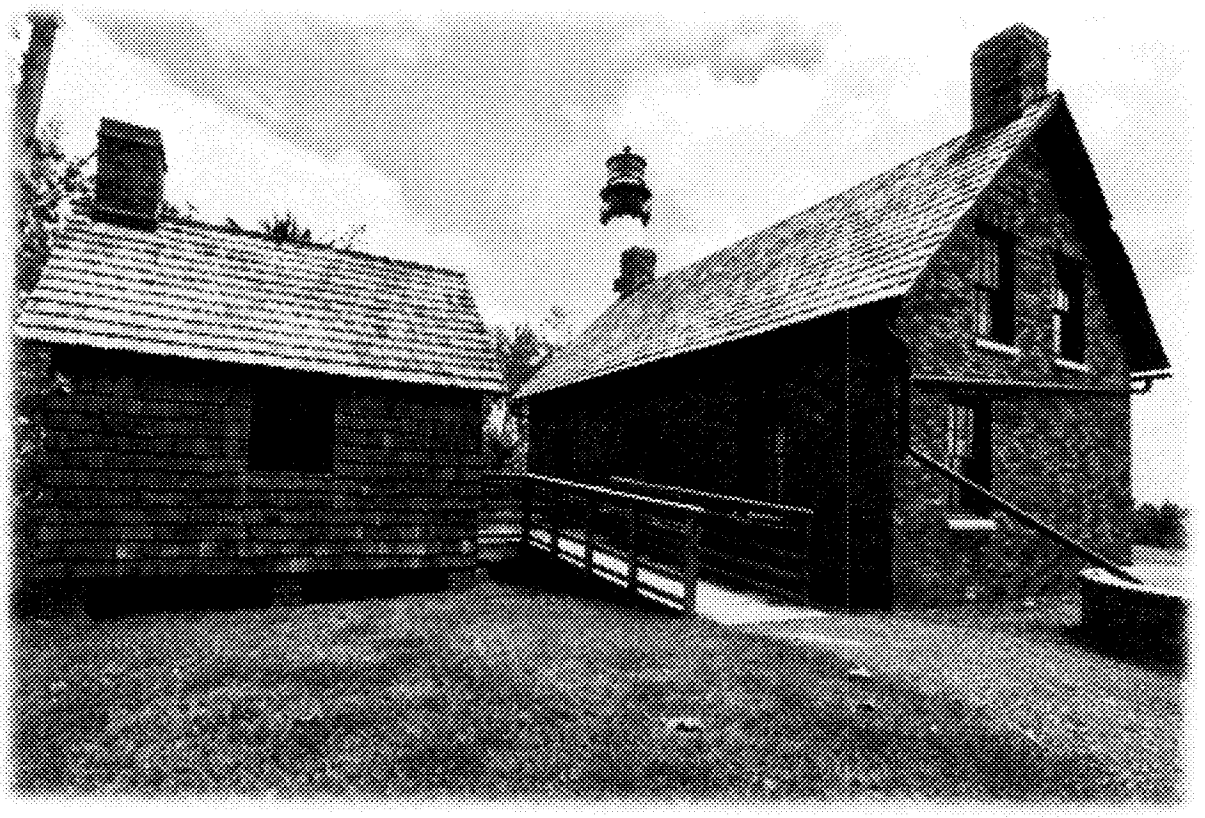
VILLAGE OF KEY BISCAYNE, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2010



Prepared by:

THE FINANCE DEPARTMENT

VILLAGE OF KEY BISCAYNE, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2010

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VILLAGE OF KEY BISCAYNE, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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INTRODUCTORY SECTION

VILLAGE OF KEY BISCAYNE

Office of the Village Manager

Village Council
Franklin H. Caplan, *Mayor*
Michael E. Kelly, *Vice Mayor*
Michael W. Davey
Enrique Garcia
Robert Gusman
Mayra P. Lindsay
James S. Taintor

Village Manager
Genaro "Chip" Iglesias

March 23, 2011

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, 2010.

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 Marcum LLP, licensed certified public accountants has audited the Village of Key Biscayne's financial statements. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the Village of Key Biscayne for the fiscal year ended September 30, 2010 are free of material misstatement. The independent audit involved examining, on a test basis,

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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, 2010, 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 independent auditors' report.

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 12,344. 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 for, among other things, 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 point 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 shopping centers. There is no industrial area in the community.

Property values were once again lower during the past year following nationwide trends. Continuing weakness in the national and state economy will constrain the growth of property tax revenues and will likely have an unfavorable impact on many of the Village's intergovernmental revenues such as sales tax and state revenue sharing. The Village continues to monitor operating expenses closely while seeking additional cost-cutting measures to mitigate any future loss of revenue.

Long-Term Financial Planning

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

Pension Benefits

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

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

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Village of Key Biscayne for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2009. This was the eighteenth 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 Marcum LLP, our independent auditors, for their assistance and efforts in helping the Village prepare the CAFR. Appreciation is also extended to the Mayor and the Village Council for their unfailing support for maintaining the highest standards of professionalism in the management of the Village of Key Biscayne's finances.

Respectfully submitted,

Genaro "Chip" Iglesias
Village Manager

VILLAGE OF KEY BISCAYNE, FLORIDA

VILLAGE OFFICIALS

SEPTEMBER 30, 2010

VILLAGE COUNCIL

Robert Vernon, Mayor
Enrique Garcia, Vice-Mayor

Michael Davey
Robert Gusman
Michael E. Kelly
Jorge E. Media
Thomas Thornton

VILLAGE MANAGER

Genaro "Chip" Iglesias

VILLAGE CLERK

Conchita H. Alvarez, MMC

VILLAGE ATTORNEY

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

FINANCE DIRECTOR

Beatrice Galeano, P.A.

VILLAGE AUDITORS

Marcum LLP

Certificate of Achievement for Excellence in Financial Reporting

Presented to

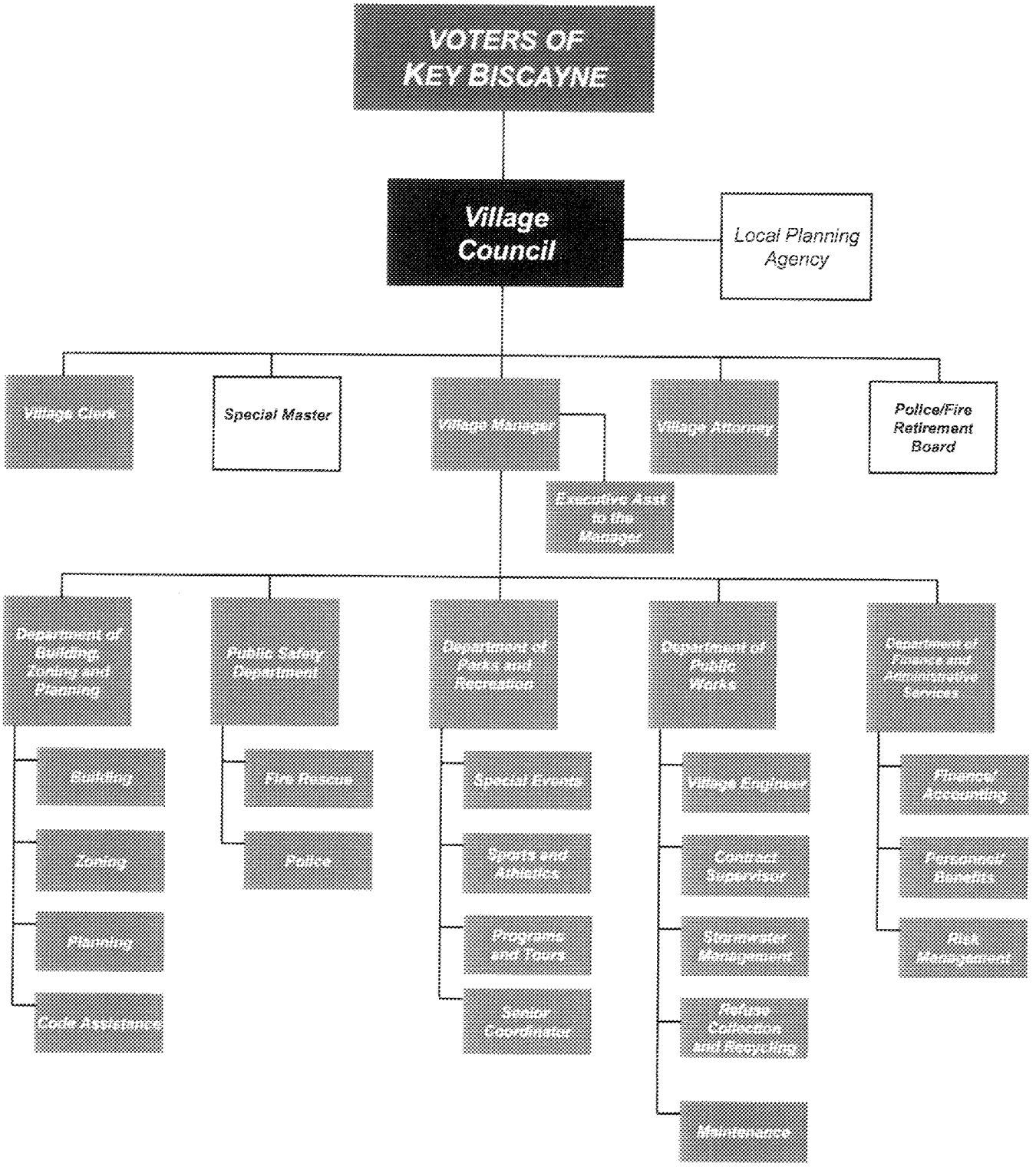
Village of Key Biscayne
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2009

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

President

Executive Director


VOTERS OF KEY BISCAYNE
Village Council
Local Planning Agency
Village Clerk
Special Master
Village Manager
Village Attorney
Police/Fire Retirement Board
Executive Asst to the Manager
Department of Building, Zoning and Planning
Public Safety Department
Department of Parks and Recreation
Department of Public Works
Department of Finance and Administrative Services
Building
Zoning
Planning
Code Assistance
Fire Rescue
Police
Special Events
Sports and Athletics
Programs and Tours
Senior Coordinator
Village Engineer
Contract Supervisor
Stormwater Management
Refuse Collection and Recycling
Maintenance
Finance/ Accounting
Personnel/ Benefits
Risk Management

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Key Biscayne, Florida (the Village) as of September 30, 2010 and for the fiscal year then ended, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Key Biscayne, Florida as of September 30, 2010 and the respective changes in the financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

MARCUMGROUP
MEMBER

Marcum LLP ▪ One Southeast Third Avenue ▪ Tenth Floor ▪ Miami, Florida 33131 ▪ **Phone** 305.995.9600 ▪ **Fax** 305.995.9601
marcumllp.com

In accordance with *Government Auditing Standards*, we have also issued a report dated March 24, 2011 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the required supplementary information on pages 3 through 10 and pages 52 through 56, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Key Biscayne's basic financial statements. The introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. Similarly, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The information included in the introductory and statistical sections has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Marcum LLP

Miami, FL
March 24, 2011

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, 2010. 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 $75,714,823 (net assets).
- The Village's total net assets increased by $6,831,723. This is attributable to an increase in revenues from the Key Biscayne Community Center programs and capital grants for construction.
- At the close of the current fiscal year, the Village of Key Biscayne's governmental funds reported an ending fund balance of $19,182,814, an increase of $1,490,302 in comparison with the prior year. The total amount of fund balance is either reserved or designated for spending at the Council's direction.

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

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

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

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

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

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

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

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

The Village of Key Biscayne adopts an annual appropriated budget for its general fund. A budgetary comparison schedule 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 51 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 and other post-employment benefits to its employees.

Required supplementary information can be found on pages 52 to 56 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village of Key Biscayne, assets exceeded liabilities by $75,714,823 at the close of the most recent fiscal year.

A portion of the Village's assets, $97,291,562 or 81%, reflects its investment in capital assets (e.g., land and equipment). The Village of Key Biscayne uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

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

Governmental Activities. Governmental activities increased the Village of Key Biscayne net assets by approximately $4,071,945. This increase is attributable to the increase in revenues from the Key Biscayne Community Center programs and increased licensing and permitting activities. All other governmental activities increased net assets as follows:

- Property taxes decreased by $1,937,102 (9.8%) during the year. This decrease is the product of a substantial decline in the countywide taxable value of existing properties in Miami-Dade County.
- Capital grants decreased due to the anticipated completion of the Sanitary Sewer Project.
- Department salaries increased 5% due to the Village's salary step program.

