VILLAGE OF KEY BISCAYNE, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

Prepared by:

THE FINANCE DEPARTMENT

VILLAGE OF KEY BISCAYNE, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

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VILLAGE OF KEY BISCAYNE, FLORIDA

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INTRODUCTORY SECTION

VILLAGE OF KEY BISCAYNE

Office of the Village Manager

Village Council
Franklin H. Caplan, *Mayor*
Mayra P. Lindsay, *Vice Mayor*
Michael W. Davey
Theodore J. Holloway
Michael E. Kelly
Ed London
James S. Taintor

Village Manager
John C. Gilbert

May 31, 2013

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

Florida Statutes require that all units of local government publish 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 requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the Village of Key Biscayne for the fiscal year ended September 30. 2012.

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, 2012 are free of material misstatement.

88 West McIntyre Street • Suite 210 • Key Biscayne, Florida 33149 • (305) 365-5514 • Fax (305) 365-8936
MISSION STATEMENT: "TO PROVIDE A SAFE, QUALITY COMMUNITY ENVIRONMENT FOR ALL ISLANDERS THROUGH RESPONSIBLE GOVERNMENT."
www.keybiscayne.fl.gov

The independent audit involved examining, on a test basis, evidence supporting the amount and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Village of Key Biscayne's financial statements for the fiscal year ended September 30, 2012 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 operates under the council-manager form of government. 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 supplementary 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 increased slightly during the past year in keeping with nationwide trends. State economical growth will likely have a favorable 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 possible new revenue sources.

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.

Financial Policies

The Village of Key Biscayne has policies on Debt Limitation, Emergency Reserve Funds and Designation and Reservation of surplus fund. The allocation of surplus funds between committed and assigned fund balance is made at the discretion of the Village Council.

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, 2011. This was the twentieth 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,

John C. Gilbert
Village Manager

Vivian Parks
Finance Director

VILLAGE OF KEY BISCAYNE, FLORIDA

VILLAGE OFFICIALS

SEPTEMBER 30, 2012

VILLAGE COUNCIL

Franklin H. Caplan, Mayor
Michael E. Kelly, Vice Mayor

Michael W. Davey, Councilman
Enrique Garcia, Councilman
Robert Gusman, Councilman
Mayra P. Lindsay, Councilwoman
James S. Taintor, Councilman

VILLAGE MANAGER

John C. Gilbert

VILLAGE CLERK

Conchita H. Alvarez, MMC

VILLAGE ATTORNEY

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

FINANCE DIRECTOR

Vivian Parks

INDEPENDENT AUDITORS

Marcum LLP

Certificate of Achievement for Excellence in Financial Reporting

Presented to

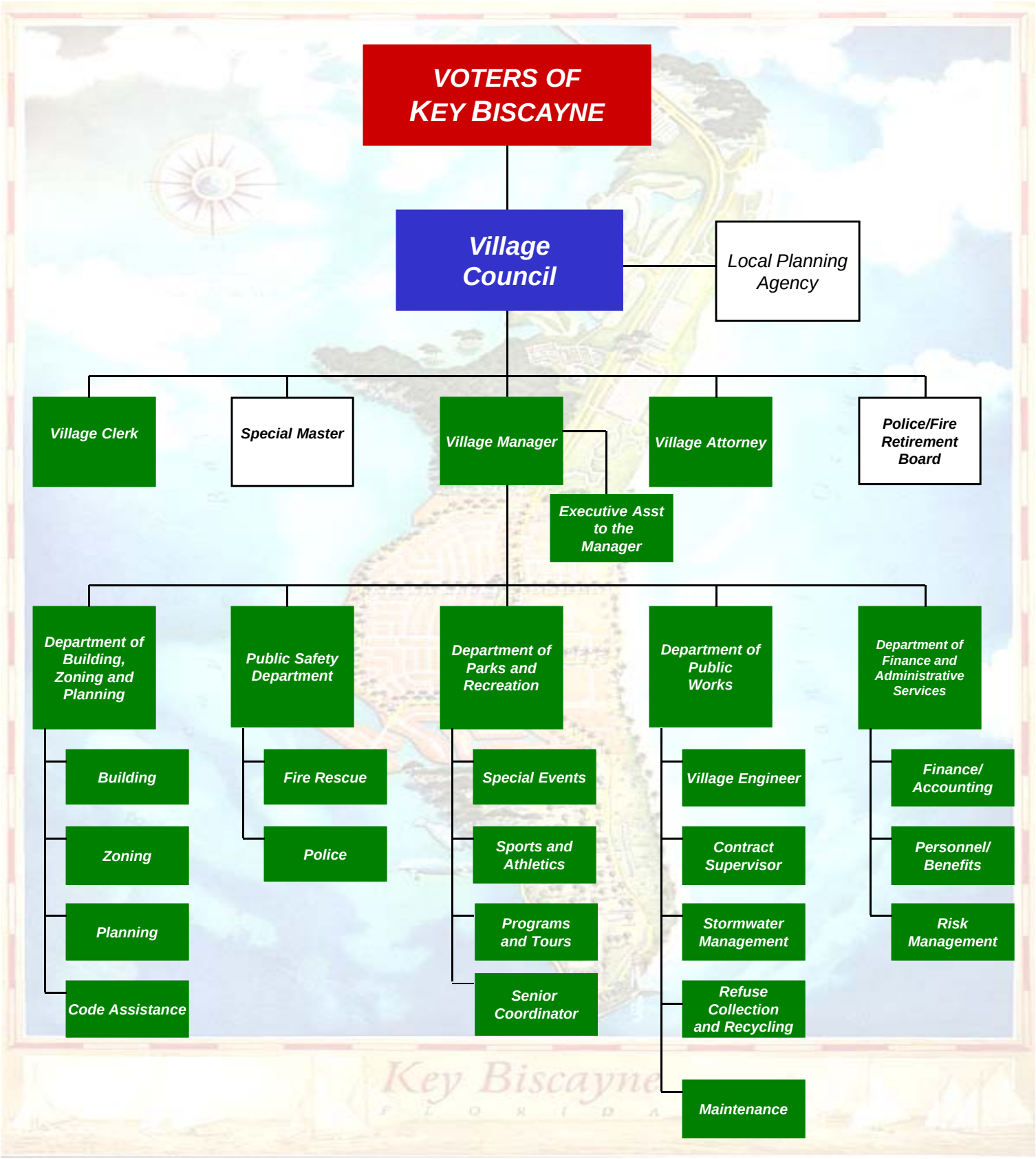
Village of Key Biscayne Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2011

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, 2012 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 purpose 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, 2012 and the respective changes in the financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2013 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

MARCUMGROUP
MEMBER

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the budgetary comparison schedule and the schedules of funding progress and employer contributions on pages 3 through 10 and pages 56 through 60, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures, to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's financial statements. The information identified in the table of contents as the introductory and statistical sections are presented for purposes of analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Marcum LLP

Miami, FL
May 31, 2013

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, 2012. 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-iii 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 $81,666,015 (net assets).
- The Village's total net assets increased by $2,472,460.
- At the close of the current fiscal year, the Village of Key Biscayne's governmental funds reported an ending fund balance of $20,338,445, an increase of $206,931 in comparison with the prior year.
- The Village's Long Term Issuer Rating was upgraded from Aa2 to Aa1 by Moody's Investor Services based on improving financial position.

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 55 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 56 to 60 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 $81,666,015 at the close of the most recent fiscal year.

A portion of the Village's assets, $97,526,179 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 $3,407,499. While the majority of this increase is attributable to permitting activities and Key Biscayne Community Center programs; property tax revenue also increased as a direct result of growth in assessed property values.

