Principal	Interest	Total
Fiscal year ending September 30:			
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	502,526	238,673	741,199
2013-2017	2,800,582	905,413	3,705,995
2018-2022	3,348,547	359,096	3,707,643
2023	189,868	1,648	191,516
	$8,681,284	$2,629,865	$11,311,149

Land Acquisition and Capital Improvement Revenue Bonds

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

Debt service requirements to maturity are as follows:

	Principal	Interest	Total
Fiscal year ending September 30:			
2008	$ 69,929	$ 26,810	$ 96,739
2009	286,476	100,480	386,956
2010	297,607	89,349	386,956
2011	140,107	80,195	220,302
2012	145,551	74,751	220,302
2013-2015	817,107	284,404	1,101,511
2016-2022	988,669	112,843	1,101,512
2023	54,554	522	55,076
	$2,800,000	$769,354	$3,569,354

NOTE 8. 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 30, 2006, 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:

	Principal	Interest	Total
Fiscal year ending September 30:			
2008	$ 47,734	$ 35,788	$ 83,522
2009	195,867	138,219	334,086
2010	204,001	130,084	334,085
2011	212,474	121,612	334,086
2012	169,602	113,313	282,915
2013-2017	864,166	465,107	1,329,273
2018-2022	1,059,155	270,136	1,329,291
2023-2025	747,001	50,591	797,592
	$3,500,000	$1,324,850	$4,824,850

Road Improvement Revenue Bonds

On December 14, 2006, the Village issued Road Improvement Revenue Bonds, Series 2006, for the purpose of financing a portion of the costs of road improvements within the Village (Crandon Boulevard Improvements – Phase III), financing architectural, engineering, environmental, legal, and other planning costs. The bonds mature on December 1, 2021. The Village has pledged toll revenues and 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 4.05% per annum.

Debt service requirements to maturity are as follows:

	Principal	Interest	Total
Fiscal year ending September 30:			
2008	$ 204,187	$ 152,938	$ 357,125
2009	212,583	144,542	357,125
2010	221,325	135,800	357,125
2011	230,425	126,700	357,125
2012	239,900	117,224	357,124
2013-2017	1,355,836	429,790	1,785,626
2018-2022	1,382,018	124,536	1,506,554
	$3,846,274	$1,231,530	$5,077,804

NOTE 8. LONG-TERM DEBT (Continued)

Capital Leases

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

On December 15, 2004, the Village entered into a Master Lease agreement for financing the acquisition of Village vehicles and equipment for the Police Department with a fair value of $378,413. The amount of the lease obligation 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.

The future minimum lease obligations and the net present value of the minimum lease payments as of September 30, 2007 were as follows:

Fiscal year ending September 30:	
2008	$214,928
2009	114,287
2010	109,137
Total minimum lease payments	438,352
Less amount representing interest	(23,011)
Present value of minimum lease payments	$415,341

The following is a summary of changes in long-term liabilities of the Village for business-type activities for the year ended September 30, 2007:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities					
Bonds and loan payable:					
Stormwater utility revenue bonds	$5,785,000	$ -	$(235,000)	$5,550,000	$350,000
Revolving loan	377,617	-	(18,609)	359,008	19,088
Total bonds and loan payable	6,162,617	-	(253,609)	5,909,008	369,088
Business-type activities long-term liabilities	$6,162,617	$ -	$(253,609)	$5,909,008	$369,088

NOTE 8. LONG-TERM DEBT (Continued)

Stormwater Utility Revenue Bonds

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

Debt service requirements to maturity are as follows:

	Principal	Interest	Total
Fiscal year ending September 30:			
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	425,000	167,058	592,058
2013-2017	2,455,000	554,660	3,009,660
2018-2019	1,165,000	72,688	1,237,688
	$5,550,000	$1,621,852	$7,171,852

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.

	Principal	Interest	Total
Fiscal year ending September 30:			
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	21,133	7,001	28,134
2013-2017	114,118	26,553	140,671
2018-2022	129,596	11,075	140,671
2023	14,807	178	14,985
	$359,008	$77,989	$436,997

NOTE 9. COMMITMENTS AND CONTINGENCIES

Construction Commitments

As of September 30, 2007, the Village had outstanding construction commitments of $1,857,481 to complete Phase II of the Crandon Boulevard project.

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 10. DEFICIT FUND BALANCE

The Special Revenue Fund has a deficit fund balance of $2,482,196 which is being funded from the General Fund.