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	
	2010	2009	2010	2009	2010	2009
Current assets	$ 21,037,985	$ 19,648,439	$ 1,226,700	$ 811,128	$ 22,264,685	$ 20,459,567
Capital assets, net	71,465,039	70,628,369	25,826,523	22,606,106	97,291,562	93,234,475
Total assets	92,503,024	90,276,808	27,053,223	23,417,234	119,556,247	113,694,042
Current liabilities	4,423,980	4,542,106	729,229	1,599,476	5,153,209	6,141,582
Noncurrent liabilities	30,161,043	31,888,646	8,527,172	6,780,714	38,688,215	38,669,360
Total Liabilities	34,585,023	36,430,752	9,256,401	8,380,190	43,841,424	44,810,942
Investment in capital assets, net of related debt	41,377,118	38,482,242	16,680,711	15,383,765	58,057,829	53,866,007
Restricted	--	308,813	--	--	--	308,813
Unrestricted	16,540,883	15,055,000	1,116,111	(346,721)	17,656,994	14,708,279
Total Net Assets	$ 57,918,001	$ 53,846,055	$ 17,796,822	$ 15,037,044	$ 75,714,823	$ 68,883,099

Table A - 2
Summary of Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues						
Program revenues:						
Charges for services	$ 3,694,600	$ 3,543,116	$ 1,100,412	$ 1,126,894	$ 4,795,012	$ 4,670,010
Operating grants and contributions	163,752	157,912	--	--	163,752	157,912
Capital grants and contributions	959,360	1,709,481	2,673,451	7,302,630	3,632,811	9,012,111
General revenues:						
Property taxes	17,832,874	19,769,976	--	--	17,832,874	19,769,976
Utility taxes	2,684,119	2,647,482	--	--	2,684,119	2,647,482
Franchise fees	1,006,415	992,997	--	--	1,006,415	992,997
Unrestricted intergovernmental revenue	1,391,242	1,348,324	--	--	1,391,242	1,348,324
Investment income and miscellaneous	153,193	135,969	1,974	21,303	155,167	157,272
Total Revenues	27,885,555	30,305,257	3,775,837	8,450,827	31,661,392	38,756,084
Expenses						
General government	2,751,697	2,868,728	--	--	2,751,697	2,868,728
Public Safety	12,122,776	11,781,996	--	--	12,122,776	11,781,996
Parks and Recreation	4,134,830	4,090,555	--	--	4,134,830	4,090,555
Public Works	1,614,443	1,914,119	--	--	1,614,443	1,914,119
Building, Zoning and Planning	1,611,119	1,540,507	--	--	1,611,119	1,540,507
Interest on long-term debt	1,366,437	1,447,387	--	--	1,366,437	1,447,387
Stormwater	--	--	603,262	779,856	603,262	779,856
Solid waste collection	--	--	585,927	618,155	585,927	618,155
Sanitary sewer construction	--	--	39,178	144,922	39,178	144,922
Total Expenses	23,601,302	23,643,292	1,228,367	1,542,933	24,829,669	25,186,225
Changes in net assets before transfers	4,284,253	6,661,965	2,547,470	6,907,894	6,831,723	13,569,859
Transfers	(212,308)	(164,502)	212,308	164,502	--	--
Changes in net assets after transfers	4,071,945	6,497,463	2,759,778	7,072,396	6,831,723	13,569,859
Net Assets - Beginning, as Restated	53,846,056	47,348,593	15,037,044	7,964,648	68,883,100	55,313,241
Net Assets - Ending	$57,918,001	$53,846,056	$17,796,822	$15,037,044	$75,714,823	$68,883,100

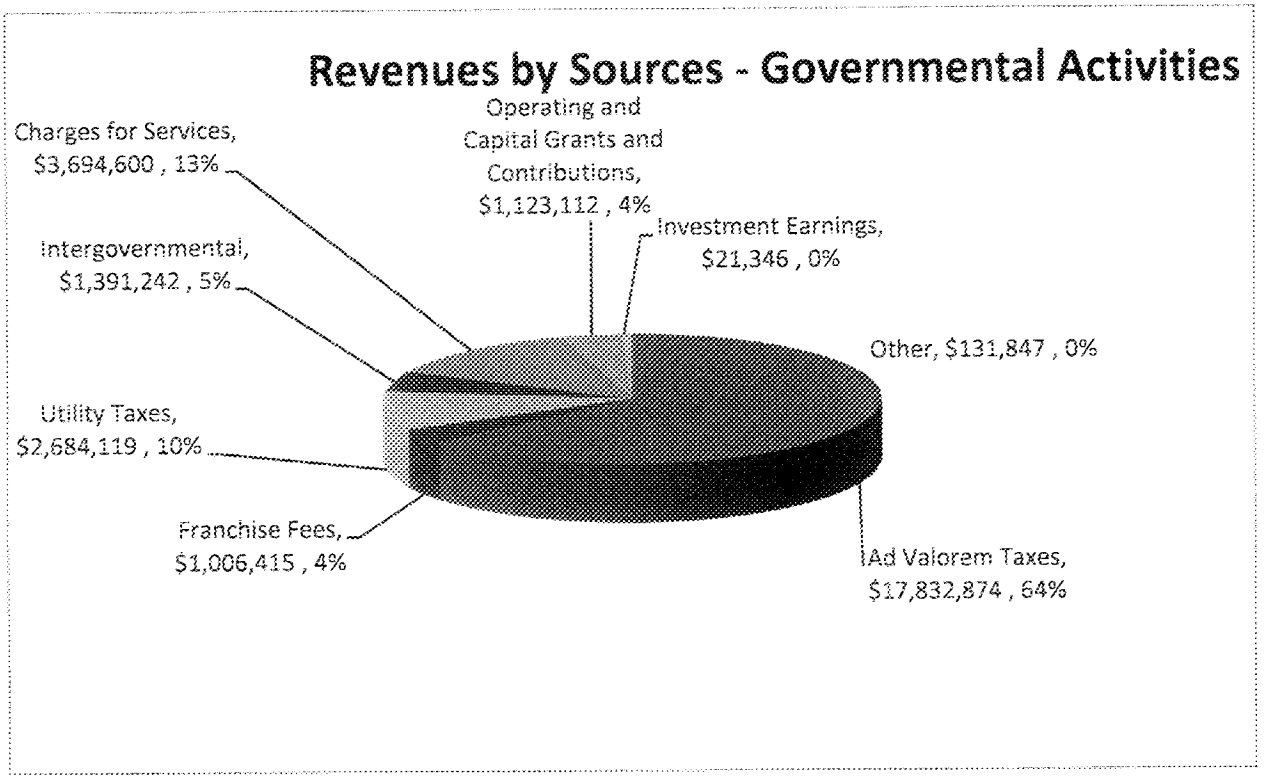
The Village's net assets increased by $6,831,723 during the current fiscal year. This increase is attributable to $3,632,811 of capital contributions primarily for the Village's sanitary sewer system and Stormwater well rehabilitation projects.

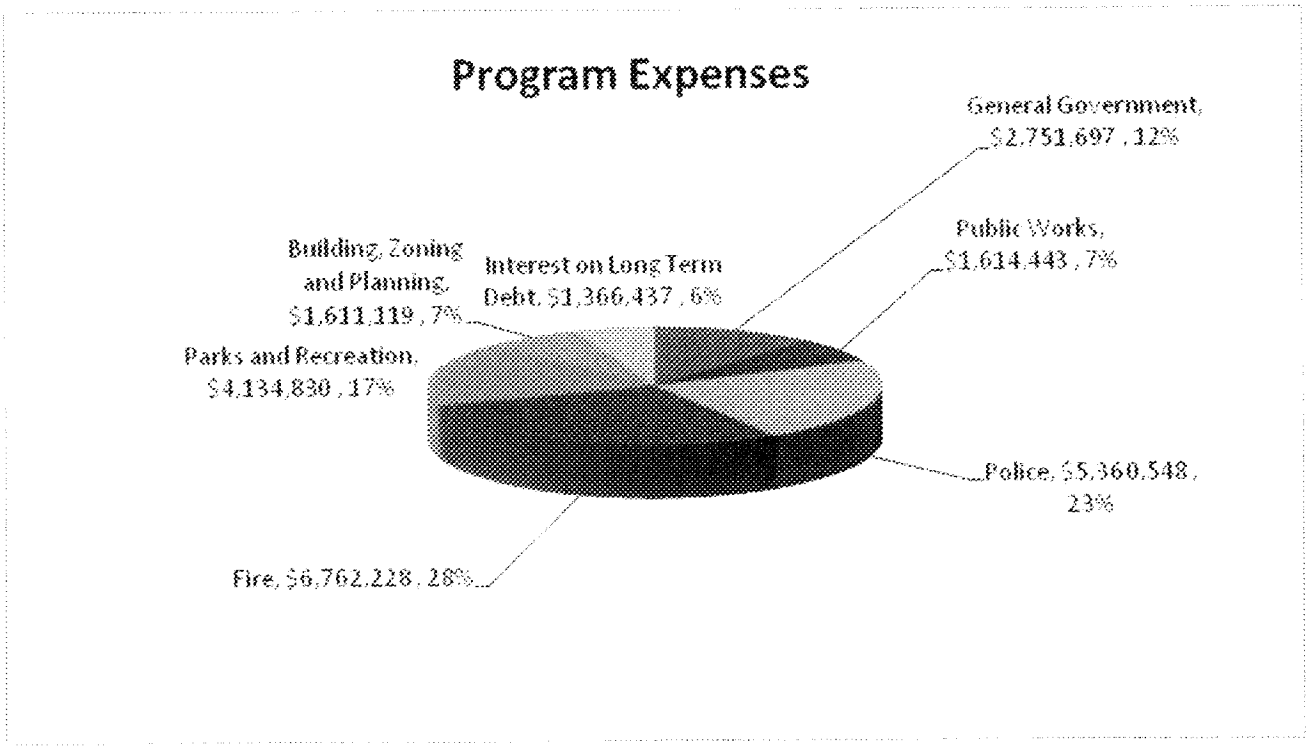
Business-type Activities

Business-type activities increased the Village's net assets by $2,759,778.

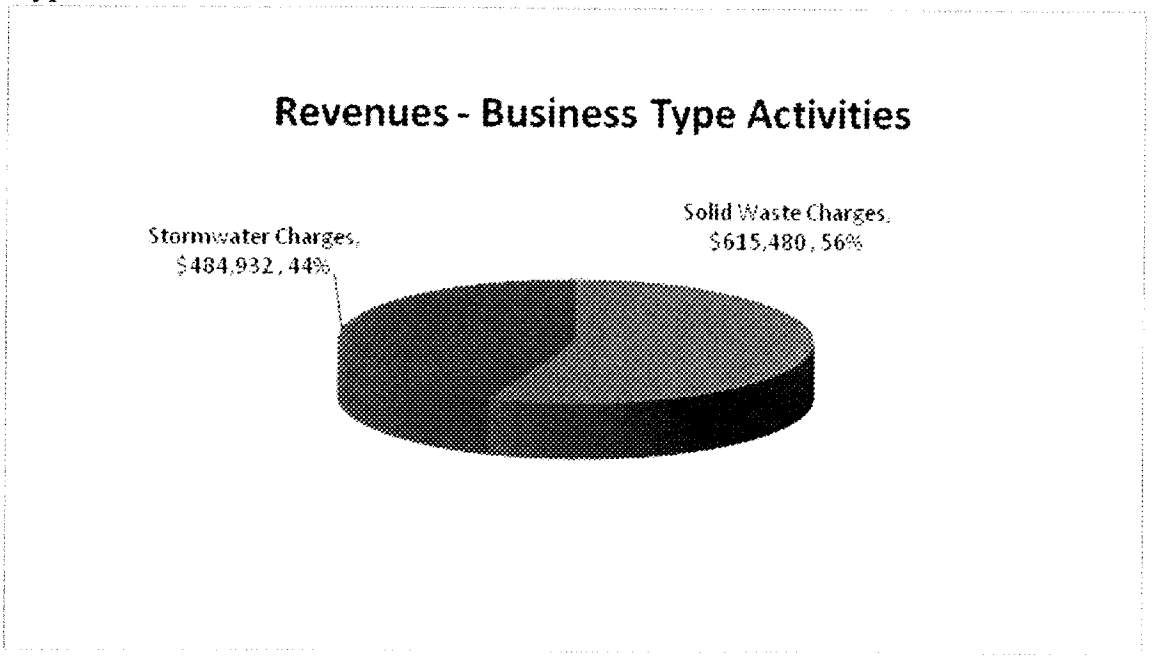
- In fiscal 2010, all three business-type activities reflected profits.
- The Stormwater Utility Fund reflected a net income of $54,294, due mainly to reduced operational expenses.
- The Solid Waste Collection Fund reported net income of $29,716, due to increased collection of old debt and lowered operational costs.
- The Sanitary Sewer Construction Fund construction activity is near completion. The net income of $2,675,768 is a result of a capital grant.

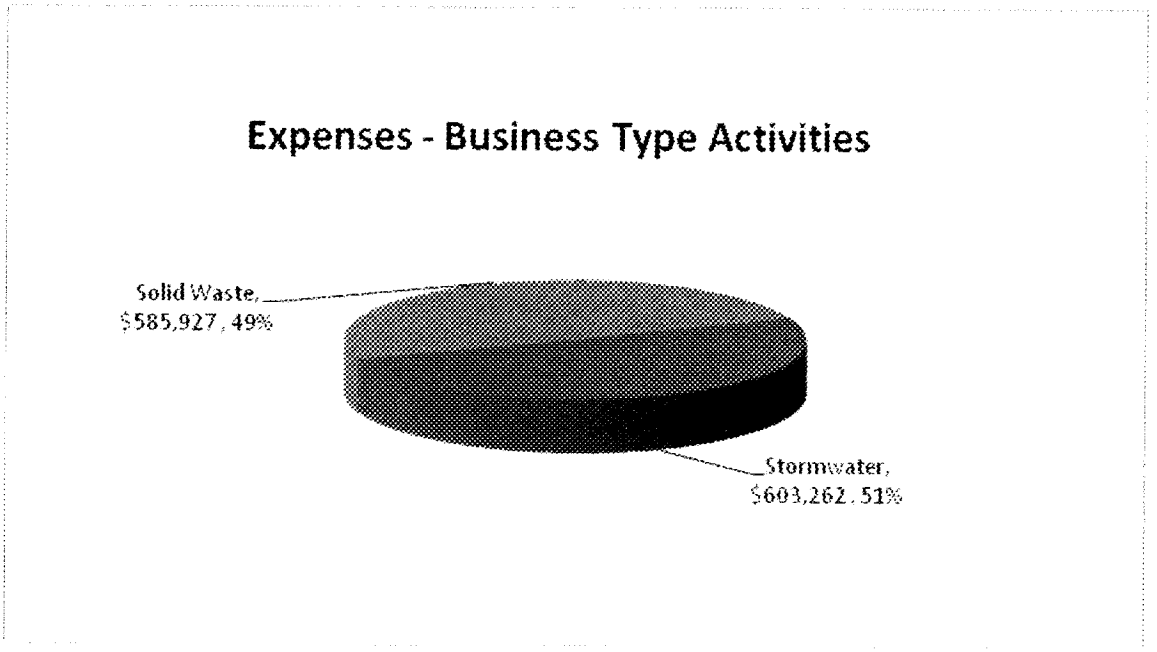
Governmental Activities





Business-type Activities





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

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

At the end of the current fiscal year, fund balance of the general fund was $15,286,689, an increase of $2,968,156 in comparison with the prior year. The increase was primarily caused by an increase in revenues. All of this is reserved for specific uses: (1) emergencies ($4,000,001), (2) Building Inspection Costs ($580,215), (3) Compensated Absences ($484,769), (4) Law Enforcement Seizures ($300,274), (5) Fire Rescue Transport Fees ($449,134), (6) Working Capital Reserves ($3,826,016), (7) Prepaid Items ($309,253), (8) Labor Negotiations ($90,000), (9) Fire Grant Revenue - Urban Area Security Initiative

($42,920), (10) Capital Improvement Plan ($2,485,967), (11) Playing Field Acquisitions ($300,514), (12) Police/Administration Building Reserve ($13,632), (13) Fire Station Building Reserve ($13,632), (14) Community Center Equipment Reserve ($10,774), (15) Fire Vehicles Replacement Reserve ($50,000), (16) Master Plan Initiatives ($1,864,222), (17) Capital Lease ($64,204), (18) Roadway Improvements ($175,000) and (19) Recreation Facilities ($226,162).