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	
	2012	2011	2012	2011	2012	2011
Current assets	$ 22,403,276	$ 22,222,158	$ 868,716	$ 1,225,219	$ 23,271,992	$ 23,447,377
Capital assets, net	73,154,203	71,685,564	24,371,976	25,597,858	97,526,179	97,283,422
Total assets	95,557,479	93,907,722	25,240,692	26,823,077	120,798,171	120,730,799
Current liabilities	1,908,636	1,895,815	162,521	92,185	2,071,157	1,988,000
Noncurrent liabilities	29,151,293	30,921,856	7,909,706	8,627,388	37,060,999	39,549,244
Total Liabilities	31,059,929	32,817,671	8,072,227	8,719,573	39,132,156	41,537,244
Investment in capital assets, net of related debt	44,373,229	43,428,433	16,462,270	16,970,470	60,835,499	60,398,903
Restricted	1,627,771	1,170,247	--	--	1,627,771	1,170,247
Unrestricted	18,496,550	16,491,371	706,195	1,133,034	19,202,745	17,624,405
Total Net Assets	$ 64,497,550	$ 61,090,051	$ 17,168,465	$ 18,103,504	$ 81,666,015	$ 79,193,555

Table A - 2
Summary of Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2012
Revenues						
Program revenues:						
Charges for services	$ 5,284,619	$ 4,834,169	$ 1,523,801	$ 1,577,296	$ 6,808,420	$ 6,411,465
Operating grants and contributions	6,629	77,638	--	--	6,629	77,638
Capital grants and contributions	783,886	730,492	--	258,500	783,886	988,992
General revenues:						
Property taxes	16,985,109	16,646,040	--	--	16,985,109	16,646,040
Utility taxes	1,727,651	1,705,238	--	--	1,727,651	1,705,238
Communications services tax	946,399	964,324	--	--	946,399	964,324
Franchise fees	846,252	735,519	--	--	846,252	735,519
Unrestricted intergovernmental revenue	1,667,597	1,575,314	--	--	1,667,597	1,575,314
Investment income and miscellaneous	250,682	184,319	587	2,162	251,269	186,481
Total Revenues	28,498,824	27,453,053	1,524,388	1,837,958	30,023,212	29,291,011
Expenses						
General government	3,379,954	2,830,412	--	--	3,379,954	2,830,412
Public Safety	13,092,317	12,538,607	--	--	13,092,317	12,538,607
Parks and Recreation	4,201,578	4,232,147	--	--	4,201,578	4,232,147
Public Works	1,736,803	1,719,526	--	--	1,736,803	1,719,526
Building, Zoning and Planning	1,808,574	1,714,303	--	--	1,808,574	1,714,303
Interest on long-term debt	843,965	1,217,874	--	--	843,965	1,217,874
Stormwater	--	--	689,287	815,402	689,287	815,402
Solid waste collection	--	--	563,995	546,534	563,995	546,534
Sanitary sewer construction	--	--	1,234,279	197,474	1,234,279	197,474
Total Expenses	25,063,191	24,252,869	2,487,561	1,559,410	27,550,752	25,812,279
Changes in net assets before transfers	3,435,633	3,200,184	(963,173)	278,548	2,472,460	3,478,732
Transfers	(28,134)	(28,134)	28,134	28,134	--	--
Changes in net assets after transfers	3,407,499	3,172,050	(935,039)	306,682	2,472,460	3,478,732
Net Assets - Beginning	61,090,051	57,918,001	18,103,504	17,796,822	79,193,555	75,714,823
Net Assets - Ending	$64,497,550	$61,090,051	$17,168,465	$18,103,504	$81,666,015	$79,193,555

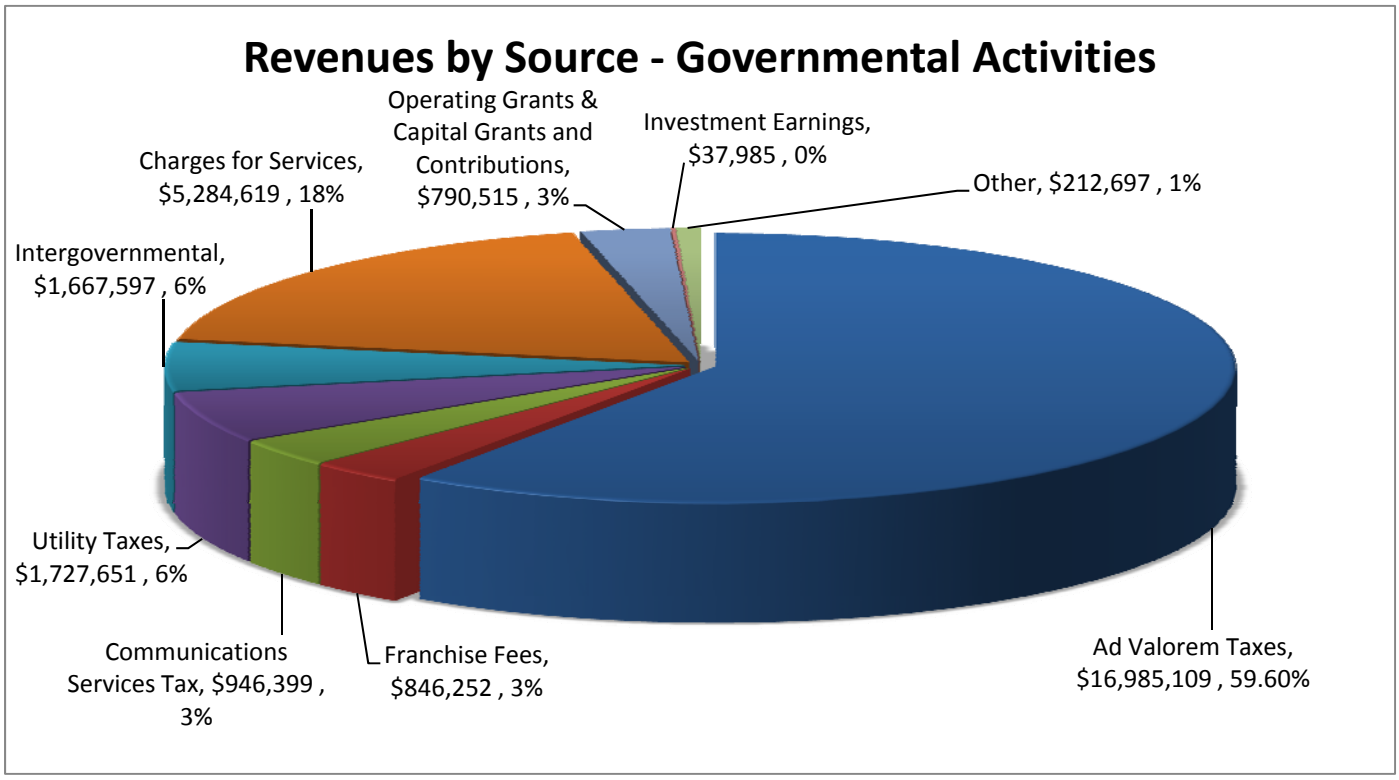
The Village's total net assets increased by $2,472,460 during the current fiscal year. This increase is attributable to a rise in property tax revenue, licensing and permitting activities. One construction project in particular, the Oceana Project consisting of 142-condominium with twelve adjacent villas, is generating atypical permitting revenues. Program revenues generated by the Community Center also exceeded their budget.