NOTE 11. RESERVED FUND BALANCES

As of September 30, 2007, fund balances in the general fund have been reserved for the following purposes:

Emergencies	$4,000,000
Master Plan initiatives	1,873,764
Working capital	1,000,000
Playing fields	416,403
Capital Improvement Plan	341,017
Compensated absences	338,589
Recreation facilities	300,000
Capital lease	298,680
Building inspections	275,000
Law enforcement seizures	261,813
Prepaids	198,990
Roadway improvements	175,000
Fire Labor	155,000
Police Labor	90,000
Community Center equipment	50,000
Fire vehicle replacements	50,000
Fire Rescue Transport Fees	23,896
Police/Administration building	13,632
Fire Station building	13,632
	$9,875,416

NOTE 12. DEFINED CONTRIBUTION PLANS

The Village as a single-employer contributes to the Village of Key Biscayne Money Purchase Plans, which are defined contribution plans created in accordance with Internal Revenue Code Section 401(a). Under one Plan, which is available to Village employees, the Village contributes 12% and the employees contribute 6%. Under the second plan, which is available only to sworn or certified police officers and firefighters, the Village contributes 12% and there is no employee contribution. Beginning October 1, 1997, the police officers and firefighters, which elected to participate in the defined benefit pension plan (see Note 13), were no longer eligible to contribute to the 401(a) plan. Employer contributions for the fiscal year ended September 30, 2007 were $421,947 while the employee contributions were $553,045. Amendments to the Plan must be authorized by the Village Council.

NOTE 13. DEFINED BENEFIT PENSION PLAN

Plan Description

Effective October 1, 1997, the Village established a single-employer Public Employee Retirement System (PERS) to provide pension benefits for its police officers and firefighters. The PERS is considered to be part of the Village's financial reporting entity and is included in the Village's financial reports as a pension trust fund. The Plan was created under Village Ordinance 97-21. The latest available actuarial valuation is as of October 1, 2006. The PERS does not issue a stand-alone financial report for the Plan.

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

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

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

At October 1, 2006 (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	14
Current employees:	
Vested	33
Non-vested	31
Total	64

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, 2007 which was determined by the October 1, 2005 actuarial valuation. The participant contribution rate which is fixed by ordinance is 10.5%. This funding policy is designed to limit the Village's exposure to contribute to the Plan. State contributions are recognized as a revenue and expenditure in the general fund.

NOTE 13. DEFINED BENEFIT PENSION PLAN (Continued)

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	$ 773,701
Interest on net pension asset	(11,040)
Adjustment to annual required contribution	15,276
Annual pension cost	777,937
Contributions made	773,701
Decrease in net pension asset	4,236
Net pension asset, beginning of year	(142,067)
Net pension asset, end of year	$ (137,831)

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.

	Trend Information		
Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
9/30/2005	$ 768,274	99.5%	$ (146,088)
9/30/2006	733,878	99.5%	(142,067)
9/30/2007	777,937	99.5%	(137,831)

NOTE 14. SUBSEQUENT EVENT

State Board of Administration (SBA) Investment Pool

As discussed in Note 3, at September 30, 2007, the Village had $130,954 invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool (Pool). On November 29, 2007, the State Board of Administration implemented a temporary freeze on the assets held in the Pool due to an unprecedented amount of withdrawals from the Fund coupled with the absence of market liquidity for certain securities within the Pool. The significant amount of withdrawals followed reports that the Pool held asset-backed commercial paper that was subject to sub prime mortgage risk. On December 4, 2007, based

NOTE 14. SUBSEQUENT EVENT (Continued)

State Board of Administration (SBA) Investment Pool (Continued)

on recommendations from an outside financial advisor, the State Board of Administration restructured the Pool into two separate pools. Pool A consisted of all money market appropriate assets, which was approximately $12 billion or 86% of Pool assets. Pool B consisted of assets that either defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk, which was approximately $2 billion or 14% of Pool assets. At the time of the restructuring, all current pool participants had their existing balances proportionately allocated into Pool A and Pool B.

Currently, Pool A participants may withdraw 15% of their balance or $2 million, whichever is greater, without penalty. Withdrawals from Pool A in excess of the above limit are subject to a 2% redemption fee. New investments in Pool A are not subject to the redemption fee or withdrawal restrictions. Future withdrawal provisions from Pool A will be subject to further evaluation based on the maturities of existing investments and the liquidity requirements of the Pool. On December 21, 2007, Standard and Poor's Ratings Services assigned its "AAAM" principal stability fund rating to Pool A.