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 64% 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, 2010 and 2009, is shown as follows:

Table B-1
Summary of Condensed Balance Sheet

	2010	2009
Total Assets	$ 16,903,287	$ 13,969,626
Total Liabilities	$ 1,616,598	$ 1,651,093
Reserved fund balance	15,286,689	12,318,533
Total Liabilities and Fund Balance	$ 16,903,287	$ 13,969,626

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

	2010	2009
Total Revenues	$ 26,785,459	$ 28,492,608
Total Expenditures	23,817,303	27,472,253
Excess of Revenues over Expenditures	$ 2,968,156	$ 1,020,355

The Transportation Special Revenue Fund was established to account for the construction and future maintenance of the Village's roadways. County bridge toll revenues are the source of funding for construction of roadways, while the local option gas tax funds maintenance and the transportation surtax funds debt service.

At present, the fund shows a negative fund balance due to phase three of the Crandon Boulevard Improvement Project. The majority of the negative fund balance will be eliminated in fiscal year 2011 with receipts from an existing FDOT grant.

The Capital Improvement Fund historically receives an annual budgeted transfer from the general fund to fund capital construction of infrastructure throughout the island. Due to the downward trend of revenues the ability to fund unlimited capital projects has decreased. At management's recommendation surplus funds generated by the general fund during the recent fiscal year were reserved as working capital in order to mitigate future economic challenges.

General Fund Budgetary Highlights
There were three departments with significant budget to actual variances: Village Attorney, Fire and, Parks and Recreation. These variances were cause by the following:

- Attorney - excess code enforcement litigation in addition to negotiations with employee unions
- Building, Planning & Zoning – payout of compensated absences
- Parks and Recreation – additional field maintenance due the addition of sports lighting on Village Green

Capital Assets
As of September 30, 2010, the Village's capital assets net of accumulated depreciation amounted to $97,291,562. Major capital asset events during the fiscal year included the following:

- Enhancements to the Emergency Management Services within the Fire Rescue department
- Resurfacing of Cape Florida and Harbor Drive
- Re-sodding of the Village Green and St. Agnes Church playing fields
- Installation of sports lighting on Village Green
- Relocation of the Public Works yard
- Continuation of the Beach Renourishment program
- Continuation of the Sanitary Sewer Project

Additional information on the Village's capital assets can be found in Note 7 on pages 34-35 of this report.

Debt Administration
At September 30, 2010, the Village had bonded debt outstanding of $39,096,490. Of this amount, $11,441,228 represents bonds secured solely by specified revenue sources (Transportation Tax Revenue Bonds, Road Improvement Revenue Bonds and State Revolving Fund Loans). The remainder is special obligation bonds that are secured by non-ad Valorem revenues through covenants to budget and appropriate.

Additional information on the Village's long-term debt can be found in Note 8 on pages 35-42 of this report.

Economic Factors and Next Year's Budgets and Rates
Taxable values declined steeply for the third straight year across Miami-Dade County. Property values fell 13.4 percent compared to last year. Taxable property values in Miami-Dade County stemming from new construction reached $2.6 billion, down from $8.4 billion the year before. The Village of Key Biscayne continues to manage a budget that is responsive to the needs of its community while lowering operating expenditures and continuing to seeking cost-cutting measures. Additionally, prior year surpluses have been reserved as working capital to offset any future loss of revenue.

The unemployment rate for Miami-Dade County is currently 13.20%, which is an increase from a rate of 11.50% percent a year ago. This is unfavorable to the state's average unemployment rate of 12% as well as the national average rate of 9.6%.

All of these factors were considered during preparation of the Village of Key Biscayne's budget for the 2011 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, 2010

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 17,670,696	$ 1,184,371	$ 18,855,067
Receivables, net	962,846	693,700	1,656,546
Due from other governments	1,000,000	--	1,000,000
Prepaids	309,253	--	309,253
Internal balances	651,371	(651,371)	--
Negative net pension obligation	111,389	--	111,389
Other assets	18,001	--	18,001
Restricted assets:			
Cash and cash equivalents	14,155	--	14,155
Investments	300,274	--	300,274
Capital assets not being depreciated	35,767,838	19,322,430	55,090,268
Capital assets being depreciated, net	35,697,201	6,504,093	42,201,294
Total Assets	92,503,024	27,053,223	119,556,247
Liabilities			
Accounts payable and accrued liabilities	814,710	110,589	925,299
Accrued interest payable	301,574	--	301,574
Unearned revenue	836,481	--	836,481
Noncurrent liabilities:			
Due within one year	2,350,723	618,640	2,969,363
Due in more than one year	30,161,043	8,527,172	38,688,215
Net OPEB obligation	120,492	--	120,492
Total Liabilities	34,585,023	9,256,401	43,841,424
Net Assets			
Invested in capital assets, net of related debt	41,377,118	16,680,711	58,057,829
Unrestricted	16,540,883	1,116,111	17,656,994
Total Net Assets	$ 57,918,001	$ 17,796,822	$ 75,714,823

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

VILLAGE OF KEY BISCAYNE, FLORIDA

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2010

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	$ 2,751,697	$ 181,992	$ --	$ --	$ (2,569,705)	$ --	$ (2,569,705)
Police	5,360,548	(1,479)	--		(5,362,027)	--	(5,362,027)
Fire	6,762,228	158,975	38,709	--	(6,564,544)	--	(6,564,544)
Public works	1,614,443	--	114,889	959,360	(540,194)	--	(540,194)
Building, zoning and planning	1,611,119	1,247,715	--	--	(363,404)	--	(363,404)
Parks and recreation	4,134,830	2,107,397	10,154	--	(2,017,279)	--	(2,017,279)
Interest on long-term debt	1,366,437	--	--	--	(1,366,437)	--	(1,366,437)
Total governmental activities	23,601,302	3,694,600	163,752	959,360	(18,783,590)	--	(18,783,590)
Business-type activities							
Stormwater	603,262	484,932	--	172,164	--	53,834	53,834
Sanitary sewer	39,178	--	--	2,501,287	--	2,462,109	2,462,109
Solid waste	585,927	615,480	--	--	--	29,553	29,553
Total business-type activities	1,228,367	1,100,412	--	2,673,451	--	2,545,496	2,545,496
Total	$ 24,829,669	$ 4,795,012	$ 163,752	$ 3,632,811	(18,783,590)	2,545,496	(16,238,094)
General Revenues							
Property taxes					17,832,874	--	17,832,874
Franchise fees based on gross receipts					1,006,415	--	1,006,415
Utility taxes					1,655,032	--	1,655,032
Communications services tax					1,029,087	--	1,029,087
Unrestricted intergovernmental revenue					1,391,242	--	1,391,242
Unrestricted investment earnings					21,346	1,974	23,320
Miscellaneous income					131,847	--	131,847
Transfers					(212,308)	212,308	--
Total General Revenues					22,855,535	214,282	23,069,817
Change in Net Assets					4,071,945	2,759,778	6,831,723
Net Assets - Beginning					53,846,056	15,037,044	68,883,100
Net Assets - Ending					$ 57,918,001	$ 17,796,822	$ 75,714,823

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

VILLAGE OF KEY BISCAYNE, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2010

	General	Transportation Special Revenue	Capital Improvements	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 12,521,433	$ --	$ 5,149,263	$ 17,670,696
Receivables, net	714,215	93,154	155,477	962,846
Due from other governments	--	1,000,000	--	1,000,000
Due from other funds	3,058,112	--	112,831	3,170,943
Prepaid items	309,253	--	--	309,253
Restricted cash and cash equivalents	--	14,155	--	14,155
Restricted investments	300,274	--	--	300,274
Total Assets	$ 16,903,287	$ 1,107,309	$ 5,417,571	$ 23,428,167
Liabilities and Fund Balances				
Liabilities				
Accounts payable and accrued liabilities	$ 592,696	$ --	$ 222,014	$ 814,710
Due to other funds	112,831	2,406,741	--	2,519,572
Deferred revenue	911,071	--	--	911,071
Total Liabilities	1,616,598	2,406,741	222,014	4,245,353
Fund Balances				
Reserved (Note 11)	15,286,689	--	--	15,286,689
Unreserved, undesignated reported in:				
Special revenue fund (deficit)	--	(1,299,432)	--	(1,299,432)
Capital improvements	--	--	5,195,557	5,195,557
Total Fund Balances (Deficit)	15,286,689	(1,299,432)	5,195,557	19,182,814
Total Liabilities and Fund Balances	$ 16,903,287	$ 1,107,309	$ 5,417,571	

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	71,465,039
A negative net pension obligation (NPO) is not considered to represent a financial asset and therefore is not reported in the governmental funds	111,389
Long-term receivables are not available to pay for current period expenditures and, therefore, are not reported in the funds	74,590
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore not reported in the funds	(32,915,831)
Net Assets of Governmental Activities	$ 57,918,001

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

VILLAGE OF KEY BISCAYNE, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2010

	General	Transportation Special Revenue	Capital Improvements	Total Governmental Funds
Revenues				
Property taxes	$ 17,832,874	$ --	$ --	$ 17,832,874
Utility taxes	1,655,032	--	--	1,655,032
Communications services tax	1,076,734	--	--	1,076,734
Franchise fees	1,006,415	--	--	1,006,415
Licenses and permits	1,329,823	--	--	1,329,823
Intergovernmental	1,203,221	885,794	--	2,089,015
Charges for services	2,364,777	--	--	2,364,777
Interest	20,983	261	102	21,346
Grants	163,752	--	261,587	425,339
Miscellaneous income	131,848	--	--	131,848
Total Revenues	26,785,459	886,055	261,689	27,933,203
Expenditures				
Current:				
General government	1,934,341	--	--	1,934,341
Fire	6,584,784	--	--	6,584,784
Police	5,093,601	--	--	5,093,601
Public works	1,608,193	--	--	1,608,193
Building, zoning and planning	1,602,651	--	--	1,602,651
Parks and recreation	3,717,935	--		3,717,935
Capital outlay	408,442	--	1,941,493	2,349,935
Debt service:				
Principal	1,721,460	419,224	--	2,140,684
Interest and fiscal charges	1,122,032	264,881	--	1,386,913
Total Expenditures	23,793,439	684,105	1,941,493	26,419,037
Excess (deficiency) of revenues over expenditures	2,992,020	201,950	(1,679,804)	1,514,166
Other Financing Sources (Uses)				
Capital Lease	188,444	--	--	188,444
Transfers out	(212,308)	--	--	(212,308)
Total Other Financing Sources (Uses)	(23,864)	--	--	(23,864)
Net Change in Fund Balances	2,968,156	201,950	(1,679,804)	1,490,302
Fund Balances (Deficit) - Beginning	12,318,533	(1,501,382)	6,875,361	17,692,512
Fund Balances (Deficit) - Ending	$ 15,286,689	$ (1,299,432)	$ 5,195,557	$ 19,182,814

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

VILLAGE OF KEY BISCAYNE, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2010

Amounts reported for governmental activities in the statement of activities (Page 12) are different because:		
Net change in fund balances - total governmental funds (Page 14)		$ 1,490,302
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
The details of the difference are as follows:		
Cost of assets	$ 2,358,407	
Depreciation expense	(1,508,339)	
Net effect of miscellaneous transactions related to capital assets	(4,926)	
Net adjustment		845,142
Under the modified accrual basis of accounting used in the governmental funds, revenues are not recognized until funds are measurable and available to finance current expenditures. In the statement of activities, however, which is presented on the accrual basis, revenues are reported when earned.		
The detail of the difference is as follows:		
Communications services tax proceeds		(47,646)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.		
The detail of the differences are as follows:		
Debt payments	2,089,482	
Capital lease payments	157,167	
Capital lease proceeds	(188,444)	2,058,205
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	(169,090)	
Accrued interest expense	21,860	
Debt issuance costs	(1,384)	
Net OPEB obligation	(120,492)	
Negative net pension obligation	(4,952)	(274,058)
Change in net assets of governmental activities (Page 12)		$ 4,071,945

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

VILLAGE OF KEY BISCAYNE, FLORIDA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