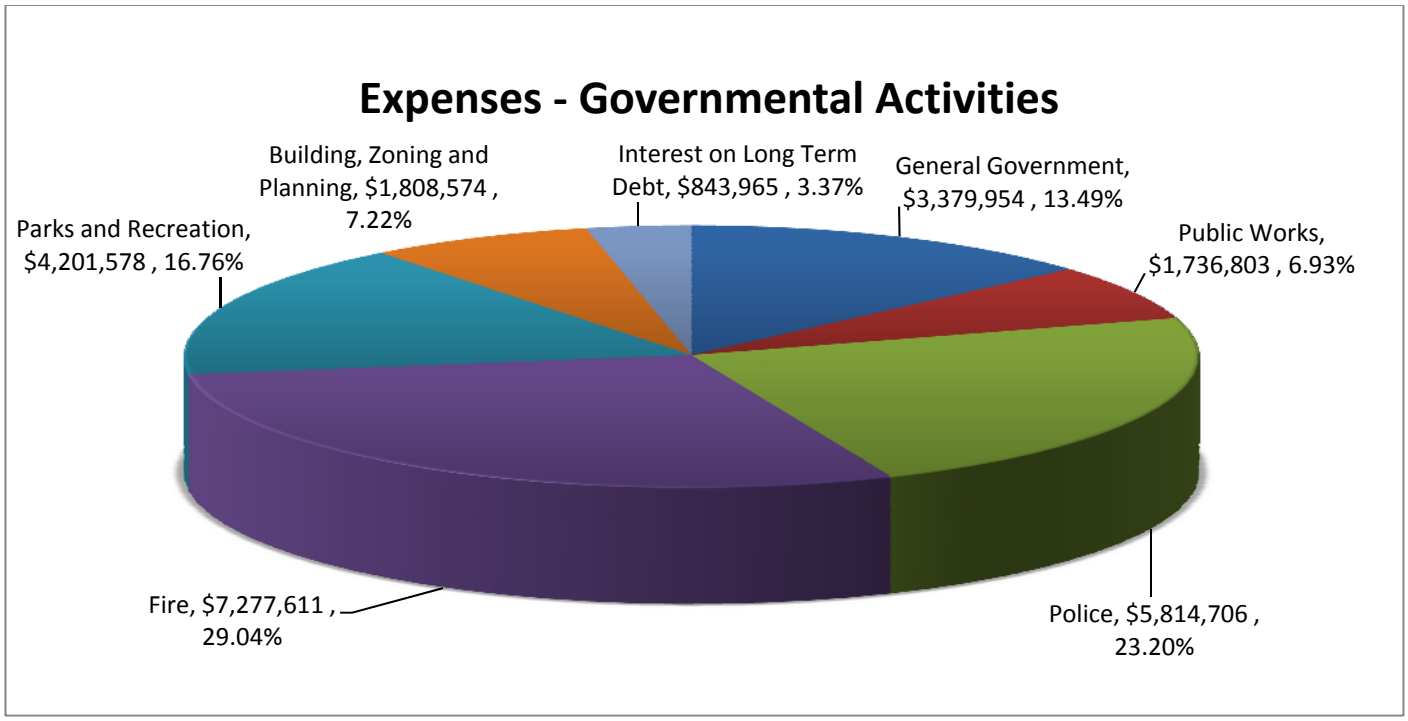
Business-type Activities

Business-type activities decreased the Village's net assets by $935,039.

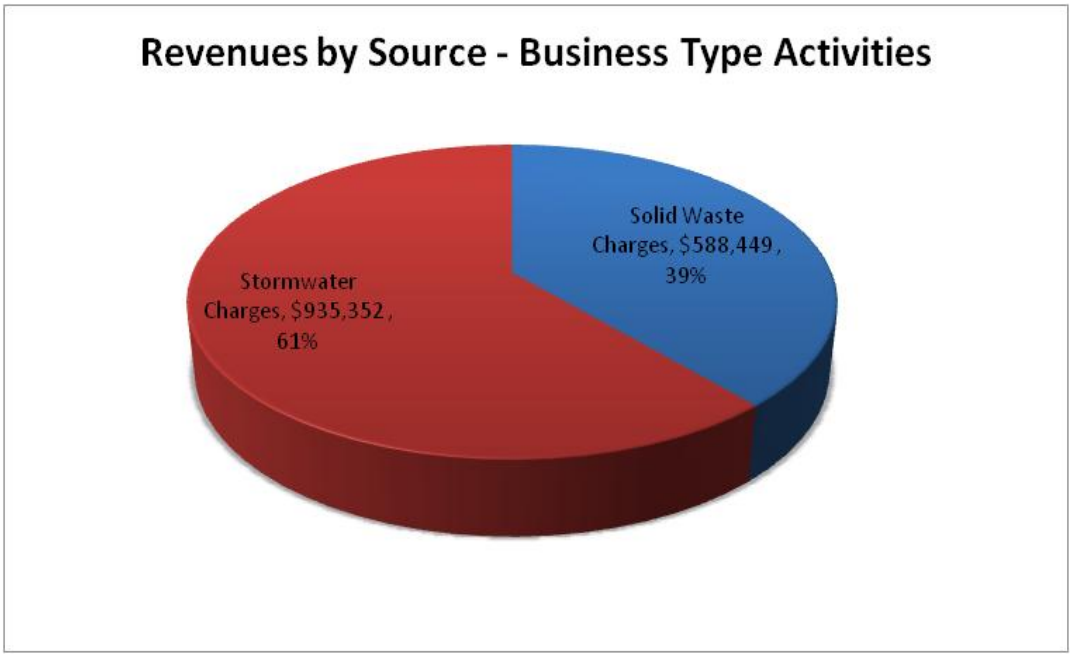
- In fiscal 2012, the solid waste and stormwater funds both reflected increases in net assets.
- The Stormwater Utility Fund reflected net income of $246,283, due mainly to the residual effect of prior year rate increases.
- The completed Sanitary Sewer Construction Fund project produced a loss of $1,234,279 as result of depreciation.

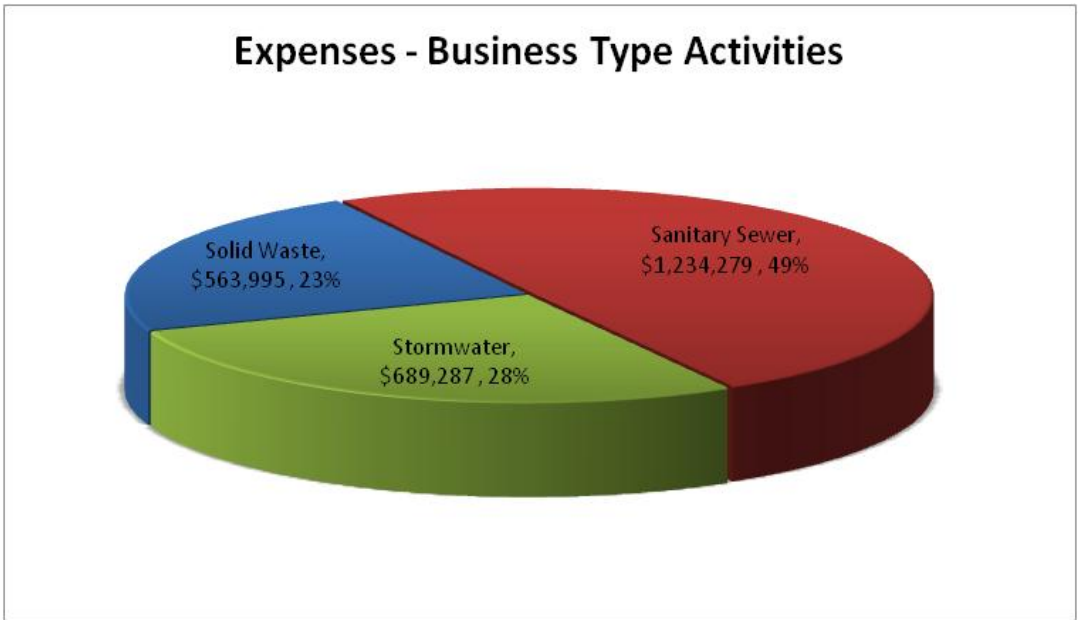
Governmental Activities





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 $14,394,801, a decrease of $3,149,270 in comparison with the prior year. The decrease is primarily due to an interfund transfer of committed funds to the Capital Improvement Fund. All balances have been categorized and set aside for the following uses: (1) Non-spendable: $303,918, (2) Restricted: 1,054,070 (3) Committed: $4,858,269 and (4) Assigned: $8,178,544.