Currently, Pool B participants are prohibited from withdrawing any amount from the Pool and a formal withdrawal policy has not yet been developed. Market valuations of the assets held in Pool B are not readily available. In addition, full realization of the principal value of Pool B assets is not readily determinable.

As of January 9, 2008, the Village no longer had any investments in Pool A or B, respectively. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF KEY BISCAYNE, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual Amounts on a GAAP	Prior Year	Actual Amounts on a Budgetary	Variance with Final Budget - Positive
	Original	Final	Basis	Reserves	Basis	(Negative)
Revenues:						
Property taxes	$18,452,476	$18,452,476	$18,667,979	$ -	$18,667,979	$ 215,503
Utility taxes	2,397,099	2,397,099	2,231,193	-	2,231,193	(165,906)
Franchise fees	855,000	855,000	1,113,194	-	1,113,194	258,194
Licenses and permits	1,054,126	1,054,126	1,298,133	-	1,298,133	244,007
Intergovernmental	1,028,483	1,028,483	1,000,265	-	1,000,265	(28,218)
Charges for services	1,515,625	1,515,625	1,762,657	-	1,762,657	247,032
Grants	7,500	7,500	206,040	-	206,040	198,540
Interest	239,247	239,247	313,389	-	313,389	74,142
Other income	-	-	50	-	50	50
Total revenues	25,549,556	25,549,556	26,592,900	-	26,592,900	1,043,344
Expenditures:						
Current:						
General government:						
Elected officials	458,424	458,424	444,666	-	444,666	13,758
Village Clerk	415,070	415,070	379,420	-	379,420	35,650
Administration	1,236,051	1,236,051	1,258,787	(38,220)	1,220,567	15,484
Village Attorney	383,000	383,000	460,261	(78,000)	382,261	739
Total general government	2,492,545	2,492,545	2,543,134	(116,220)	2,426,914	65,631
Public safety:						
Police	4,716,391	4,716,391	4,590,962	-	4,590,962	125,429
Fire	5,115,576	5,115,576	5,122,699	(7,200)	5,115,499	77
Total public safety	9,831,967	9,831,967	9,713,661	(7,200)	9,706,461	125,506
Public works	1,597,881	1,597,881	1,587,460	-	1,587,460	10,421
Building, zoning and planning	1,522,196	1,522,196	1,455,193	-	1,455,193	67,003
Parks and recreation	2,617,180	2,617,180	2,830,020	-	2,830,020	(212,840)
Debt service:						
Principal	1,409,467	1,409,467	1,264,676	-	1,264,676	144,791
Interest and fiscal charges	1,290,976	1,290,976	1,292,675	-	1,292,675	(1,699)
Total expenditures	20,762,212	20,762,212	20,686,819	(123,420)	20,563,399	198,813
Excess of revenues over expenditures	4,787,344	4,787,344	5,906,081	123,420	6,029,501	1,242,157
Other financing uses:						
Appropriation of prior years' fund balance	-	-	-	(123,420)	-	-
Transfers in	-	-	1,910,507	-	1,910,507	1,910,507
Transfers out	(4,787,347)	(4,787,347)	(4,815,481)	-	(4,815,481)	(28,134)
Total other financing uses	(4,787,347)	(4,787,347)	(2,904,974)	(123,420)	(2,904,974)	1,882,373
Net change in fund balances	$ -	$ -	$ 3,001,107	$ -	$ 3,124,527	$3,124,530

See note to budgetary comparison schedule.

VILLAGE OF KEY BISCAYNE, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

NOTE TO BUDGETARY COMPARISON SCHEDULE

FISCAL YEAR ENDED SEPTEMBER 30, 2007

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, 2007, there were no supplemental appropriations.

(e) Formal budgetary integration is employed as a management control device for the general fund.

(f) The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles (GAAP), except for certain unbudgeted expenditures of prior year reserves.

(g) The Village Manager is authorized to transfer part or all of an encumbered appropriation balance within departments within a fund; however, any revisions that alter the total appropriations of any department or fund must be approved by the Village Council.

(h) There were no budget amendments during fiscal year ended September 30, 2007.