SEPTEMBER 30, 2010

	Business-type Activities - Enterprise Funds			
	Stormwater Utility System	Sanitary Sewer Construction	Solid Waste	Totals
Assets				
Current Assets				
Cash and cash equivalents	$ 184,652	$ 908,978	$ 90,741	$ 1,184,371
Accounts receivables, net	166,434	322,320	204,946	693,700
Total Current Assets	351,086	1,231,298	295,687	1,878,071
Noncurrent Assets				
Capital assets not being depreciated	558,731	18,763,699	--	19,322,430
Capital assets being depreciated, net	6,504,093	--	--	6,504,093
Total Noncurrent Assets	7,062,824	18,763,699	--	25,826,523
Total Assets	7,413,910	19,994,997	295,687	27,704,594
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities	37,722	28,651	44,216	110,589
Due to other funds	650,872	--	499	651,371
Current portion of revolving loans	--	213,640	--	213,640
Current portion of revenue bonds payable	405,000	--	--	405,000
Total Current Liabilities	1,093,594	242,291	44,715	1,380,600
Noncurrent Liabilities				
Revenue bonds	4,045,000	--	--	4,045,000
Revolving loans	--	4,482,172	--	4,482,172
Total Noncurrent Liabilities	4,045,000	4,482,172	--	8,527,172
Total Liabilities	5,138,594	4,724,463	44,715	9,907,772
Net Assets				
Invested in capital assets, net of related debt	2,612,824	14,067,887	--	16,680,711
Unrestricted (deficit)	(337,508)	1,202,647	250,972	1,116,111
Total Net Assets	$ 2,275,316	$ 15,270,534	$ 250,972	$ 17,796,822

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

VILLAGE OF KEY BISCAYNE, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Business-type Activities - Enterprise Funds			
	Stormwater Utility System	Sanitary Sewer Construction	Solid Waste	Totals
Operating Revenues				
Charges for services	$ 484,932	$ --	$ 615,480	$ 1,100,412
Operating Expenses				
General and administrative	129,781	--	583,248	713,029
Depreciation	273,919	--	--	273,919
Total Operating Expenses	403,700	--	583,248	986,948
Operating Income	81,232	--	32,232	113,464
Non-Operating Revenues (Expenses)				
Interest income	460	1,351	163	1,974
Other expense	--	--	(2,679)	(2,679)
Interest expense	(199,562)	(39,178)	--	(238,740)
Total Non-Operating Revenues (Expenses)	(199,102)	(37,827)	(2,516)	(239,445)
Income (Loss) before Contributions and Transfers	(117,870)	(37,827)	29,716	(125,981)
Capital contributions	172,164	2,501,287	--	2,673,451
Transfers in	--	212,308	--	212,308
Total Contributions and Transfers	172,164	2,713,595	--	2,885,759
Change in Net Assets	54,294	2,675,768	29,716	2,759,778
Net Assets - Beginning	2,221,022	12,594,766	221,256	15,037,044
Net Assets - Ending	$ 2,275,316	$ 15,270,534	$ 250,972	$ 17,796,822

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

VILLAGE OF KEY BISCAYNE, FLORIDA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Business-type Activities - Enterprise Funds			
	Stormwater Utility System	Sanitary Sewer Construction	Solid Waste	Totals
Cash Flows from Operating Activities				
Receipts from customers and users	$ 412,840	$ --	$ 867,608	$ 1,280,448
Receipts from interfund services provided	739,616	--	--	739,616
Payments to suppliers	(106,743)	--	(640,536)	(747,279)
Payments for interfund services	--	--	(798,137)	(798,137)
Net Cash Provided by (Used in) Operating Activities	1,045,713	--	(571,065)	474,648
Cash Flows from Non-Capital Financing Activities				
Transfers from other funds	--	212,308	--	212,308
Net Cash Provided by Non-Capital Financing Activities	--	212,308	--	212,308
Cash Flows from Capital and Related Financing Activities				
Capital contributions	172,164	2,335,477	--	2,507,641
Proceeds from revolving loan	--	2,328,051	--	2,328,051
Payments for construction of capital assets	(558,731)	(4,717,842)	--	(5,276,573)
Payments on revenue bonds	(385,000)	--	--	(385,000)
Payments on revolving loans	--	(19,580)	--	(19,580)
Interest paid	(199,562)	(39,178)	--	(238,740)
Net Cash Used by Capital and Related Financing Activities	(971,129)	(113,072)	--	(1,084,201)
Cash Flows from Investing Activities				
Interest received	460	1,351	(2,516)	(705)
Net Cash Provided by (Used in) Investing Activities	460	1,351	(2,516)	(705)
Net Increase (Decrease) in Cash and Cash Equivalents	75,044	100,587	(573,581)	(397,950)
Cash and Cash Equivalents - Beginning	109,608	808,391	664,322	1,582,321
Cash and Cash Equivalents - Ending	$ 184,652	$ 908,978	$ 90,741	$ 1,184,371
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities				
Operating income	$ 81,232	$ --	$ 32,232	$ 113,464
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	(72,092)	--	250,880	178,788
Due from other funds	88,744	--	--	88,744
Increase (decrease) in:				
Accounts payable and accrued liabilities	23,038	--	(57,288)	(34,250)
Deferred revenue	--	--	749	749
Due to other funds	650,872	--	(797,638)	(146,766)
Total adjustments	964,481	--	(603,297)	361,184
Net Cash Provided by (Used in) Operating Activities	$ 1,045,713	$ --	$ (571,065)	$ 474,648

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

VILLAGE OF KEY BISCAYNE, FLORIDA

STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUND

SEPTEMBER 30, 2010

Assets	
Investments	
Money market funds	$ 292,257
Common stocks	3,106,207
Mutual funds	10,480,892
Total Investments	13,879,356
Contributions Receivable	
Village (including State)	109,330
Total Assets	13,988,686
Liabilities	--
Net Assets	
Net Assets Held in Trust for Pension Benefits	$ 13,988,686

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

VILLAGE OF KEY BISCAYNE, FLORIDA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2010

Additions	
Contributions	
Plan members	$ 663,565
Village (including State)	1,067,470
Total Contributions	1,731,035
Investment Income	
Net appreciation in the fair value of investments	1,145,810
Interest and dividends	96,584
	1,242,394
Less investment expenses	(74,238)
Net Investment Income	1,168,156
Total Additions	2,899,191
Deductions	
Benefits paid	221,256
Transfer to ICMA share plan	767,909
Administrative expenses	68,309
Total Deductions	1,057,474
Change in Net Assets	1,841,717
Net Assets - Beginning	12,146,969
Net Assets - Ending	$ 13,988,686

The accompanying notes are an integral part of these 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 of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village's accounting policies are described below:

A. FINANCIAL REPORTING ENTITY

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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

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

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

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

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

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

Additionally, the Village reports the following fund types:

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

1. Deposits and Investments

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

2. Interfund Receivables and Payables

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

3. Receivables

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

4. Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., utility plant, roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Tangible and intangible 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)

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. During the year ended September 30, 2010, total interest expense incurred by business-type activities was $302,395. Of this amount, $63,655 was included as part of the cost of capital assets under construction in connection with the sanitary sewer project.

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

During the fiscal year ended September 30, 2010, the Village implemented GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. There was an immaterial effect on the Village's financial statements. Intangible assets consist of computer software, which was capitalized as an asset n prior years, and rights of way. The Village elected not to retroactively report all intangible assets.

5. Unearned/Deferred Revenue

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

6. Compensated Absences

It is the Village's policy to permit employees to accumulate within certain limits, earned but unused vacation time and sick leave, which will be paid to employees upon separation from Village service. All vacation and sick leave pay is accrued when

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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, 2010 and were subsequently paid with current available financial resources. The general fund typically is used to liquidate the liability for compensated absences.

7. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Use of Estimates

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Fund Equity

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

10. Net Assets

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

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

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

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of this $32,915,831 difference is as follows:

Bonds Payable	$ 29,950,678
Debt Issuance Costs	(18,001)
Capital Leases Payable	137,243
Compensated Absences	2,423,845
Accrued Interest Payable	301,574
Net OPEB Obligation	120,492
	$ 32,915,831

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 deemed as insured or collateralized.

INVESTMENTS

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

INVESTMENTS – VILLAGE

As of September 30, 2010, 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	$ 5,821,843	$ 5,821,843

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)

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village's $5.8 million investment in repurchase agreements is held by the investment's counterparty, not in the name of the Village. The Village's investment policy does not have a limit on holding of securities by counterparties.

INVESTMENTS – PENSION PLAN

As of September 30, 2010, 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	$ 5,199,584	$ 1,157,852	$ 1,909,473	$ 1,377,624	$ 754,635

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 securities to a rating no lower than Standard & Poor's BBB or Moody's BAA.

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

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENTS – PENSION PLAN (CONTINUED)

Concentration of Credit Risk

The Plan's investment policy prohibits equity and fixed income securities concentrations greater than 5% and 10%, respectively, in any one issuer with the exception of U.S. government or agency issues. As of September 30, 2010, the value of each position held in the Plan's portfolio comprised less than 5% of Plan investment assets.

RISKS AND UNCERTAINTIES

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

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

NOTE 4 – RECEIVABLES

Receivables as of September 30, 2010 for the Village's individual major funds, non-major funds and fiduciary fund in the aggregate, including the allowances for uncollectible accounts, are as follows:

	General	Special Revenue	Capital Improvements	Storm-water	Sanitary Sewer	Solid Waste	Pension Trust Fund	Total
Customers Billed	$ --	$ --	$ --	$ 94,819	$ --	$ 226,585	$ --	$ 321,404
Contributions	--	--	--	--	--	--	109,330	109,330
Property Taxes	197,199	--	--	--	--	--	--	197,199
Intergovernmental	334,483	93,154	155,477	71,615	322,320	--	--	977,049
Other	182,533	--	--	--	--	--	--	182,533
Due from Other Governments	--	1,000,000	--	--	--	--	--	1,000,000
Gross Receivables	714,215	1,093,154	155,477	166,434	322,320	226,585	109,330	2,787,515
Less Allowance for Uncollectibles	--	--	--	--	--	(21,639)	--	(21,639)
Net Total Receivables	$ 714,215	$ 1,093,154	$ 155,477	$ 166,434	$ 322,320	$ 204,946	$ 109,330	$ 2,765,876

NOTE 5 – PROPERTY TAXES

Property values are assessed on a county-wide basis by the Miami-Dade County Property Appraiser as of January 1, the lien date, of each year and are due the following November 1. Taxable value of property within the Village is certified by the Property Appraiser and the Village levies a tax millage rate upon the taxable value, which will provide revenue required for the fiscal year beginning October 1. The millage rate assessed by the Village for the year ended September 30, 2010 was 3.200.

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, 2010, there were no material delinquent taxes.

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2010 is as follows:

Due from/to other funds:

Receivable Fund	Payable Fund	Amount
General	Special Revenue	$ 2,406,741
	Stormwater	650,872
	Solid Waste	499
Capital Improvement	General	112,831
		$ 3,170,943

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
	Sanitary Sewer
Transfers Out	
General fund	$ 212,308

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, 2010 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	13,276,260	657,741	--	13,934,001
Total Capital Assets, Not Being Depreciated	35,110,097	657,741	--	35,767,838
Capital Assets, Being Depreciated				
Buildings	24,566,802	24,180	--	24,590,982
Improvements other than buildings	16,462,264	775,402	--	17,237,666
Furniture, fixtures and equipment	5,911,503	892,612	(44,616)	6,759,499
Total Capital Assets, Being Depreciated	46,940,569	1,692,194	(44,616)	48,588,147
Less Accumulated Depreciation for				
Buildings	(3,393,617)	(496,959)	--	(3,890,576)
Improvements other than buildings	(4,026,946)	(401,305)	--	(4,428,251)
Furniture, fixtures and equipment	(4,001,734)	(610,074)	39,690	(4,572,118)
Total Accumulated Depreciation	(11,422,297)	(1,508,339)	39,690	(12,890,946)
Total Capital Assets, Being Depreciated, Net	35,518,272	183,855	(4,926)	35,697,201
Governmental Activities Capital Assets, Net	$ 70,628,369	$ 841,596	$ (4,926)	$ 71,465,039
Business-type Activities				
Capital Assets, Not Being Depreciated				
Construction in progress	$ 15,828,094	$ 3,494,336	$ --	$ 19,322,430
Total Capital Assets, Not Being Depreciated	15,828,094	3,494,336	--	19,322,430
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	(3,278,648)	(273,919)	--	(3,552,567)
Total Accumulated Depreciation	(3,278,648)	(273,919)	--	(3,552,567)
Total Capital Assets, Being Depreciated, Net	6,778,012	(273,919)	--	6,504,093
Business-type Activities Capital Assets, Net	$ 22,606,106	$ 3,220,417	$ --	$ 25,826,523

NOTE 7 – CAPITAL ASSETS (CONTINUED)

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

Governmental Activities	
General government	$ 517,896
Police	266,948
Fire	283,409
Public works	6,250
Building, zoning and planning	8,468
Parks	425,367
Total Depreciation Expense - Governmental Activities	$ 1,508,339
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, 2010:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
Land acquisition and capital improvement revenue bonds, Series 1999	$ 7,110,000	$ --	$ (500,000)	$ 6,610,000	$ 525,000
Land acquisition and capital improvement revenue bonds, Series 2000	7,895,000	--	(465,000)	7,430,000	515,000
Capital improvement bonds, Series 2002	7,955,589	--	(414,676)	7,540,913	484,883
Land acquisition and capital improvement revenue bonds, Series 2004	2,443,595	--	(290,583)	2,153,012	140,107
Transportation tax revenue bonds, Series 2005	3,206,683	--	(198,854)	3,007,829	212,474
Road improvement revenue bonds, Series 2006	3,429,293	--	(220,369)	3,208,924	230,425
Total Bonds Payable	32,040,160	--	(2,089,482)	29,950,678	2,107,889
Other Liabilities					
Capital leases	105,966	188,444	(157,167)	137,243	--
Compensated absences	2,254,755	635,505	(466,415)	2,423,845	242,834
Total Other Liabilities	2,360,721	823,949	(623,582)	2,561,088	242,834
Governmental Activities Long-Term Liabilities	$ 34,400,881	$ 823,949	$ (2,713,064)	$ 32,511,766	$ 2,350,723

NOTE 8 – LONG-TERM DEBT (CONTINUED)

LAND ACQUISITION AND CAPITAL IMPROVEMENT REVENUE BONDS, SERIES 1999

On July 23, 1999, the Village issued $10,000,000 Land Acquisition and Capital Improvement Revenue Bonds, Series 1999, the proceeds of which were used for the acquisition of property and financing of the construction of the Civic Center project. The bonds mature on July 23, 2019 with final payment due on December 1, 2019. The Village has pledged non-ad valorem revenues to secure payment of the principal and interest on the bonds. The bonds are due in annual principal installments. Interest accrues at 4.715% per annum.