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 58% 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, 2012 and 2011, is shown as follows:

Table B-1
Summary of Condensed Balance Sheet

	2012	2011
Total Assets	$ 15,977,747	$ 19,192,632
Total Liabilities	$ 1,582,946	$ 1,648,561
Fund Balance		
Nonspendable fund balance	303,918	305,730
Restricted fund balance	1,054,070	1,170,247
Committed fund balance	4,858,269	12,039,224
Unassigned fund balance	8,178,544	4,028,870
Total Fund Balance	14,394,801	17,544,071
Total Liabilities and Fund Balance	$ 15,977,747	$ 19,192,632

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

	2012	2011
Total Revenues	$ 27,538,964	$ 26,544,351
Total Expenditures	24,843,878	24,580,516
Excess of Revenues over Expenditures	2,695,086	1,963,835
Total Other financing Sources (Uses)	(5,844,356)	293,547
Net Change in Fund Balance	$ (3,149,270)	$ 2,257,382

Net assets within the General Fund decreased primarily as a result of an inter-fund transfer to the Capital Improvements Fund in the amount of $5,816,222. The purpose of the transfer is detailed below in the "Capital Improvement Fund" section. Permitting activities increased during the year due primarily to one particularly large construction project, Oceana, previously discussed on Page 6.

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 2013 with receipts from intergovernmental revenue and due to reduced debt service costs in direct relation to the refunding of the Series 2005 Bonds.

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 had decreased in prior years. At management's recommendation

surplus funds generated by the general fund during the past four years were reserved as working capital in order to mitigate future economic challenges. During fiscal year 2012 the inter-fund transfers resumed, and a total of $5,816,222 was transferred and committed to the Capital Improvement Fund for specific projects as detailed in the Village's Five Year Capital Improvement Plan.

General Fund Budgetary Highlights

The only department with a significant budget to actual variance was the Community Center. The principal cause of the difference being increased program expenses which were offset by corresponding increased revenues.

Capital Assets

As of September 30, 2012, the Village's capital assets net of accumulated depreciation amounted to $97,526,179 as compared to $97,283,422 as of September 30, 2011. Major capital asset events during the fiscal year included the following:

- Enhancements to the Emergency Management Services within the Fire Rescue department
- Upgrading of Permitting Software
- Continuation of the Beach Renourishment program
- Completion and capitalization of public parking project
- Completion and capitalization of traffic calming device project
- Purchase of new Public Safety Vehicles and Marine Patrol Boat

Additional information on the Village's capital assets can be found in Note 7 on pages 35-36 of this report.

Debt Administration

At September 30, 2012, the Village had bonded debt outstanding of $33,452,838 (composed of $25,543,132 in governmental activities and $7,909,706 of business type activities) compared to $36,384,610 as of September 30, 2011. Of this amount, $9,369,191 represents bonds secured solely by specified revenue sources (Transportation Tax Revenue Bonds, Road Improvement Revenue Bonds and State Revolving Fund Loans). The remainder represents 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 37-45 of this report.

Economic Factors and Next Year's Budgets and Rates

As the local and national economy begins to recover, commercial real estate in Miami-Dade is showing signs of improvement. Miami-Dade County is leading the way in attracting diverse new businesses to our area. Based on these indicators, the Village of Key Biscayne continues to manage a budget that is responsive to the needs of its community. Focus is on lowering operating expenditures and seeking cost-cutting measures while maintaining a stable millage rate of 3.2, as sustained for the past five years. Additionally, prior year surpluses have been set aside as working capital to offset any unforeseen loss of revenue.

The unemployment rate for Miami-Dade County is currently 7.5%, which is a decrease from a rate of 9.4% percent a year ago. This is favorable to the state's average unemployment rate of 8.5% as of September 30, 2012. All of these factors were considered during preparation of the Village of Key Biscayne's budget for the 2013 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, 2012

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 12,466,824	$ 866,486	$ 13,333,310
Investments	7,030,475	--	7,030,475
Receivables, net	795,109	524,657	1,319,766
Prepaids	334,287	--	334,287
Internal balances	565,285	(565,285)	--
Net pension asset	152,781	--	152,781
Deferred bond issue costs	181,782	42,858	224,640
Restricted assets:			
Cash and cash equivalents	587,896	--	587,896
Investments	288,837	--	288,837
Capital assets not being depreciated	26,739,750	--	26,739,750
Capital assets being depreciated, net	46,414,453	24,371,976	70,786,429
Total Assets	95,557,479	25,240,692	120,798,171
Liabilities			
Accounts payable and accrued liabilities	991,092	162,521	1,153,613
Accrued interest payable	178,368	--	178,368
Unearned revenue	739,176	--	739,176
Noncurrent liabilities:			
Due within one year	2,787,190	590,762	3,377,952
Due in more than one year	25,993,784	7,318,944	33,312,728
Net OPEB obligation	370,319	--	370,319
Total Liabilities	31,059,929	8,072,227	39,132,156
Net Assets			
Invested in capital assets, net of related debt	44,373,229	16,462,270	60,835,499
Restricted:			
Building and zoning	756,685	--	756,685
Law enforcement	322,941	--	322,941
Fire rescue	548,145	--	548,145
Unrestricted	18,496,550	706,195	19,202,745
Total Net Assets	$ 64,497,550	$ 17,168,465	$ 81,666,015

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

VILLAGE OF KEY BISCAYNE, FLORIDA

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
General government	$ 3,379,954	$ 177,574	$ --	$ --	$ (3,202,380)	$ --	$ (3,202,380)
Police	5,814,706	375	--	--	(5,814,331)	--	(5,814,331)
Fire	7,277,611	145,544	1,392	--	(7,130,675)	--	(7,130,675)
Public works	1,736,803	--	--	783,886	(952,917)	--	(952,917)
Building, zoning and planning	1,808,574	2,347,092	--	--	538,518	--	538,518
Parks and recreation	4,201,578	2,614,034	5,237	--	(1,582,307)	--	(1,582,307)
Interest on long-term debt	843,965	--	--	--	(843,965)	--	(843,965)
Total governmental activities	25,063,191	5,284,619	6,629	783,886	(18,988,057)	--	(18,988,057)
Business-type activities							
Stormwater	689,287	935,352	--	--	--	246,065	246,065
Sanitary sewer	1,234,279	--	--	--	--	(1,234,279)	(1,234,279)
Solid waste	563,995	588,449	--	--	--	24,454	24,454
Total business-type activities	2,487,561	1,523,801	--	--	--	(963,760)	(963,760)
Total	$ 27,550,752	$ 6,808,420	$ 6,629	$ 783,886	(18,988,057)	(963,760)	(19,951,817)
	General Revenues						
	Property taxes				16,985,109	--	16,985,109
	Franchise fees based on gross receipts				846,252	--	846,252
	Utility taxes				1,727,651	--	1,727,651
	Communications services tax				946,399	--	946,399
	Unrestricted intergovernmental revenue				1,667,597	--	1,667,597
	Unrestricted investment earnings				37,985	587	38,572
	Miscellaneous income				212,697	--	212,697
	Transfers				(28,134)	28,134	--
	Total General Revenues and Transfers				22,395,556	28,721	22,424,277
	Change in Net Assets				3,407,499	(935,039)	2,472,460
	Net Assets - Beginning				61,090,051	18,103,504	79,193,555
	Net Assets - Ending				$ 64,497,550	$ 17,168,465	$ 81,666,015