(i) The classification detail at which expenditures may not legally exceed appropriations is at the department level. 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 subject to the Village's legal requirements 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 Ration (a) / (b)	Covered Payroll (c)	UAAL As % of Covered Payroll (b - a) / c
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%
10/1/06	7,255,221	10,782,826	3,527,605	67.3%	5,355,088	65.9%

VILLAGE OF KEY BISCAYNE, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
PENSION TRUST FUND

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended September 30,	Annual Required Contribution	Percentage Contributed
2002	$ 377,777	88%
2003	465,562	100%
2004	515,437	100%
2005	764,420	100%
2006	729,857	100%
2007	773,701	100%

The information presented in the required supplemental schedule was determined as part of the actuarial valuation at the date indicated.

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%

STATISTICAL SECTION

STATISTICAL SECTION

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

Contents	Page
Financial Trends *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:*	47-51
Revenue Capacity *These schedules contain information to help the reader assess the Village's most significant local revenue source, the property tax.*	52-56
Debt Capacity *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.*	57-60
Demographic and Economic Information *These schedules offer demographic and economic indicators to help the reader understand the environment within which the Village's financial activities take place.*	61-63
Operating Information *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.*	64-65

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 TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

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

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

VILLAGE OF KEY BISCAYNE, FLORIDA

CHANGES IN NET ASSETS

LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

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

(Continued)

VILLAGE OF KEY BISCAYNE, FLORIDA

CHANGES IN NET ASSETS
(Continued)

LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

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

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

VILLAGE OF KEY BISCAYNE, FLORIDA

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

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

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

VILLAGE OF KEY BISCAYNE, FLORIDA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

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

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

VILLAGE OF KEY BISCAYNE, FLORIDA

GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE

LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

Fiscal Year	Ad Valorem Taxes	Franchise Taxes	Utility Taxes	Inter-governmental*	Communications Services Tax**	Total
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
2007	18,667,979	1,113,194	1,467,392	1,593,718	763,801	23,606,084

Source: Village of Key Biscayne Finance Department.

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

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

VILLAGE OF KEY BISCAYNE, FLORIDA

NET ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

Fiscal Year Ended September 30,	Real Property		Personal Property	Total Net Assessed Value	Total Direct Tax Rate
	Residential Property	Commercial Property			
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
2007	6,173,257,097	294,540,559	46,315,146	6,514,112,802	3.450

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

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

VILLAGE OF KEY BISCAYNE, FLORIDA

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS

		Village of Key Biscayne			Overlapping Rates (1)									
					Miami-Dade County			Miami-Dade Schools						
Fiscal Year	Tax Roll Year	General Operations	Debt Service	Total Village	Operating Millage	Debt Service Millage	Total County Millage	Operating Millage	Debt Service Millage	Total School Millage	Florida Inland Navigation District	South Florida Water Management	Other	Total Direct and Overlapping Rates
1998	1997	3.606	-	3.606	6.023	0.929	6.952	9.356	1.106	10.462	0.050	0.597	0.416	22.083
1999	1998	3.606	-	3.606	6.023	0.837	6.860	9.182	0.978	10.160	0.047	0.597	0.434	21.704
2000	1999	3.606	-	3.606	5.809	0.816	6.625	8.654	0.990	9.644	0.044	0.597	0.421	20.937
2001	2000	3.606	-	3.606	5.751	0.652	6.403	8.702	0.915	9.617	0.041	0.597	0.451	20.715
2002	2001	3.606	-	3.606	5.713	0.552	6.265	8.528	0.848	9.376	0.039	0.697	0.451	20.434
2003	2002	3.606	-	3.606	5.889	0.390	6.279	8.482	0.770	9.252	0.039	0.697	0.451	20.324
2004	2003	3.606	-	3.606	5.969	0.285	6.254	8.418	0.682	9.100	0.039	0.597	1.086	20.682
2005	2004	3.606	-	3.606	5.935	0.285	6.220	8.090	0.597	8.687	0.039	0.597	1.030	20.179
2006	2005	3.606	-	3.606	5.835	0.285	6.120	7.947	0.491	8.438	0.039	0.597	1.014	19.814
2007	2006	3.450		3.450	5.615	0.285	5.900	7.691	0.414	8.105	0.039	0.597	1.008	19.099