Debt service requirements to maturity are as follows:

	Principal	Interest	Total
Fiscal Year Ending September 30			
2011	$ 525,000	$ 299,285	$ 824,285
2012	550,000	273,942	823,942
2013	580,000	247,302	827,302
2014	610,000	219,247	829,247
2015	640,000	189,779	829,779
2016-2020	3,705,000	453,701	4,158,701
	$ 6,610,000	$ 1,683,256	$ 8,293,256

LAND ACQUISITION AND CAPITAL IMPROVEMENT REVENUE BONDS, SERIES 2000

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.

NOTE 8 – LONG-TERM DEBT (CONTINUED)

LAND ACQUISITION AND CAPITAL IMPROVEMENT REVENUE BONDS, SERIES 2000 (CONTINUED)

Debt service requirements to maturity are as follows:

Fiscal Year Ending September 30	Principal	Interest	Total
2011	$ 515,000	$ 374,529	$ 889,529
2012	540,000	346,888	886,888
2013	570,000	317,806	887,806
2014	600,000	287,152	887,152
2015	630,000	254,926	884,926
2016-2020	4,575,000	750,892	5,325,892
	$ 7,430,000	$ 2,332,193	$ 9,762,193

CAPITAL IMPROVEMENT REVENUE BONDS, SERIES 2002

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

Debt service to maturity is as follows:

Fiscal Year Ending September 30	Principal	Interest	Total
2011	$ 484,883	$ 256,316	$ 741,199
2012	502,526	238,673	741,199
2013	520,811	220,388	741,199
2014	539,762	201,437	741,199
2015	559,402	181,797	741,199
2016-2020	3,117,548	588,447	3,705,995
2021-2023	1,815,981	72,440	1,888,421
	$ 7,540,913	$ 1,759,498	$ 9,300,411

NOTE 8 – LONG-TERM DEBT (CONTINUED)

LAND ACQUISITION AND CAPITAL IMPROVEMENT REVENUE BONDS, SERIES 2004

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			
2011	$ 140,107	$ 80,195	$ 220,302
2012	145,551	74,751	220,302
2013	151,206	69,096	220,302
2014	157,081	63,221	220,302
2015	163,184	57,118	220,302
2016-2020	916,099	185,414	1,101,513
2021-2023	479,784	22,920	502,704
	$ 2,153,012	$ 552,715	$ 2,705,727

TRANSPORTATION TAX REVENUE BONDS, SERIES 2005

On July 15, 2005, the Village issued Transportation Tax Revenue Bonds, Series 2005, for the purpose of financing a portion of the costs of road improvements within the Village (Crandon Boulevard Improvements – Phase II). The issuance was established similar to bond anticipation notes where the principal amount is the lesser of $3,500,000 or the advances made under the bond. Only the amount advanced becomes an obligation of the Village. The Village has pledged Transportation Surtax Revenues and legally available non-ad valorem revenues to secure payment of the principal and interest on the bonds. The bonds mature on July 1, 2025 and are due in quarterly principal installments. Interest accrues at 4.09% per annum.

NOTE 8 – LONG-TERM DEBT (CONTINUED)

TRANSPORTATION TAX REVENUE BONDS, SERIES 2005 (CONTINUED)

Debt service requirements to maturity are as follows:

Fiscal Year Ending September 30	Principal	Interest	Total
2011	$ 212,474	$ 121,612	$ 334,086
2012	169,602	113,313	282,915
2013	160,687	105,161	265,848
2014	165,667	100,191	265,858
2015	174,312	91,547	265,859
2016-2020	773,720	353,522	1,127,242
2021-2025	1,351,367	135,413	1,486,780
	$ 3,007,829	$ 1,020,759	$ 4,028,588

ROAD IMPROVEMENT REVENUE BONDS, SERIES 2006

On December 14, 2006, the Village issued $4,000,000 Road Improvement Revenue Bonds, Series 2006, for the purpose of financing a portion of the costs of road improvements within the Village (Crandon Boulevard Improvements – Phase III), financing architectural, engineering, environmental, legal, and other planning costs. The bonds mature on December 1, 2021. The Village has pledged toll revenues to secure payment of the principal and interest on the bonds. Total principal and interest remaining on the bonds is $4,007,173. For the current year, debt service and pledged revenues were $357,125 and $365,000, respectively. The bonds are due in quarterly principal installments. Interest accrues at 4.05% per annum.

Debt service requirements to maturity are as follows:

Fiscal Year Ending September 30	Principal	Interest	Total
2011	$ 230,425	$ 126,700	$ 357,125
2012	239,900	117,224	357,124
2013	249,765	107,360	357,125
2014	260,035	97,090	357,125
2015	270,727	86,398	357,125
2016-2020	1,530,060	255,565	1,785,625
2021-2022	428,012	7,912	435,924
	$ 3,208,924	$ 798,249	$ 4,007,173

NOTE 8 – LONG-TERM DEBT (CONTINUED)

CAPITAL LEASES

On June 22, 2010, the Village entered into a lease agreement to purchase seven (7) police vehicles with an approximate market value of $190,000. The lease payments are due on June 25 each year through maturity of June 25, 2013 at an annual financial cost of 5.85%. Subsequent to year end, this lease was refinanced at an annual financing cost of 2% and was combined into a fiscal year 2011 capital lease. At September 30, 2010, the lease obligation was $137,243.

The following is a summary of changes in long-term liabilities of the Village for business-type activities for the year ended September 30, 2010:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities					
Bonds and Loans Payable					
Stormwater utility revenue bonds, Series 1999	$ 4,835,000	$ --	$ (385,000)	$ 4,450,000	$ 405,000
Revolving loan, 1996	320,339	--	(19,957)	300,382	20,602
Revolving loan, 2009	2,067,002	2,448,947	(120,519)	4,395,430	192,858
Water and sewer bonds, Series 2009	--	1,200,000	(1,200,000)	--	--
Total Bonds and Loans Payable	7,222,341	3,648,947	(1,725,476)	9,145,812	618,460
Business-type Activities Long-Term Liabilities	$ 7,222,341	$ 3,648,947	$ (1,725,476)	$ 9,145,812	$ 618,460

STORMWATER UTILITY REVENUE BONDS, SERIES 1999

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

NOTE 8 – LONG-TERM DEBT (CONTINUED)

Debt service requirements to maturity are as follows:

	Principal	Interest	Total
Fiscal Year Ending September 30			
2011	$ 405,000	$ 183,785	$ 588,785
2012	425,000	167,058	592,058
2013	445,000	149,506	594,506
2014	465,000	131,128	596,128
2015	490,000	111,923	601,923
2016-2019	2,220,000	234,791	2,454,791
	$ 4,450,000	$ 978,191	$ 5,428,191

STATE REVOLVING FUND LOAN, 1996

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 loan is secured by the state revenue sharing funds. Debt service for fiscal year 2010 was $28,135 and state revenue sharing was $195,844. The loan is payable in semi-annual payments over 20 years beginning on April 15, 2003 at an interest rate of 2.56% per annum. The loan matures on October 15, 2022.

Debt service requirements to maturity are as follows:

	Principal	Interest	Total
Fiscal Year Ending September 30			
2011	$ 20,602	$ 7,532	$ 28,134
2012	21,133	7,001	28,134
2013	21,677	6,457	28,134
2014	22,236	5,898	28,134
2015	22,809	5,325	28,134
2016-2020	124,084	17,504	141,588
2021-2023	67,841	2,622	70,463
	$ 300,382	$ 52,339	$ 352,721

NOTE 8 – LONG-TERM DEBT (CONTINUED)

STATE REVOLVING FUND LOAN, 2009

In June 2009, the Village entered into a revolving loan agreement with the State of Florida Department of Environmental Protection in an amount up to $5,150,000 plus $65,500 for a total of $5,215,500 for the financing of the sanitary sewer construction project. Total principal due under the loan was $5,318,500 which included loan servicing fees. The principal total outstanding at September 30, 2010 is $4,395,430. The amortization schedule herein represents the total debt service to be paid under this loan agreement once all amounts are borrowed. Proceeds in the amount of $2,067,002 were received during the 2009 fiscal year and $2,448,947 was received during the 2010 fiscal year. The loan is secured by the communications service tax. Debt service for fiscal year 2010 was $223,352 and the pledged revenue was $1,076,734. The loan is payable in semi-annual payments over 20 years beginning on August 15, 2010 and is payable each August 15 and February 15 at an interest rate of 3.39% per annum. The loan matures on February 15, 2030.

Debt service requirements to maturity are as follows:

	Principal	Interest	Total
Fiscal Year Ending September 30			
2011	$ 192,858	$ 175,489	$ 368,347
2012	199,451	168,896	368,347
2013	206,270	162,077	368,347
2014	213,322	155,025	368,347
2015	220,615	147,732	368,347
2016-2020	1,221,499	620,237	1,841,736
2021-2025	1,445,071	396,665	1,841,736
2026-2030	1,525,389	132,173	1,657,562
	$ 5,224,475	$ 1,958,294	$ 7,182,769

WATER AND SEWER REVENUE BONDS, SERIES 2009

On November 10, 2009, the Village issued water and sewer revenue bonds, Series 2009 in the amount of $1.2 million for the purpose of financing a portion of the costs of water and sewer improvements within the Village. Interest is at 4.80% per annum and interest was due quarterly. The bonds mature November 1, 2024; however, the bonds were paid in full on May 28, 2010 from funds received from a developer.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

LITIGATION

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

GRANTS CONTINGENCY

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

CONSTRUCTION COMMITMENT

The Village has outstanding construction commitments of approximately $40,000 for its sanitary sewer project.

NOTE 10 – DEFICIT FUND BALANCE

The Transportation Special Revenue Fund has a deficit fund balance of $1,299,432 which is being funded from the General Fund and from revenues derived from an interlocal agreement with Miami-Dade County over a period of approximately 11 years.

NOTE 11 – RESERVED FUND BALANCES

As of September 30, 2010, fund balances in the general fund have been reserved for the following purposes. The Village, by its charter, cannot have any unreserved fund balance, therefore, many of the reserves are established to fund current operations, such as working capital.

NOTE 11 – RESERVED FUND BALANCES (CONTINUED)

Emergencies	$ 4,000,001
Working Capital	3,826,016
Compensated Absences	484,769
Building Inspections	580,215
Law Enforcement Seizures	300,274
Prepaids	309,253
Police Labor	90,000
Fire Grant Revenue (UASI)	42,920
Fire Rescue Transport Fees	449,134
Capital Improvement Plan	2,485,967
Playing Fields	300,514
Police/Admin. Bldg. Reserve	13,632
Fire Station Bldg. Reserve	13,632
Community Center Equip Resv.	10,774
Fire Vehicle Replacements	50,000
Master Plan Initiatives	1,864,222
Capital Lease	64,204
Roadway Improvements	175,000
Recreation Facilities	226,162
	$ 15,286,689

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). The plans are administered by a third party administrator. Under one Plan, which is available to Village employees, the Village contributes 12% and the employees contribute 6%. Under the second plan, which is available only to sworn or certified police officers and firefighters, the Village contributes 12% and there is no employee contribution. Beginning October 1, 1997, the police officers and firefighters, which elected to participate in the defined benefit pension plan (see Note 13), were no longer eligible to contribute to the 401(a) plan. Employer contributions for the fiscal year ended September 30, 2010 were $518,151 while the employee contributions were $162,868. Amendments to the Plan must be authorized by the Village Council.

NOTE 12 – DEFINED CONTRIBUTION PLANS (CONTINUED)

SHARE PLAN

In fiscal year 2009, the Village created a SHARE Plan for firefighters. The Plan is a defined contribution plan and is funded by premium tax revenues from the State of Florida in excess of the amounts used to satisfy funding requirements of the defined benefit plan of the firefighters (see Note 13).

During fiscal year 2010, to initially fund the Plan, the Village transferred from their defined benefit pension plan $797,909. The Plan is administered by ICMA Retirement Corporation. Benefits are paid to vested participants in a single lump sum or in equal installments. The balance of the SHARE Plan at September 30, 2010 is $760,060.

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, 2009. 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.