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

VILLAGE OF KEY BISCAYNE, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2012

	General	Transportation Special Revenue	Capital Improvements	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 9,301,782	$ --	$ 3,165,042	$ 12,466,824
Investments	4,019,924	--	3,010,551	7,030,475
Receivables, net	661,564	131,400	2,145	795,109
Due from other funds	1,401,722	--	26,169	1,427,891
Prepaid items	303,918	--	30,369	334,287
Restricted cash and cash equivalents	--	14,195	573,701	587,896
Restricted investments	288,837	--	--	288,837
Total Assets	$ 15,977,747	$ 145,595	$ 6,807,977	$ 22,931,319
Liabilities and Fund Balances				
Liabilities				
Accounts payable and accrued liabilities	$ 817,102	$ --	$ 173,990	$ 991,092
Due to other funds	26,668	835,938	--	862,606
Deferred revenue	739,176	--	--	739,176
Total Liabilities	1,582,946	835,938	173,990	2,592,874
Fund Balances (Note 11)				
Non-spendable	303,918	--	--	303,918
Restricted	1,054,070	--	573,701	1,627,771
Committed	4,858,269	--	6,060,286	10,918,555
Assigned	8,178,544	--	--	8,178,544
Unassigned	--	(690,343)	--	(690,343)
Total Fund Balances (Deficit)	14,394,801	(690,343)	6,633,987	20,338,445
Total Liabilities and Fund Balances	$ 15,977,747	$ 145,595	$ 6,807,977	

Amounts reported for governmental activities in the statement of net assets are different becaus	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	73,154,203
A net pension asset is not considered to represent a financial asset and therefore is not reported in the governmental funds	152,781
Debt issue costs are expensed in the governmental funds	181,782
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore not reported in the funds (Note 2)	(29,329,661)
Net Assets of Governmental Activities	$ 64,497,550

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	General	Transportation Special Revenue	Capital Improvements	Total Governmental Funds
Revenues				
Property taxes	$ 16,985,109	$ --	$ --	$ 16,985,109
Utility taxes	1,727,651	--	--	1,727,651
Communications services tax	981,847	--	--	981,847
Franchise fees	846,252	--	--	846,252
Licenses and permits	2,383,500	--	--	2,383,500
Intergovernmental	1,466,122	985,361	--	2,451,483
Charges for services	2,901,119	--	--	2,901,119
Interest	28,038	22	9,925	37,985
Grants	6,629	--	--	6,629
Miscellaneous income	212,697	--	--	212,697
Total Revenues	27,538,964	985,383	9,925	28,534,272
Expenditures				
Current:				
General government	2,055,519	--	10,982	2,066,501
Fire	7,056,020	--	--	7,056,020
Police	5,453,853	--	--	5,453,853
Public works	1,727,203	--	--	1,727,203
Building, zoning and planning	1,777,349	--	--	1,777,349
Parks and recreation	3,764,570	--		3,764,570
Capital outlay	426,133	--	3,367,046	3,793,179
Debt service:				
Principal	1,944,258	414,090	77,791	2,436,139
Interest and fiscal charges	638,973	183,820	5,600	828,393
Total Expenditures	24,843,878	597,910	3,461,419	28,903,207
Excess (deficiency) of revenues over expenditures	2,695,086	387,473	(3,451,494)	(368,935)
Other Financing Sources (Uses)				
Capital leases	--	--	604,000	604,000
Transfers in	--	--	5,816,222	5,816,222
Transfers out	(5,844,356)	--	--	(5,844,356)
Total Other Financing Sources (Uses)	(5,844,356)	--	6,420,222	575,866
Net Change in Fund Balances	(3,149,270)	387,473	2,968,728	206,931
Fund Balances (Deficit) - Beginning	17,544,071	(1,077,816)	3,665,259	20,131,514
Fund Balances (Deficit) - Ending	$ 14,394,801	$ (690,343)	$ 6,633,987	$ 20,338,445

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

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)		$ 206,931
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	$ 3,601,442	
Depreciation expense	(2,132,803)	
Net adjustment		1,468,639
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		(35,448)
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	2,214,090	
Capital lease payments	222,049	
Capital lease proceeds	(604,000)	1,832,139
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	67,863	
Accrued interest expense	2,646	
Debt issuance costs	(18,218)	
Net OPEB obligation	(129,439)	
Net pension asset	(8,488)	
Other items	20,874	(64,762)
Change in net assets of governmental activities (Page 12)		$ 3,407,499

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

VILLAGE OF KEY BISCAYNE, FLORIDA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

SEPTEMBER 30, 2012

	Business-type Activities - Enterprise Funds			
	Stormwater Utility System	Sanitary Sewer Construction	Solid Waste (A Nonmajor Fund)	Totals
Assets				
Current Assets				
Cash and cash equivalents	$ 325,084	$ 393,901	$ 147,501	$ 866,486
Accounts receivables, net	299,019	--	225,638	524,657
Due from other funds	120	499	--	619
Total Current Assets	624,223	394,400	373,139	1,391,762
Noncurrent Assets				
Capital assets being depreciated, net	6,553,627	17,818,349	--	24,371,976
Deferred bond issue costs, net	42,858	--	--	42,858
Total Noncurrent Assets	6,596,485	17,818,349	--	24,414,834
Total Assets	7,220,708	18,212,749	373,139	25,806,596
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities	13,534	102,519	46,468	162,521
Due to other funds	565,784	--	120	565,904
Current portion of revolving loans	--	105,762	--	105,762
Current portion of revenue bonds payable	485,000	--	--	485,000
Total Current Liabilities	1,064,318	208,281	46,588	1,319,187
Noncurrent Liabilities				
Revenue bonds	3,170,000	--	--	3,170,000
Revolving loans	--	4,148,944	--	4,148,944
Total Noncurrent Liabilities	3,170,000	4,148,944	--	7,318,944
Total Liabilities	4,234,318	4,357,225	46,588	8,638,131
Net Assets				
Invested in capital assets, net of related debt	2,898,627	13,563,643	--	16,462,270
Unrestricted	87,763	291,881	326,551	706,195
Total Net Assets	$ 2,986,390	$ 13,855,524	$ 326,551	$ 17,168,465

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Business-type Activities - Enterprise Funds			
	Stormwater Utility System	Sanitary Sewer Construction	Solid Waste (A Nonmajor Fund)	Totals
Operating Revenues				
Charges for services	$ 935,352	$ --	$ 588,449	$ 1,523,801
Operating Expenses				
General and administrative	277,308	--	563,995	841,303
Depreciation	306,130	989,909	--	1,296,039
Total Operating Expenses	583,438	989,909	563,995	2,137,342
Operating Income (Loss)	351,914	(989,909)	24,454	(613,541)
Non-Operating Revenues (Expenses)				
Interest income	218	257	112	587
Interest expense	(98,707)	(153,800)	--	(252,507)
Amortization of bond issue costs	(7,142)	--	--	(7,142)
Other expense	--	(90,570)	--	(90,570)
Total Non-Operating Revenues (Expenses)	(105,631)	(244,113)	112	(349,632)
Income (Loss) before Transfers	246,283	(1,234,022)	24,566	(963,173)
Transfers in	--	28,134	--	28,134
Total Transfers	--	28,134	--	28,134
Change in Net Assets	246,283	(1,205,888)	24,566	(935,039)
Net Assets - Beginning	2,740,107	15,061,412	301,985	18,103,504
Net Assets - Ending	$ 2,986,390	$ 13,855,524	$ 326,551	$ 17,168,465