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 BISCAYNE, FLORIDA

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

2007				1998			
Taxpayer	Net Assessed Value	Rank	Percent of Total Village Net Assessed Value	Taxpayer	Net Assessed Value	Rank	Percent of Total Village Net Assessed Value
Sonesta Beach Resort	$ 44,568,400	1	0.79%	Ocean Club Key Biscayne	$ 53,074,332	1	2.38%
United Real Estate Ventures	42,064,691	2	0.75%	Sonesta Beach Hotel	30,905,066	2	1.38%
GB Hotel Partners LTD	34,700,000	3	0.62%	GB Hotel Partners LTD	16,842,465	3	0.75%
260 Cape Florida LLC	12,663,250	4	0.22%	Key Biscayne Shopping Center	9,320,894	4	0.42%
Ocean Club Community Assoc.	12,500,000	5	0.22%	Grand Bay Tower Association	8,660,416	5	0.39%
Claudio & Yvonne Alvarez	9,202,584	6	0.16%	Florida Power & Light	5,623,841	6	0.25%
Aurelio & Berta Fernandez	7,813,741	7	0.14%	Red Dragon Sands, Ltd.	4,977,558	7	0.22%
Garflo Investments	7,361,525	8	0.13%	Bellsouth Telecommunications, Inc.	4,447,716	8	0.20%
Roger & Susana Khouri	6,979,000	9	0.12%	Fininvest Investment, et al (Key Colony)	4,163,139	9	0.19%
CSM Key Biscayne Equities LLC	6,438,569	10	0.00%	Valley Forge, Ltd.	2,889,623	10	0.13%
	$ 184,291,760		3.15%		$ 140,905,050		6.31%

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

VILLAGE OF KEY BISCAYNE, FLORIDA

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

Fiscal Year Ended September 30,	Total Taxes Levied for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Year's	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
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%
2007	19,423,659	18,667,979	96.11%	28,002	18,695,981	96.25%

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

VILLAGE OF KEY BISCAYNE, FLORIDA

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

Fiscal Year Ended September 30,	Governmental Activities			Business-Type Activities			
	General Obligation Bonds	Revenue Bonds	Loans Payable	Revenue Bonds	Total	Percent of Personal Income (1)	Per Capita (1)
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
2007		31,695,102		5,200,000	36,895,102	0.00%	3,576

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, 2007

Government Unit	2007 Net Debt Outstanding	2007 Percentage Applicable to the Village of Key Biscayne (1)	2007 Amount Applicable to the Village of Key Biscayne
Direct:			
Village of Key Biscayne	$36,895,102	100.00%	$ 36,895,102
Overlapping debt:			
Miami-Dade County	507,316,000	2.98%	15,118,017
Miami-Dade County School Board	560,574,000	2.98%	16,705,105
Subtotal, Overlapping Debt			31,823,122
Village of Key Biscayne Direct Debt			36,895,102
Total Direct and Overlapping Debt			$ 68,718,224

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

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

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

VILLAGE OF KEY BISCAYNE, FLORIDA

PLEDGED REVENUE COVERAGE

LAST TEN FISCAL YEARS

Fiscal Year Ended September 30,	Non-Ad Valorem Revenues	Debt Service		Coverage
		Principal	Interest	
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
2007	7,924,921	1,283,285	1,302,200	3.07

Source: Village of Key Biscayne Finance Department

VILLAGE OF KEY BISCAYNE, FLORIDA

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

Year	Population (1)	Personal Income (Amounts Expressed in Thousands) (2)	Per Capita Personal Income (3)	Unemployment Rate (4)
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%
2007	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, U.S. Census 2000, Year 2005 City Data.com.

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

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

VILLAGE OF KEY BISCAYNE, FLORIDA

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

	2007			1998		
Employer	Employees (1)	Rank	Percentage of Total Village Employment	Employees	Rank	Percentage of Total Village Employment
Ritz Carlton Key Biscayne	1,500	1	not known			
Sonesta Beach Resort	1,500	2	not known			
Winn Dixie Stores, Inc.	250	3	not known			
Village of Key Biscayne	100	4	not known			
All remaining employers are of an extremely small number				Information not available		
Total	3,350					

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

VILLAGE OF KEY BISCAYNE, FLORIDA

FULL-TIME EQUIVALENT VILLAGE GOVERNMENT EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Number of employees:										
General government	8	8	7	7	7	5	6	7	6	6
Public safety	70	71	72	72	72	74	76	79	79	79
Building, planning & zoning	8	10	16	16	16	12	12	13	13	14
Public works	2	2	3	3	3	5	5	5	5	4
Parks and recreation	2	3	4	3	4	4	4	6	6	7
Total number of employees	90	94	102	101	102	100	103	110	109	110

Source: Village of Key Biscayne Finance Department.