NOTE 13 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

PLAN DESCRIPTION (CONTINUED)

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, 2009 (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	16
Current Employees	
Vested	45
Non-vested	22
Total	67

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 (including the State) contribution rate was 15.32% of covered payroll for the year ended September 30, 2010 which was determined by the October 1, 2008 actuarial valuation. The Village's (including the State) contribution rate is 15.97% of covered payroll for the year ended September 30, 2011 which was determined by the October 1, 2009 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)

FUNDED STATUS AND FUNDING PROGRESS

The funded status of the plan as of October 1, 2009, the most recent actuarial valuation date, is as follows:

Actual Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL As % of Covered Payroll (b - a) / c
10/1/09	$ 12,548,462	$ 18,495,824	$ 5,947,362	67.8%	$ 6,808,421	87.4%

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

Additional information as of the latest actuarial valuation follows:

Valuation Date	10/1/09
Contribution Rates	
Employer (and State)	15.97%
Plan members	10.50%
Actuarial Cost Method	Entry age normal
Amortization Method	Level percent of pay, closed
Remaining Amortization	30 years
Asset Valuation Method	5 year Smoothed Market value
Actuarial Assumptions	
Investment rate of return*	8.5% per year compounded annually, net of investment related expenses
Projected salary increases*	9.4% to 3.5% variable
Cost of living adjustments	Not Applicable

*Includes inflation and other general increases at 4%

NOTE 13 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

ANNUAL PENSION COST AND NET PENSION ASSET

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

Annual Required Contribution	$ 1,033,665
Interest on Net Pension Asset	(9,889)
Adjustment to Annual Required Contribution	14,841
Annual Pension Cost	1,038,617
Contributions Made	1,033,665
Decrease in Net Pension Asset	4,952
Net Pension Asset - Beginning of Year	(116,341)
Net Pension Asset - End of Year	$ (111,389)

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

	Trend Information		
Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
9/30/2008	$ 843,538	99.5%	$ (121,512)
9/30/2009	925,291	99.5%	(116,341)
9/30/2010	1,038,617	99.5%	(111,389)

DROP PLAN

In fiscal year 2009, the Village created a deferred retirement option plan (DROP) for the benefit of the firefighters that have reached their normal retirement date. Election in the DROP is voluntary. The maximum period of participation is five years. The DROP is funded by the participants' retirement benefit that would be received if the participant had retired on the election date plus earnings thereon. Retirement benefits can be paid in a single lump sum payment; equal monthly installments or an annuity. The Plan is administered by ICMA Retirement Corporation. As of September 30, 2010, there were two (2) participants in the Plan. The balance in the Plan at September 30, 2010 is $32,484.

NOTE 14 – OTHER POST EMPLOYMENT BENEFITS

PLAN DESCRIPTION

The Village provides an optional single employer defined benefit post-employment healthcare plan to eligible individuals. The plan allows its employees and their beneficiaries, at their own cost, to continue to obtain health, dental and other insurance benefits upon retirement. The benefits of the plan conform to Florida Statutes, which are the legal authority for the plan. The plan has no assets and does not issue a separate financial report.

FUNDING POLICY AND ANNUAL OPEB COST

The Village does not directly make a contribution to the plan on behalf of retirees. Retirees and their beneficiaries pay the same group rates as are charged to the Village for active employees by its healthcare provider. However, the Village's actuaries, in their actuarial valuation, calculate an offset to the cost of these benefits as an Employer Contribution, based upon an implicit rate subsidy. This offset equals the total age-adjusted costs paid by the Village or its active employees for coverage of the retirees and their dependents for the year net of the retiree's own payments for the year.

The annual other post employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance with GASB Statement No. 45. The annual required contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The annual OPEB cost for the Village for the current year and the related information is as follows:

Required Contribution Rates	
Employer	Pay-as-you-go
Plan members	N/A
Normal Cost	$ 113,504
Interest on Normal Cost	4,362
Amortization	11,125
Annual OPEB Cost	128,991
Contributions Made	(8,499)
Increase in Net OPEB Obligation	120,492
Net OPEB Obligation, Beginning of Year	--
Net OPEB Obligation, End of Year	$ 120,492

NOTE 14 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

FUNDING POLICY AND ANNUAL OPEB COST (CONTINUED)

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation was:

Fiscal Year Ended	9/30/2010
Annual OPEB Cost	$ 128,991
Percentage of OPEB Cost Contributed	6.59%
Net OPEB Obligation	$ 120,492

FUNDED STATUS AND FUNDING PROGRESS

The funded status of the plan as of October 1, 2008 was as follows:

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b - a) / c
$ --	$ 352,120	$ 352,120	0.0%	$ 7,612,399	4.63%

The actuarial valuation for the calculation of OPEB involves estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information is designed to provide multi-year trend information to show whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, the Village has not contributed assets to the plan at this time.

ACTUARIAL METHODS AND ASSUMPTIONS

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Village and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

NOTE 14 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)

Valuation date	October 1, 2008
Actuarial cost method	Entry Age
Amortization method	Level % closed (Remaining amortization 30 years)
Actuarial assumptions:	
Investment rate of return*	3.0% compounded annually
Projected salary increases*	6.0% - 9.4%
Payroll growth assumptions	4.0%
*Includes inflation at	3% per year
Healthcare cost trend rate(s):	
	Insurance Premiums
Select Rates	1.0% for 2009 graded to 5.0% for 2019
Ultimate rate	5.0%

NOTE 15 – RISK MANAGEMENT

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

VILLAGE OF KEY BISCAYNE

ISLAND PARADISE

1991

FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF KEY BISCAYNE, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amounts		Actual Amounts on a Budgetary Basis	Prior Year Reserves	Adjusted Amounts on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final				
Revenues						
Property taxes	$ 18,046,097	$ 18,046,097	$ 17,832,874	$ --	$ 17,832,874	$ (213,223)
Utility taxes	2,512,095	2,512,095	2,731,766	--	2,731,766	219,671
Franchise fees	995,000	995,000	1,006,415	--	1,006,415	11,415
Licenses and permits	1,075,000	1,075,000	1,329,823	--	1,329,823	254,823
Intergovernmental	834,751	834,751	841,026	--	841,026	6,275
Charges for services	2,180,556	2,567,460	2,364,777	--	2,364,777	(202,683)
Interest	25,000	25,000	20,986	--	20,986	(4,014)
Miscellaneous income	74,920	74,920	133,048	--	133,048	58,128
Total Revenues	25,743,419	26,130,323	26,260,715	--	26,260,715	130,392
Expenditures						
Current:						
General government:						
Elected officials	338,622	338,622	297,459	--	297,459	41,163
Village Clerk	395,389	397,431	345,595	--	345,595	51,836
Administration	871,994	878,571	856,080	--	856,080	22,491
Village Attorney	490,000	490,000	506,557	(16,557)	490,000	--
Total general government	2,096,005	2,104,624	2,005,691	(16,557)	1,989,134	115,490
Public safety:						
Police	5,163,955	5,173,562	5,115,778		5,115,778	57,784
Fire	6,407,036	6,407,036	6,365,251	--	6,365,251	41,785
Total public safety	11,570,991	11,580,598	11,481,030	--	11,481,030	99,568
Public works	1,876,475	1,884,331	1,617,852	--	1,617,852	266,479
Building, zoning and planning	1,566,150	1,591,761	1,609,737	(17,976)	1,591,761	--
Parks and recreation:						
Parks	1,003,506	1,006,895	1,025,125	(18,230)	1,006,895	--
Community center	1,753,425	2,147,970	2,147,970	--	2,147,970	--
Athletic division	624,418	626,869	564,304	--	564,304	62,565
Total parks and recreation	3,381,349	3,781,734	3,737,399	(18,230)	3,719,169	62,565
Debt service:						
Principal	2,041,459	2,041,459	1,721,460	--	1,721,460	319,999
Interest and fiscal charges	1,337,474	1,337,474	1,122,032	--	1,122,032	215,442
Total Expenditures	23,869,903	24,321,981	23,295,201	(52,763)	23,242,438	1,079,543
Excess (Deficiency) of Revenues over Expenditures	1,873,516	1,808,342	2,965,514	(52,763)	3,018,277	1,157,172
Other Financing Uses						
Appropriation of prior years':						
Reserves - working capital	(1,873,516)	(1,833,952)	--	52,763	--	1,833,952
Reserves - building division	--	25,610	--	--	--	(25,610)
Transfers out	--	--	(212,308)	--	(212,308)	(212,308)
Total Other Financing Uses	(1,873,516)	(1,808,342)	(212,308)	52,763	(212,308)	(237,918)
Net Change in Fund Balances	$ --	$ --	$ 2,753,206	$ --	$ 2,805,969	$ 919,254

See note to budgetary comparison schedule.

VILLAGE OF KEY BISCAYNE, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

NOTE TO BUDGETARY COMPARISON SCHEDULE

FISCAL YEAR ENDED SEPTEMBER 30, 2010

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, 2010, there were no supplemental appropriations of $452,078 substantially all related to the additional revenue collected from the community center due to its expansion of programs.
(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. The classification detail at which expenditures may not legally exceed appropriations is at the department level.
(h) There were no significant budget amendments during fiscal year ended September 30, 2010.

NOTE 2 – RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS

Expenditures on a Budgetary Basis	$ 23,242,438
Use of Prior Year Reserves	52,763
State Pension Contributions not Budgeted	362,195
Other Items not Budgeted	136,043
Expenditures on a GAAP Basis	$ 23,793,439

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
10/1/04	$ 4,400,914	$ 8,021,413	$ 3,620,499	54.9%	$ 4,960,542	73.0%
10/1/05	5,703,772	9,379,732	3,675,960	60.8%	5,320,018	69.1%
10/1/06	7,255,221	10,782,826	3,527,605	67.3%	5,355,088	65.9%
10/1/07	9,017,393	12,335,707	3,318,314	73.1%	5,740,991	57.8%
10/1/08	10,682,895	16,049,481	5,366,586	66.6%	6,365,246	84.3%
10/1/09	12,548,462	18,495,824	5,947,362	67.8%	6,808,421	87.4%

VILLAGE OF KEY BISCAYNE, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
PENSION TRUST FUND

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended September 30,	Annual Required Contribution	Percentage Contributed
2005	$ 764,420	100%
2006	729,857	100%
2007	773,701	100%
2008	839,400	100%
2009	958,925	100%
2010	1,033,665	100%

VILLAGE OF KEY BISCAYNE, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST EMPLOYMENT BENEFITS

SCHEDULE OF FUNDING PROGRESS*

Actual Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ration (a) / (b)	Covered Payroll (c)	UAAL As % of Covered Payroll (b - a) / c
10/1/08	$ --	$ 352,120	$ 352,120	0.0%	$ 7,612,399	4.63%

*GASB Statement No. 45 was implemented for the fiscal year ended September 30, 2010. The October 1, 2008 actuarial valuation was the first valuation prepared for the OPEB Plan.

VILLAGE OF KEY BISCAYNE
ISLAND
PARADISE
1991
FLORIDA

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

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:*	**57-61**
Revenue Capacity *These schedules contain information to help the reader assess the Village's most significant local revenue source, the property tax.*	**62-66**
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.*	**67-70**
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.*	**71-73**
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.*	**74-75**

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 EIGHT FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Governmental activities								
Invested in capital assets, net of related debt	$ 23,889,001	$ 26,149,714	$ 26,284,600	$ 28,676,266	$ 31,422,358	$ 36,139,953	$ 38,482,243	$ 41,377,118
Restricted	171,680	283,180	326,826	359,899	261,813	284,639	308,813	--
Unrestricted	4,161,688	2,809,659	4,302,680	4,926,634	8,453,390	10,924,001	15,055,000	16,540,883
Total governmental activities net assets	28,222,369	29,242,553	30,914,106	33,962,799	40,137,561	47,348,593	53,846,056	57,918,001
Business-type activities								
Invested in capital assets, net of related debt	2,024,755	1,768,078	1,931,844	2,326,089	2,505,881	10,174,333	15,383,765	16,680,711
Restricted	--	--	--	--	--	--	--	--
Unrestricted	1,388,975	1,254,664	1,281,141	778,320	432,133	(2,209,685)	(346,721)	1,116,111
Total business-type activities net assets	3,413,730	3,022,742	3,212,985	3,104,409	2,938,014	7,964,648	15,037,044	17,796,822
Total government								
Invested in capital assets, net of related debt	25,913,756	27,917,792	28,216,444	31,002,355	33,928,239	46,314,286	53,866,008	58,057,829
Restricted	171,680	283,180	326,826	359,899	261,813	284,639	308,813	--
Unrestricted	5,550,663	4,064,323	5,583,821	5,704,954	8,885,523	8,714,316	14,708,279	17,656,994
Total government net assets	$ 31,636,099	$ 32,265,295	$ 34,127,091	$ 37,067,208	$ 43,075,575	$ 55,313,241	$ 68,883,100	$ 75,714,823