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

VILLAGE OF KEY BISCAYNE, FLORIDA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Business-type Activities - Enterprise Funds			
	Stormwater Utility System	Sanitary Sewer Construction	Solid Waste (A Nonmajor Fund)	Totals
Cash Flows from Operating Activities				
Receipts from customers and users	$ 1,192,512	$ --	$ 555,689	$ 1,748,201
Payments for interfund services	(119,696)	--	--	(119,696)
Payments to suppliers	(296,655)	--	(563,995)	(860,650)
Net Cash Provided by (Used in) Operating Activities	776,161	--	(8,306)	767,855
Cash Flows from Non-Capital Financing Activities				
Transfers in from other funds	--	28,134	--	28,134
Net Cash Provided by Non-Capital Financing Activities	--	28,134	--	28,134
Cash Flows from Capital and Related Financing Activities				
Payments for construction of capital assets	(70,157)	(1,385)	--	(71,542)
Payments on revenue bonds	(475,000)	--	--	(475,000)
Payments on revolving loans	--	(242,682)	--	(242,682)
Interest paid	(98,707)	(153,800)	--	(252,507)
Net Cash Used in Capital and Related Financing Activities	(643,864)	(397,867)	--	(1,041,731)
Cash Flows from Investing Activities				
Interest received	218	257	111	586
Net Cash Provided by Investing Activities	218	257	111	586
Net Increase (Decrease) in Cash and Cash Equivalents	132,515	(369,476)	(8,195)	(245,156)
Cash and Cash Equivalents - Beginning	192,569	763,377	155,696	1,111,642
Cash and Cash Equivalents - Ending	$ 325,084	$ 393,901	$ 147,501	$ 866,486
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating income	$ 351,914	$ (989,909)	$ 24,454	$ (613,541)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation	306,130	989,909	--	1,296,039
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	257,280	--	(34,575)	222,705
Due from other funds	(120)	--	1,695	1,575
Increase (decrease) in:				
Accounts payable and accrued liabilities	(19,347)	--	--	(19,347)
Due to other funds	(119,696)	--	120	(119,576)
Total adjustments	424,247	989,909	(32,760)	1,381,396
Net Cash Provided by (Used in) Operating Activities	$ 776,161	$ --	$ (8,306)	$ 767,855

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, 2012

Assets	
Investments	
Money market funds	$ 511,614
Common stocks	6,903,115
Mutual funds	12,352,544
Total Investments	19,767,273
Contributions Receivable	
Village (including State)	71,902
Total Assets	19,839,175
Liabilities	150,039
Net Assets	
Net Assets Held in Trust for Pension Benefits	$ 19,689,136

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

Additions	
Contributions	
Plan members	$ 748,266
Village (including State)	1,198,959
Total Contributions	1,947,225
Investment Income	
Net appreciation in the fair value of investments	2,428,918
Interest and dividends	422,885
	2,851,803
Less: investment expenses	(71,098)
Net Investment Income	2,780,705
Total Additions	4,727,930
Deductions	
Benefits paid	232,556
Refunds paid	34,288
Transfer to ICMA share plan	34,478
Administrative expenses	51,452
Total Deductions	352,774
Change in Net Assets	4,375,156
Net Assets - Beginning	15,313,980
Net Assets - Ending	$ 19,689,136

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 restricted 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* (a nonmajor 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.

The Village's and pension plan's investments are governed by their respective investment policies.

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 $1,000 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. No such costs were capitalized in 2012.

Intangible assets consist of computer software, which was capitalized as an asset in prior years, and rights of way. The Village elected not to retroactively report all intangible assets.

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

5. Unearned/Deferred Revenue

Deferred revenue is recorded for governmental fund receivables that are not both measurable and available. In addition, inflows that do not yet meet the criteria for revenue recognition, such as business taxes and community center membership dues collected in advance, are recorded as unearned revenue in the government-wide and the fund financial statements.

6. Compensated Absences

It is the Village's policy to permit employees to accumulate within certain limits, earned but unused vacation time and sick leave, which will be paid to employees upon separation from Village service. All vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. In the governmental funds, a liability is recorded only for vacation and sick leave payouts for employee separations that occurred prior to September 30, 2012 and were subsequently

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

6. Compensated Absences (continued)

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

The Village follows accounting standards for Fund Balance Reporting and Governmental Fund Type Definitions which establish criteria for classifying governmental fund balances into specifically defined classifications. Classifications are hierarchical and are based primarily on the extent to which the Village is bound to honor constraints on the specific purposes for which amounts in the funds may be spent. Application of the Statement requires the Village to classify and report amounts in the appropriate fund balance classifications. The Village's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of restricted, committed, assigned or unassigned.

The Village reports the following classifications:

Nonspendable fund balance. Nonspendable fund balances are amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance. Restricted fund balances are amounts that can be spent only for specific purposes stipulated by (a) external resource providers such as creditors (by debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for the specific purposes determined by a formal action (Ordinance or Resolution, which are both equally binding) of the Village Council, the Village's highest level of decision making authority. Commitments may be changed or lifted only by the Village Council taking the same formal action (Ordinance/Resolution) that imposed the constraint originally. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

Assigned fund balance. Assigned fund balances are amounts that are constrained by the Village's intent to be used for specific purposes, but are neither restricted nor committed. Intent is established by the Village Manager to which the Council has delegated the authority to assign, modify or rescind amounts to be used for specific purposes. There is no formal policy which has been established by council delegating this authority. This balance includes (a) all remaining amounts that are reported in

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Fund Equity (continued)

governmental funds (other than the General Fund) that are not classified as nonspendable, restricted, or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue fund are assigned for the purposes in accordance with the nature of their fund type. Assignment within the General Fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the Village itself.

Additionally, the Village would first use committed fund balance, followed by assigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

See Note 11 for the detail of the amounts included in the various fund balance classifications.

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 $29,329,661 difference are as follows:

Bonds Payable	$ 25,543,132
Capital Leases Payable	737,156
Compensated Absences	2,500,686
Accrued Interest Payable	178,368
Net OPEB Obligation	370,319
	$ 29,329,661

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.

The Village invests in certificates of deposit. The certificates bear an interest rate ranging from 0.20% to 1.20%. There are certificates of deposit with maturities of 90 days or less totaling $2,002,377 which are presented as cash equivalents in the accompanying financial statements. There are certificates of deposit with maturities ranging from 120 days to 730 days totaling $7,030,475 which are presented as investments in the accompanying financial statements.

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENTS

The Village's investment policy follows the requirements of Florida Statutes Chapter 218.415, and attempts to promote, in order of priority, safety of principal, adequate liquidity, and maximization of total return. The Village's investment policy authorizes investments in direct obligations of the U.S. Government, its agencies or instrumentalities. The Village is also authorized to invest in SEC registered money market mutual funds, insured or fully collateralized deposits, repurchase agreements secured by direct obligations of the U.S. Government, and authorized intergovernmental investment pools. The investment policy defined in the statutes attempts to promote, through state assistance, the maximization of net interest earnings on invested surplus funds of local units of governments while limiting the risk to which the funds are exposed. The Village maintains a separate investment policy for its pension plan.

For the Town's pension plan, a Master Custodian Agreement is maintained whereby the investment securities are held in the Plan's name by a financial institution acting as the Plan's agent.