VILLAGE OF KEY BISCAYNE, FLORIDA

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Public safety:										
Police:										
Police personnel and officers	37	38	40	40	40	40	41	40	40	40
Police calls for service	21,982	20,846	21,127	20,659	21,127	20,660	19,004	16,510	13,006	35,412
Parking violations	703	901	789	639	789	639	628	682	801	996
Traffic violations	1,779	2,737	2,875	2,433	2,875	2,433	3,035	1,397	1,468	1,104
Fire:										
Fire personnel	33	33	33	33	33	34	35	39	39	39
Fire incidents	760	868	1,051	485	1,050	1,114	1,148	1,403	1,103	998
Fire inspections performed	2,250	197	565	470	476	840	307	332	269	220
Planning and development:										
Business permits issued	3,457	2,851	2,408	1,803	2,313	2,581	3,061	3,045	3,000	3,504
Occupational licenses issued	409	576	598	625	729	668	428	433	475	914
Culture and recreation:										
Number of building users	-	-	-	-	-	-	1,250	1,600	1,400	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

Function/Program	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
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	300	300	300	300	300	300
Number of traffic signals	4	4	4	4	4	4	4	4	4	4
Culture and recreation:										
Parks	3	3	3	3	3	3	3	3	3	3
Parks acreage	9	9	9	9	9	9	9	9	9	9
Community center	-	-	-	-	-	-	-	1	1	1
Swimming pools	-	-	-	-	-	-	-	1	1	1

Sources: Various Village Departments.

VILLAGE OF KEY BISCAYNE
ISLAND
PARADISE
1991
FLORIDA

COMPLIANCE SECTION

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Key Biscayne, Florida (the Village) as of and for the fiscal year ended September 30, 2007, and have issued our report thereon dated May 21, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control.

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

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

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Compliance and Other Matters

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

However, we noted an other matter that we have reported to management in the accompanying schedule of findings and responses.

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

Rachlin LLP

Miami, Florida
May 21, 2008

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

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

We have audited the financial statements of the Village of Key Biscayne, Florida (the Village) as of and for the fiscal year ended September 30, 2007, and have issued our report thereon dated May 21, 2008.

We conducted our audit in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. We have issued our Report of Independent Certified Public Accountants on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated May 21, 2008, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and, unless otherwise required to be reported in the report on compliance and internal controls this letter is required to include the following information.

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

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

- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. Village of Key Biscayne was incorporated by the Laws of Florida, Act of 1955. There are no component units related to the Village.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Village did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Village for the fiscal year ended September 30, 2007, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2007. In connection with our audit, we determined that these two reports were in agreement.
- Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, require that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. The assessment was done as of the fiscal year end. There were no findings that identified deteriorating financial conditions.

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

Rachlin LLP

Miami, Florida
May 21, 2008

PRIOR YEAR FINDING NOT IMPLEMENTED

Control Deficiency

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. This is a repeat comment from the prior year. Subsequent to the reporting of this matter in the prior year's audit, we were provided a written policy prepared by the Village, however, we noted during our audit for the fiscal year ended September 30, 2007, that the credit card policy was not properly communicated to Village personnel.

Criteria

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

Cause

Lack of adequate internal controls over credit card practices stemming from lack of a written policy communicated to Village personnel.

Effect

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

Recommendation

We recommend that the Village communicate written policies and procedures for the proper safeguarding and usage of the Village credit cards. 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, s 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.

Views of Responsible Officials and Planned Corrective Actions

The Village has adopted a written credit policy approved by the Village Manager. It states that all purchases shall be accompanied by complete receipt documentation. The monthly statements are not paid until 100% compliance with this provision is accomplished. At times credit privileges are suspended until payment is received. There is no exception to this policy.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

NEW PRONOUNCEMENT

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

The GASB has issued Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," which provides guidance on all aspects of OPEB reporting by employers. The requirements of this statement are effective for fiscal periods beginning after December 15, 2006, for governments with annual revenues of $100 million or more; for fiscal periods beginning after December 15, 2007, for governments with total annual revenues of $10 million or more but less than $100 million; and for fiscal periods beginning after December 15, 2008, for governments with total annual revenues of less than $10 million. The Village will be required to implement this pronouncement 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 Village obtain a thorough understanding of the requirements and initiate planning for implementation in a prudent manner.