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 EIGHT FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Expenses								
Governmental activities:								
General government	$ 5,691,379	$ 3,614,636	$ 2,914,734	$ 4,252,037	$ 3,781,396	$ 3,213,273	$ 2,868,728	$ 2,751,697
Fire	4,821,645	4,738,402	4,867,525	4,947,149	5,257,789	6,399,665	6,523,753	6,762,228
Police	4,787,090	4,311,449	4,373,145	4,275,617	4,651,660	5,272,383	5,258,243	5,360,548
Building, zoning and planning	1,252,012	1,220,180	1,235,175	1,547,042	1,447,968	1,529,272	1,540,507	1,611,119
Public works	963,676	1,103,940	2,189,673	4,004,651	1,589,444	2,046,776	1,914,119	1,614,443
Parks and recreation	826,695	1,013,741	2,614,785	2,849,434	3,077,624	3,633,233	4,090,555	4,134,830
Interest on long-term debt	1,064,028	1,487,245	1,305,383	1,413,272	1,505,253	1,436,481	1,447,387	1,366,437
Total governmental activities	19,406,525	17,489,593	19,500,420	23,289,202	21,311,134	23,531,083	23,643,292	23,601,302
Business-type activities:								
Stormwater system	634,361	971,081	454,963	720,158	693,135	911,500	779,856	603,262
Solid waste collection	273,076	259,173	466,162	501,417	571,246	619,823	618,155	585,927
Sanitary sewer	6,288	15,732	10,261	9,993	9,454	9,046	144,922	39,178
Total business-type activities	913,725	1,245,986	931,386	1,231,568	1,273,835	1,540,369	1,542,933	1,228,367
Total government expenses	$ 20,320,250	$ 18,735,579	$ 20,431,806	$ 24,520,770	$ 22,584,969	$ 25,071,452	$ 25,186,225	$ 24,829,669
Program revenues								
Governmental activities:								
Charges for services:								
General government	$ 1,034,247	$ 961,100	$ 1,257,895	$ 1,466,186	$ 1,389,163	$ 1,320,004	$ 237,315	$ 181,992
Police	110,215	197,244	212,121	40,719	21,385	14,203	38,181	(1,479)
Fire	5,805	6,505	7,120	50,392	40,144	146,588	136,433	158,975
Parks and recreation	29,752	35,787	1,287,806	1,512,923	1,416,707	1,620,787	1,957,747	2,107,397
Building, zoning and planning	117,705	86,455	142,550	167,802	193,391	133,104	1,173,440	1,247,715
Operating grants and contributions	99,830	--	650,679	3,559,753	799,493	251,180	157,912	163,752
Capital grants and contributions	421,085	524,736	517,643	--	--	--	1,709,481	959,360
Total governmental activities program revenues	1,818,639	1,811,827	4,075,814	6,797,775	3,860,283	3,485,866	5,410,509	4,817,712
Business-type activities:								
Charges for services:								
Stormwater system	531,164	520,729	518,812	517,365	509,571	499,101	491,314	484,932
Solid waste collection	313,492	284,900	533,632	531,967	520,650	530,803	635,580	615,480
Capital grants and contributions:								
Stormwater system	--	--	--	--	--	--	331,319	172,164
Sanitary sewer	--	--	--	--	--	5,460,763	6,971,311	2,501,287
Total business-type activities program revenues	844,656	805,629	1,052,444	1,049,332	1,030,221	6,490,667	8,429,524	3,773,863
Total program revenues	$ 2,663,295	$ 2,617,456	$ 5,128,258	$ 7,847,107	$ 4,890,504	$ 9,976,533	$ 13,840,033	$ 8,591,575

(Continued)

VILLAGE OF KEY BISCAYNE, FLORIDA

CHANGES IN NET ASSETS
(Continued)

LAST SEVEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Net (expense) revenue								
Governmental activities	$ (17,587,886)	$ (15,677,766)	$ (15,424,606)	$ (16,491,427)	$ (17,450,851)	$ (20,045,217)	$ (18,232,783)	$ (18,783,590)
Business-type activities	(69,069)	(440,357)	121,058	(182,236)	(243,614)	4,950,298	6,886,591	2,545,496
Total net expense	$ (17,656,955)	$ (16,118,123)	$ (15,303,548)	$ (16,673,663)	$ (17,694,465)	$ (15,094,919)	$ (11,346,192)	$ (16,238,094)
General revenues								
Governmental activities:								
Taxes:								
Property taxes	$ 11,317,161	$ 12,770,711	$ 13,360,251	$ 14,830,238	$ 18,667,979	$ 20,051,239	$ 19,769,976	$ 17,832,874
Utility taxes	2,251,876	2,219,118	1,488,002	1,549,601	1,467,392	1,534,379	1,555,748	1,655,032
Franchise fees	611,502	677,203	705,810	1,088,929	1,113,194	1,064,666	992,997	1,006,415
Communications services tax	--	--	746,400	797,054	763,801	1,226,423	1,091,734	1,029,087
Intergovernmental	776,869	821,883	978,304	996,092	1,000,265	2,265,243	1,348,324	1,391,242
Investment earnings	82,286	110,562	255,611	306,339	641,115	346,531	44,737	21,346
Miscellaneous	200,561	126,607	281,657	--	--	--	91,232	131,847
Transfers	(9,737)	(28,134)	(28,135)	(28,133)	(28,133)	(28,134)	(164,502)	(212,308)
Total governmental activities	15,230,518	16,697,950	17,787,900	19,540,120	23,625,613	26,460,347	24,730,246	22,855,535
Business-type activities:								
Investment earnings	22,163	21,235	41,050	45,527	49,086	48,202	21,303	1,974
Transfers	9,737	28,134	28,135	28,133	28,133	28,134	164,502	212,308
Total business-type activities	31,900	49,369	69,185	73,660	77,219	76,336	185,805	214,282
Total general revenues	$ 15,262,418	$ 16,747,319	$ 17,857,085	$ 19,613,780	$ 23,702,832	$ 26,536,683	$ 24,916,051	$ 23,069,817
Change in net assets								
Governmental activities	$ (2,357,368)	$ 1,020,184	$ 2,363,294	$ 3,048,693	$ 6,174,762	$ 6,415,130	$ 6,497,463	$ 4,071,945
Business-type activities	(37,169)	(390,988)	190,243	(108,576)	(166,395)	5,026,634	7,072,396	2,759,778
Total change in net assets	$ (2,394,537)	$ 629,196	$ 2,553,537	$ 2,940,117	$ 6,008,367	$ 11,441,764	$ 13,569,859	$ 6,831,723

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 EIGHT FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
General fund								
Reserved	$ 2,967,382	$ 4,677,188	$ 5,754,277	$ 6,874,310	$ 9,875,416	$ 11,298,178	$ 12,318,533	$ 15,286,689
Unreserved	1,000,177	275,000	--	--	--	--	--	--
Total general fund	3,967,559	4,952,188	5,754,277	6,874,310	9,875,416	11,298,178	12,318,533	15,286,689
All other governmental funds								
Reserved	--	--	--	--	--	--	--	--
Unreserved, reported in:								
Special revenue fund	198,563	513,862	(638,221)	(1,496,749)	(2,482,196)	(2,701,623)	(1,501,382)	(1,299,432)
Capital projects funds	905,611	(489,979)	881,595	1,421,014	2,954,753	4,783,222	6,875,361	5,195,557
Total all other governmental funds	1,104,174	23,883	243,374	(75,735)	472,557	2,081,599	5,373,979	3,896,125
Total governmental funds	$ 5,071,733	$ 4,976,071	$ 5,997,651	$ 6,798,575	$ 10,347,973	$ 13,379,777	$ 17,692,512	$ 19,182,814

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 EIGHT FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Revenues								
Ad valorem taxes	$ 11,317,161	$ 12,770,711	$ 13,360,251	$ 14,830,238	$ 18,667,979	$ 20,051,239	$ 19,769,976	$ 17,832,874
Franchise fees	611,502	677,203	1,452,210	1,885,983	1,113,194	1,064,666	992,997	1,006,415
Utility taxes	2,251,876	2,219,118	1,488,002	1,549,601	2,231,193	1,534,379	2,834,749	2,731,766
Licenses and permits	970,001	961,100	1,040,130	1,196,853	1,298,133	1,240,290	1,188,297	1,329,823
Intergovernmental revenue	999,391	1,031,805	1,495,947	1,756,083	1,593,718	3,189,251	3,047,844	1,203,221
Charges for services	327,723	325,651	1,867,362	2,041,169	1,762,657	1,994,396	2,354,819	2,364,777
Grants	99,830	--	650,679	2,799,762	206,040	251,180	167,873	163,752
Investment income	82,286	110,562	255,611	306,339	632,355	338,528	44,737	20,983
Miscellaneous	399,124	441,761	281,657	--	8,762	8,003	26,232	131,848
Total revenues	17,058,894	18,537,911	21,891,849	26,366,028	27,514,031	29,671,932	30,427,524	26,785,459
Expenditures								
Current:								
General government	1,829,501	1,712,899	2,136,375	2,239,052	2,543,134	2,329,647	2,266,763	1,934,341
Fire	4,046,269	4,462,601	4,749,407	5,117,176	5,122,699	5,744,775	6,407,770	6,584,784
Police	4,305,474	4,113,946	4,605,148	4,388,362	4,590,962	4,863,765	5,116,158	5,093,601
Public works	963,247	1,098,250	2,183,774	4,002,609	1,587,460	1,720,689	1,914,119	1,608,193
Building, planning and zoning	1,245,119	1,212,290	1,238,376	1,544,696	1,455,193	1,513,019	1,540,507	1,602,651
Parks and recreation	782,065	952,261	2,193,633	2,634,887	2,830,020	3,367,638	3,730,084	3,717,935
Capital outlay	5,108,330	10,664,348	4,527,998	6,432,271	6,830,844	4,743,796	1,537,930	408,442
Debt service:								
Principal retirement	1,415,000	1,583,924	1,161,298	1,214,646	1,418,401	1,679,991	2,051,307	1,721,460
Interest and other fiscal charges	1,064,028	1,135,384	1,300,596	1,413,272	1,556,396	1,444,576	1,450,649	1,122,032
Total expenditures	20,759,033	26,935,903	24,096,605	28,986,971	27,935,109	27,407,896	26,015,287	23,793,439
Excess (deficiency) of revenues over expenditures	(3,700,139)	(8,397,992)	(2,204,756)	(2,620,943)	(421,078)	2,264,036	4,412,237	2,992,020
Other financing sources (uses)								
Transfers in	938,652	819,251	1,245,653	1,731,583	6,697,854	4,533,094	3,236,194	--
Transfers out	(948,389)	(847,385)	(1,273,788)	(1,759,716)	(6,725,988)	(4,561,228)	(3,400,696)	(212,308)
Bonds issued	1,657,090	8,330,462	2,850,000	3,450,000	4,000,000	--	--	--
Proceeds from sale of capital assets	--	--	--	--	--	--	65,000	--
Capital lease proceeds	--	--	404,471	--	--	--	--	188,444
Total other financing sources (uses)	1,647,353	8,302,328	3,226,336	3,421,867	3,971,866	(28,134)	(99,502)	(23,864)
Net change in fund balances	$ (2,052,786)	$ (95,664)	$ 1,021,580	$ 800,924	$ 3,550,788	$ 2,235,902	$ 4,312,735	$ 2,968,156
Debt service as a percentage of non-capital expenditures	11.94%	10.10%	10.22%	9.07%	10.65%	16%	17%	14%

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
2001	$ 8,737,608	$ 738,513	$ 1,772,208	$ 930,169	$ --	$ 12,178,498
2002	9,569,030	639,072	2,258,931	971,136	904,475	14,342,644
2003	11,317,161	611,502	2,251,876	999,391	825,739	16,005,669
2004	12,770,711	677,203	2,219,118	1,031,805	770,637	17,469,474
2005	13,360,125	705,810	2,234,402	1,140,599	746,400	18,187,336
2006	14,830,238	1,088,929	1,549,601	1,756,083	797,054	20,021,905
2007	18,667,979	1,113,194	1,467,392	1,593,718	763,801	23,606,084
2008	20,051,239	1,064,666	610,371	3,189,251	1,226,423	26,141,950
2009	19,769,976	992,997	1,555,748	3,047,844	1,091,734	26,458,299
2010	17,832,874	1,006,415	2,731,766	1,203,221	1,029,087	23,803,363

Source: Village of Key Biscayne Finance Department.

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

**Communications services tax became effective 10/01/01, replacing utility taxes and franchise fees on telephone and cable TV.

VILLAGE OF KEY BISCAYNE, FLORIDA

ET ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERT

LAST TEN FISCAL YEARS

Fiscal Year Ended September 30,	Real Property				Total Direct Tax Rate
	Residential Property	Commercial Property	Personal Property	Total Net Assessed Value	
2001	$ 2,618,160,883	$ 82,923,284	$ 30,749,478	$ 2,731,833,645	3.606
2002	3,128,872,469	99,098,715	31,948,797	3,259,919,981	3.606
2003	3,506,812,044	111,068,946	43,233,556	3,661,114,546	3.606
2004	3,713,841,630	117,626,058	43,867,688	3,875,335,376	3.606
2005	4,115,175,292	130,346,736	41,852,920	4,287,374,948	3.606
2006	5,421,393,923	166,638,240	47,020,078	5,635,052,241	3.606
2007	6,173,257,097	294,540,559	46,315,146	6,514,112,802	3.450
2008	6,040,318,378	326,676,816	38,432,567	6,405,427,760	3.200
2009	5,463,859,789	295,500,370	34,764,749	5,794,124,909	3.200
2010	5,107,861,469	276,247,015	32,499,649	5,416,608,133	3.200

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

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

VILLAGE OF KEY BISCAYNE, FLORIDA

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS

		Village of Key Biscayne			Overlapping Rates (1)									
					Miami-Dade County			Miami-Dade Schools			Florida	South		Total
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	Inland Navigation District	Florida Water Management	Other	Direct and Overlapping Rates
2001	2000	3.606	-	3.606	5.751	0.652	6.403	8.702	0.915	9.617	0.041	0.597	0.451	20.715
2002	2001	3.606	-	3.606	5.713	0.552	6.265	8.528	0.848	9.376	0.039	0.697	0.451	20.434
2003	2002	3.606	-	3.606	5.889	0.390	6.279	8.482	0.770	9.252	0.039	0.697	0.451	20.324
2004	2003	3.606	-	3.606	5.969	0.285	6.254	8.418	0.682	9.100	0.039	0.597	1.086	20.682
2005	2004	3.606	-	3.606	5.935	0.285	6.220	8.090	0.597	8.687	0.039	0.597	1.030	20.179
2006	2005	3.606	-	3.606	5.835	0.285	6.120	7.947	0.491	8.438	0.039	0.597	1.014	19.814
2007	2006	3.450	-	3.450	5.615	0.285	5.900	7.691	0.414	8.105	0.039	0.597	1.008	19.099
2008	2007	3.200	-	3.200	5.220	0.285	5.505	7.533	0.264	7.797	0.035	0.535	0.511	17.582
2009	2008	3.200	-	3.200	4.838	0.285	5.123	7.698	0.297	7.995	0.035	0.535	0.972	17.859
2010	2009	3.200	-	3.200	5.428	0.445	5.873	7.864	0.385	8.249	0.035	0.535	0.873	18.764