INVESTMENTS – VILLAGE

As of September 30, 2012, the Village had the following investments with its corresponding maturities in its portfolio:

	Investment Maturities (In Years)	
Investments	Fair Value	1-5
Repurchase Agreements	$ 4,392,098	$ 4,392,098

Interest Rate Risk

Interest rate risk refers to the portfolio's exposure to fair value losses arising from increasing interest rates. The Village's investment policy limits the maturities on fixed income holdings in the general and special revenue funds to two years and capital projects funds shall not exceed the lesser of the anticipated expenditures schedule or five years.

Credit Risk

State law and the Village's investment policy limits investments in bonds, U.S. treasuries and agency obligations, or other evidences of indebtedness to the top ratings issued by nationally recognized statistical rating organizations of the United States. The Village is currently not invested in any of these types of investments.

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 $4.4 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, 2012, the Village's Defined Benefit Pension Plan had the following fixed income 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	$ 6,437,014	$ --	$ 2,537,782	$ 1,609,144	$ 2,290,088

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 fixed income securities which are subject to a rating, 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, 2012, 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, 2012 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	Solid Waste	Pension Trust Fund	Total
Customers Billed	$ 45,864	$ --	$ --	$ 299,019	$ 247,278	$ --	$ 592,161
Contributions	--	--	--	--	--	71,902	71,902
Property Taxes	69,225	--	--	--	--	--	69,225
Intergovernmental	385,962	131,400	--	--	--	--	517,362
Other	160,513	--	2,145	--	--	--	162,658
Gross Receivables	661,564	131,400	2,145	299,019	247,278	71,902	1,413,308
Less: Allowance for Uncollectibles	--	--	--	--	(21,640)	--	(21,640)
Net Total Receivables	$ 661,564	$ 131,400	$ 2,145	$ 299,019	$ 225,638	$ 71,902	$ 1,391,668

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, 2012 was 3.2000.

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, 2012, there were no material delinquent taxes.

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2012 is as follows:

Due from/to other funds:

Receivable Fund	Payable Fund	Amount
General	Special Revenue	$ 835,938
	Stormwater	565,784
Capital Improvements	General Fund	26,169
Stormwater	Solid Waste	120
Sanitary Sewer	General Fund	499
		$ 1,428,510

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.

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

Interfund transfers:

Transfers Out	Transfer In	Amount
General Fund	Capital Improvements	$ 5,816,222
	Sanitary Sewer	28,134
		$ 5,844,356

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, 2012 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	2,603,185	2,708,629	(405,901)	4,905,913
Total Capital Assets, Not Being Depreciated	24,437,022	2,708,629	(405,901)	26,739,750
Capital Assets, Being Depreciated				
Buildings	24,622,448	165,870	--	24,788,318
Improvements other than buildings	29,834,856	533,748	--	30,368,604
Furniture, fixtures and equipment	7,003,676	599,096	(79,756)	7,523,016
Total Capital Assets, Being Depreciated	61,460,980	1,298,714	(79,756)	62,679,938
Less: Accumulated Depreciation for				
Buildings	(4,388,165)	(500,906)	--	(4,889,071)
Improvements other than buildings	(4,858,907)	(948,943)	--	(5,807,850)
Furniture, fixtures and equipment	(4,965,366)	(682,954)	79,756	(5,568,564)
Total Accumulated Depreciation	(14,212,438)	(2,132,803)	79,756	(16,265,485)
Total Capital Assets, Being Depreciated, Net	47,248,542	(834,089)	--	46,414,453
Governmental Activities Capital Assets, Net	$ 71,685,564	$ 1,874,540	$ (405,901)	$ 73,154,203

NOTE 7 – CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets, Not Being Depreciated				
Construction in progress	$ 280,993	$ --	$ (280,993)	$ --
Total Capital Assets, Not Being Depreciated	280,993	--	(280,993)	--
Capital Assets, Being Depreciated				
Stormwater utility system	10,349,740	351,150	--	10,700,890
Sanitary Sewer system	18,808,259	--	--	18,808,259
Total Capital Assets, Being Depreciated	29,157,999	351,150	--	29,509,149
Less: Accumulated Depreciation for				
Stormwater utility system	(3,841,134)	(306,130)	--	(4,147,264)
Sanitary Sewer system	--	(989,909)	--	(989,909)
Total Accumulated Depreciation	(3,841,134)	(1,296,039)	--	(5,137,173)
Total Capital Assets, Being Depreciated, Net	25,316,865	(944,889)	--	24,371,976
Business-type Activities Capital Assets, Net	$ 25,597,858	$ (944,889)	$ (280,993)	$ 24,371,976

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

Governmental Activities	
General government	$ 1,072,526
Police	360,853
Fire	221,591
Public works	9,600
Building, zoning and planning	31,225
Parks	437,008
Total Depreciation Expense - Governmental Activities	$ 2,132,803
Business-type Activities	
Stormwater	$ 306,130
Sanitary Sewer	989,909
	$ 1,296,039

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, 2012:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
Land acquisition and capital improvement revenue bonds, Series 1999	$ 6,085,000	$ --	$ (550,000)	$ 5,535,000	$ 580,000
Capital improvement revenue refunding bonds, Series 2011A	6,890,000	--	(550,000)	6,340,000	645,000
Capital improvement revenue refunding bonds, Series 2011B	7,130,000	--	(560,000)	6,570,000	560,000
Capital improvement and land acquisition revenue refunding bonds, Series 2011	1,865,000	--	(140,000)	1,725,000	145,000
Transportation tax revenue refunding bonds, Series 2011	2,808,952	--	(174,190)	2,634,762	178,637
Road improvement revenue bonds, Series 2006	2,978,270	--	(239,900)	2,738,370	248,602
Total Bonds Payable	27,757,222	--	(2,214,090)	25,543,132	2,357,239
Other Liabilities					
Capital leases	355,205	604,000	(222,049)	737,156	179,882
Compensated absences	2,568,549	1,240,395	(1,308,258)	2,500,686	250,069
Total Other Liabilities	2,923,754	1,844,395	(1,530,307)	3,237,842	429,951
Governmental Activities Long-Term Liabilities	$ 30,680,976	$ 1,844,395	$ (3,744,397)	$ 28,780,974	$ 2,787,190

Long-term obligations related to governmental activities are generally liquidated from the general fund.

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.

NOTE 8 – LONG-TERM DEBT (CONTINUED)

LAND ACQUISITION AND CAPITAL IMPROVEMENT REVENUE BONDS, SERIES 1999 (CONTINUED)

Debt service requirements to maturity are as follows:

Fiscal Year Ending September 30	Principal	Interest	Total
2013	$ 580,000	$ 247,302	$ 827,302
2014	610,000	219,248	829,248
2015	640,000	189,779	829,779
2016	670,000	158,896	828,896
2017	705,000	126,480	831,480
2018-2020	2,330,000	168,326	2,498,326
	$ 5,535,000	$ 1,110,031	$ 6,645,031

CAPITAL IMPROVEMENT REVENUE REFUNDING BONDS, SERIES 2011A

On June 13, 2011, the Village issued $6,890,000 of Capital Improvement Revenue Refunding Bonds, Series 2011A for the purpose of refunding the Village's 10,000,000 Capital Improvement Revenue Bonds, Series 2000. The bonds mature on December 1, 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 on each December 1, commencing December 1, 2011. Interest accrues at 2.31% per annum.