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

2010				2001			
Taxpayer	Net Assessed Value	Rank	Percent of Total Village Net Assessed Value	Taxpayer	Net Assessed Value	Rank	Percent of Total Village Net Assessed Value
GB Hotel Partners LTD	$ 46,000,000	1	0.85%	Sonesta Beach Resort, LP	$ 40,447,828	1	1.48%
SBR Fortune Associates	44,568,400	2	0.82%	Grand Bay Tower Associates	26,192,000	2	0.96%
EDW A McCarthy-Archbishop	23,527,994	3	0.43%	GB Hotel Partners LTD	23,341,830	3	0.85%
Galleria of Key Biscayne Inc	19,300,000	4	0.36%	Key Biscayne Shopping Center	8,672,526	4	0.32%
Key Biscayne Properties LLC	15,134,130	5	0.28%	Galleria of Key Biscayne Inc	7,467,541	5	0.27%
Red Dragon's Sands LTD	14,568,368	6	0.27%	Florida Power & Light	6,503,744	6	0.24%
United Real Estate Ventures Inc	13,010,965	6	0.24%	Ocean Club	5,920,230	7	0.22%
260 Cape FLA LLC	12,995,950	7	0.24%	Bellsouth	5,917,426	8	0.22%
Tesaurus Holdings Inc	12,851,673	8	0.24%	Pitu, Inc.	5,798,964	9	0.21%
Key Biscayne Presbyterian Churc	12,704,963	9	0.23%	Charles G. Rebozo, Trust	5,701,062	10	0.21%
	$ 214,662,443		3.96%		$ 135,963,151		4.98%

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

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
2001	$ 9,011,571	$ 8,738,608	96.97%	$ 13,108	$ 8,751,716	97.12%
2002	9,850,992	9,515,138	96.59%	14,273	9,529,411	96.74%
2003	11,755,271	11,317,160	96.27%	16,976	11,334,136	96.42%
2004	13,201,979	12,869,711	97.48%	19,305	12,889,016	97.63%
2005	13,974,460	13,360,251	95.60%	20,040	13,380,291	95.75%
2006	15,461,356	14,830,238	95.92%	22,245	14,852,483	96.06%
2007	19,423,659	18,667,979	96.11%	28,002	18,695,981	96.25%
2008	19,802,903	19,272,664	97.32%	273,302	19,545,966	98.70%
2009	19,561,571	19,157,014	97.93%	367,746	19,524,760	99.81%
2010	18,046,097	17,832,874	98.82%	197,199	18,030,073	99.91%

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)
2001	$ --	$ 30,120,000	$ --	$ 6,940,000	$ 37,060,000	0.00%	3,592
2002	--	29,935,000	--	6,810,000	36,745,000	0.00%	3,562
2003	--	29,271,000	--	6,625,000	35,896,000	0.00%	3,479
2004	--	29,164,892	--	6,430,000	35,594,892	0.00%	3,450
2005	--	30,850,606	--	6,010,000	36,860,606	0.00%	3,573
2006	--	33,085,960	--	5,785,000	38,870,960	0.00%	3,768
2007	--	31,695,102	--	5,200,000	36,895,102	0.00%	3,576
2008	--	33,987,811	5,000,000	5,539,919	44,527,731	0.00%	4,238
2009	--	32,040,160	--	7,222,341	39,262,501	0.00%	3,737
2010	--	29,950,678	--	9,145,812	39,096,490	0.00%	3,167

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

VILLAGE OF KEY BISCAYNE, FLORIDA

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

The Village does not have general obligation debt.

VILLAGE OF KEY BISCAYNE, FLORIDA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

SEPTEMBER 30, 2010

	2010		
Government Unit	Net Debt Outstanding	Percentage Applicable to the Village of Key Biscayne (1)	Amount Applicable to the Village of Key Biscayne
Direct:			
Village of Key Biscayne	$ 39,096,490	100.00%	$ 39,096,490
Overlapping debt:			
Miami-Dade County	843,961,000	5.87%	49,565,830
Miami-Dade County School Board	405,070,000	8.25%	33,414,224
Subtotal, Overlapping Debt			82,980,054
Village of Key Biscayne Direct Debt			39,096,490
Total Direct and Overlapping Debt			$ 122,076,544

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	
2001	$ 5,777,408	$ 975,000	$ 631,875	3.60
2002	5,426,424	1,015,000	1,420,845	2.23
2003	5,741,733	1,415,000	1,064,028	2.86
2004	5,767,200	1,583,924	1,135,384	2.14
2005	8,531,598	1,161,298	1,300,596	3.47
2006	11,535,790	1,214,646	1,413,272	4.27
2007	8,846,052	1,418,401	1,556,396	3.42
2008	9,620,693	1,679,991	1,444,576	3.08
2009	10,657,548	2,051,307	1,450,649	3.04
2010	8,952,585	1,721,460	1,122,032	3.15

Source: Village of Key Biscayne Finance Department.

VILLAGE OF KEY BISCAYNE, FLORIDA

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

Year	Population (1)	Median Household Income (3)	Per Capita Personal Income (3)	Unemployment Rate (4)
2001	10,507	$ 86,599	$ 54,214	6.1%
2002	10,507	86,599	54,214	6.0%
2003	10,507	86,599	54,214	5.8%
2004	10,507	86,599	54,214	5.1%
2005	10,507	86,599	54,214	4.2%
2006	10,507	86,599	54,214	3.9%
2007	10,507	86,599	54,214	4.6%
2008	10,507	86,599	54,214	6.9%
2009	10,507	86,599	54,214	11.0%
2010	12,344	N/A	N/A	12.1%

Sources:
(1) United States Census Bureau, 2010 Census data.
(3) United States Census Bureau, 2000 Census data, current data not yet available.
(4) U.S. Department of Labor. Rates are for Miami-Dade County.

Note: Unemployment rate shown is based on fiscal year end.

VILLAGE OF KEY BISCAYNE, FLORIDA

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

	2010			2001		
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			
Winn Dixie Stores, Inc.	250	3	not known			
Village of Key Biscayne	114	3	not known			
All remaining employers are of an extremely small number				Information not available		
Total	1,864					

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Number of employees:										
General government	7	7	5	6	7	6	6	6	8	7
Public safety	72	72	74	76	79	79	79	78	81	80
Building, planning and zoning	16	16	12	12	13	13	14	13	13	13
Public works	3	3	5	5	5	5	4	4	4	4
Parks and recreation	3	4	4	4	6	6	7	7	10	10
Total number of employees	101	102	100	103	110	109	110	108	116	114

Source: Village of Key Biscayne Finance Department budget.

VILLAGE OF KEY BISCAYNE, FLORIDA

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Public safety:										
Police:										
Police personnel and officers	40	40	40	41	40	40	40	39	42	41
Police calls for service	20,659	21,127	20,660	19,004	16,510	13,006	35,412	36,190	37,002	34,935
Parking violations	639	789	639	628	682	801	996	776	824	523
Traffic violations	2,433	2,875	2,433	3,035	1,397	1,468	1,104	946	975	1,425
Fire:										
Fire personnel	33	33	34	35	39	39	39	39	39	39
Fire incidents	485	1,050	1,114	1,148	1,403	1,103	998	1,006	1,012	1,556
Fire inspections performed	470	476	840	307	332	269	220	305	229	267
Planning and development:										
Business permits issued	1,803	2,313	2,581	3,061	3,045	3,000	3,504	3,620	2,451	2,794
Business tax receipts issued	625	729	668	428	433	475	914	1,224	1,324	1,142
Culture and recreation:										
Number of building users	--	--	--	--	6,373	6,461	5,778	4,673	4,268	3,990
Solid waste:										
Residential accounts	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,299	1,298	1,302

Sources: Various Village Departments.

VILLAGE OF KEY BISCAYNE, FLORIDA

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
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	22	22	22	22	22	22	22	22	22
Number of street lights	250	300	300	300	300	300	300	300	300	300
Number of traffic signals	4	4	4	4	4	4	4	4	4	4
Culture and recreation:										
Parks	3	3	3	3	3	3	3	3	3	3
Parks acreage	9	9	9	9	9	9	9	9	9	9
Community center	--	--	--	--	1	1	1	1	1	1
Swimming pools	--	--	--	--	1	1	1	1	1	1

Sources: Various Village Departments.

VILLAGE OF KEY BISCAYNE

ISLAND PARADISE

1991

FLORIDA

COMPLIANCE SECTION

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Key Biscayne, Florida (the Village) as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated March 24, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic 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 *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

MARCUMGROUP
MEMBER

Marcum LLP ▪ One Southeast Third Avenue ▪ Tenth Floor ▪ Miami, Florida 33131 ▪ **Phone** 305.995.9600 ▪ **Fax** 305.995.9601
marcumllp.com

Compliance and Other Matters

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

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

Marcum LLP

Miami, FL
March 24, 2011

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, 2010, and have issued our report thereon dated March 24, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an audit of financial statements, Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 24, 2011, should be considered in conjunction with this management letter.

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

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding annual financial audit report.

- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Village complied with Section 218.415, Florida Statutes.

- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

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Marcum LLP ▪ One Southeast Third Avenue ▪ Tenth Floor ▪ Miami, Florida 33131 ▪ **Phone** 305.995.9600 ▪ **Fax** 305.995.9601
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- Section 10.554(l)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuses that have occurred, or are likely to have occurred, 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(l)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. 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 to 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, 2010, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial report for the fiscal year ended September 30, 2010. In connection with our audit, we determined that these two reports were in agreement.

- Pursuant to Sections 10.554(l)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Village'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. This assessment was done as of the fiscal year end.

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

Marcum LLP

Miami, FL
March 24, 2011

Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited Village of key Biscayne, Florida's (the Village) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Village's major federal programs for the year ended September 30, 2010. The Village's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

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

In our opinion, the Village, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010. However, the results of our auditing procedures disclosed one instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2010-1.

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MEMBER

Marcum LLP ▪ One Southeast Third Avenue ▪ Tenth Floor ▪ Miami, Florida 33131 ▪ **Phone** 305.995.9600 ▪ **Fax** 305.995.9601
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Internal Control Over Compliance

Management of the Village, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

This report is intended solely for the information and use of management, Village Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Marcum LLP

Miami, FL
March 24, 2011

VILLAGE OF KEY BISCAYNE, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FISCAL YEAR ENDED SEPTEMBER 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Homeland Security			
Urban Area Security Initiative	97.067	N/A	$ 38,709
U.S. Environmental Protection Agency			
Pass-Through Program from:			
State of Florida Department of Environmental Protection - State Revolving Loan Fund	66.458	CS120001-090	1,959,158
U.S. Department of Justice			
Pass-Through Program from:			
State of Florida Department of Law Enforcement - Criminal Justice Grant (ARRA)	16.803	2010-ARRD-DADE-2-W8-036	7,733
U.S. Department of Transportation - Federal Highway Administration			
Pass-Through Program from:			
State of Florida Department of Transportation - Harbor Drive Resurfacing (ARRA)	20.205	426185-1	261,587
Total Expenditures of Federal Awards			$ 2,267,187

See note to schedule of expenditures of federal awards.

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FISCAL YEAR ENDED SEPTEMBER 30, 2010

NOTE 1 – BASIS OF PRESENTATION

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

VILLAGE OF KEY BISCAYNE, FLORIDA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FISCAL YEAR ENDED SEPTEMBER 30, 2010

PRIOR YEAR FINANCIAL STATEMENT FINDINGS

There were no findings for the year ended September 30, 2009.

PRIOR YEAR FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

There were no findings for the year ended September 30, 2009.

PRIOR YEAR STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

There were no findings for the year ended September 30, 2009.

VILLAGE OF KEY BISCAYNE, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FISCAL YEAR ENDED SEPTEMBER 30, 2010

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards Programs

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

Identification of major programs:

Federal Program	CFDA No.
State Revolving Loan Fund	66.458
Highway Planning and Construction	20.205

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2010-01 Noncompliance Finding on Grant Compliance Requirement - State Revolving Loan

Criteria

Article III – Loan Repayment Account of the Clean Water State Revolving Loan Agreement (Contract #WW850050), requires the Village of Key Biscayne (Village) to establish a Loan Debt Service Account with a Depository and make monthly loan deposits no later than February 15, 2010. In addition beginning six months prior to each semiannual loan payment, the Village is required to make six monthly loan deposits. The first five deposits each shall be equal to one-sixth of the Semiannual Loan Payment. The sixth monthly loan deposit shall be at least equal to the amount required to make the total on deposit in the Loan Debt Service Account equal to the semiannual loan payment amount. Any month, in which the Village fails to make the required monthly loan deposits, the Village's Chief Financial Officer is required to notify the State of Florida Department of Environmental Protection of such failure. The funds in this account should not be comingled with any other of the Village's funds other than the debt service requirements under this loan agreement.

Condition

During audit procedures performed, auditor noted the Village had not established a separate Loan Repayment Account as required per the Clean Water State Revolving Loan Agreement (Contract #WW850050). The Village had opened a bank account but did not exclusively use that account for loan repayments.

Cause

The Village Did not interpret the requirement to have a separate loan repayment account but had a separate bank account to be used solely for the sanitary sewer project.

Effect

This caused the Village to not be in compliance with grant requirements.

Recommendation

We recommend the Village establish a separate Loan Debt Service account with a depository institution in order to comply with requirements of the loan agreement. If not, the Village must contact the Florida Department of Environmental Protection as instructed in the loan agreement in order to communicate such failure.

View of Responsible Officials and Planned Corrective Actions

In August 2008, the Village opened a public funds checking account in anticipation of the State Revolving Loan Fund (SRLF) proceeds. The account was titled "Village of Key Biscayne Sewer Enterprise Fund" and is used exclusively to report and monitor the activity within the Sanitary Sewer Project. Currently, the project is in the final close out stage and the only future transactions will be the semi-annual SRLF payments. In light of this compliance finding, and in order to meet the specific requirements of the contract, the Village will formally rename the account "Village of Key Biscayne Loan Debt Service Account".