Debt service requirements to maturity are as follows:

Fiscal Year Ending September 30	Principal	Interest	Total
2013	$ 645,000	$ 139,004	$ 784,004
2014	660,000	123,932	783,932
2015	670,000	108,570	778,570
2016	690,000	92,862	782,862
2017	705,000	76,750	781,750
2018-2020	2,970,000	139,293	3,109,293
	$ 6,340,000	$ 680,411	$ 7,020,411

NOTE 8 – LONG-TERM DEBT (CONTINUED)

CAPITAL IMPROVEMENTS REVENUE REFUNDING BONDS, SERIES 2011B

On August 1, 2011 the Village issued $7,130,000 of Capital Improvement Revenue Refunding Bonds, Series 2011B for the purpose of refunding the Village's Capital Improvement Revenue Bonds, Series 2002. 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 bear interest on the outstanding principal balance from its date of issuance payable quarterly on the first day of each February, May, August and November commencing November 1, 2011, at an interest rate equal to 2.41% per annum.

Debt service to maturity is as follows:

	Principal	Interest	Total
Fiscal Year Ending September 30			
2013	$ 560,000	$ 153,276	$ 713,276
2014	595,000	139,358	734,358
2015	605,000	125,019	730,019
2016	605,000	110,438	715,438
2017	635,000	95,496	730,496
2018-2022	3,385,000	239,795	3,624,795
2023	185,000	1,115	186,115
	$ 6,570,000	$ 864,497	$ 7,434,497

CAPITAL IMPROVEMENT AND LAND ACQUISITION REVENUE REFUNDING BONDS, SERIES 2011

On August 1, 2011 the Village issued the $1,865,000 Capital Improvement and Land Acquisition Revenue Refunding Bonds, Series 2011 for the purpose of refunding the Capital Improvement and Land Acquisition Revenue Bonds, Series 2004. The Village has pledged non-ad valorem revenues to secure payment of the principal and interest on the bonds. The bonds mature on November 1, 2022. The bonds bear interest on the outstanding principal balance from its date of issuance payable quarterly on the first day of each February, May, August and November, commencing November I, 2011, at an interest rate equal to 2.41% per annum.

NOTE 8 – LONG-TERM DEBT (CONTINUED)

CAPITAL IMPROVEMENT AND LAND ACQUISITION REVENUE REFUNDING BONDS, SERIES 2011 (CONTINUED)

Debt service requirements to maturity are as follows:

	Principal	Interest	Total
Fiscal Year Ending September 30			
2013	$ 145,000	$ 40,217	$ 185,217
2014	155,000	36,572	191,572
2015	155,000	32,836	187,836
2016	170,000	28,980	198,980
2017	160,000	25,064	185,064
2018-2022	890,000	63,082	953,082
2023	50,000	301	50,301
	$ 1,725,000	$ 227,052	$ 1,952,052

TRANSPORTATION TAX REVENUE REFUNDING BONDS, SERIES 2011

On September 30, 2011, the Village issued $2,808,952 of Transportation Tax Revenue Refunding Bonds, Series 2011 for the purpose of refunding the Transportation Tax Revenue Bonds, Series 2005. The Village has pledged Transportation Surtax Revenues and Local Option Gas Tax revenues to secure payment of the principal and interest on the bonds in the amounts of $418,886 and $201,475, respectively. The bonds mature on July 1, 2025. The bonds bear interest on the outstanding principal balance from its date of issuance payable quarterly on each January 1, April 1, July 1 and October 1 commencing January 1, 2012, at an interest rate equal to 2.42% per annum.

NOTE 8 – LONG-TERM DEBT (CONTINUED)

TRANSPORTATION TAX REVENUE REFUNDING BONDS, SERIES 2011 (CONTINUED)

Debt service requirements to maturity are as follows:

	Principal	Interest	Total
Fiscal Year Ending September 30			
2013	$ 178,637	$ 62,148	$ 240,785
2014	182,999	57,786	240,785
2015	187,468	53,317	240,785
2016	192,046	48,739	240,785
2017	196,736	44,049	240,785
2018-2022	1,058,136	145,789	1,203,925
2023-2025	638,740	23,419	662,159
	$ 2,634,762	$ 435,247	$ 3,070,009

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 $3,301,443. For the current year, debt service and pledged revenues were $356,341 and $365,000, respectively. The bonds are due in quarterly principal installments. Interest accrues at 4.05% per annum.

NOTE 8 – LONG-TERM DEBT (CONTINUED)

ROAD IMPROVEMENT REVENUE BONDS, SERIES 2006 (CONTINUED)

Debt service requirements to maturity are as follows:

	Principal	Interest	Total
Fiscal Year Ending September 30			
2013	$ 248,602	$ 107,131	$ 355,733
2014	258,185	96,918	355,103
2015	268,137	86,312	354,449
2016	278,472	75,297	353,769
2017	289,205	63,857	353,062
2018-2022	1,395,769	133,558	1,529,327
	$ 2,738,370	$ 563,073	$ 3,301,443

CAPITAL LEASES

The Village has entered into lease purchase agreements for financing the acquisition of vehicles and equipment in the General Fund and Capital Improvement Fund. The lease agreements qualify as capital leases for accounting purposes and have been recorded at the present value of the future minimum lease payments as of the inception date.

Assets	
Machinery and equipment	$ 607,271
Accumulated depreciation	(302,003)
Carrying Value	305,268
Cash Received under Master Lease Agreements for Purchases of Leased Assets	604,000
	$ 909,268

NOTE 8 – LONG-TERM DEBT (CONTINUED)

CAPITAL LEASES (CONTINUED)

Future minimum lease payments and the present value of net minimum lease payments as of September 30, 2012 are as follows:

Fiscal Year Ending September 30	
2013	$ 179,882
2014	209,004
2015	126,180
2016	126,159
2017	123,388
Total minimum lease payments	764,613
Less: amount representing interest	27,457
	$ 737,156

The following is a summary of changes in long-term liabilities of the Village for business-type activities for the year ended September 30, 2012:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities					
Bonds and Loans Payable					
Stormwater utility revenue refunding bond, Series 2011	$ 4,130,000	$ --	$ (475,000)	$ 3,655,000	$ 485,000
Revolving loan, 1996	279,780	--	(21,133)	258,647	21,677
Revolving loan, 2009	4,217,608	--	(221,549)	3,996,059	84,085
Total Bonds and Loans Payable	8,627,388	--	(717,682)	7,909,706	590,762
Business-type Activities Long-Term Liabilities	$ 8,627,388	$ --	$ (717,682)	$ 7,909,706	$ 590,762

STORMWATER UTILITY REVENUE REFUNDING BONDS, SERIES 2011

On July 18, 2011 the Village issued $4,450,000 Stormwater Utility Revenue Refunding Bonds, Series 2011 for the purpose of refunding the Stormwater Utility Revenue Bonds, Series 1999. The Village has pledged stormwater utility fees and non-ad valorem revenues to secure payment of the principal and interest on the bonds. Stormwater utility fees were $935,352 and debt service was $573,707 for the year ended September 30, 2012. The bonds mature on October 1, 2019. The Bonds bear interest on the outstanding principal balance from their date of issuance payable semiannually on each April 1 and October 1 commencing October 1, 2011, at an interest rate equal to 2.39% per annum.

NOTE 8 – LONG-TERM DEBT (CONTINUED)

STORMWATER UTILITY REVENUE REFUNDING BONDS, SERIES 2011 (CONTINUED)

Debt service requirements to maturity are as follows:

Fiscal Year Ending September 30	Principal	Interest	Total
2013	$ 485,000	$ 87,355	$ 572,355
2014	500,000	75,763	575,763
2015	510,000	63,813	573,813
2016	520,000	51,624	571,624
2017	535,000	39,196	574,196
2018-2019	1,105,000	39,794	1,144,794
	$ 3,655,000	$ 357,545	$ 4,012,545

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 2012 was $28,134 and state revenue sharing was $220,564. 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:

Fiscal Year Ending September 30	Principal	Interest	Total
2013	$ 21,677	$ 6,457	$ 28,134
2014	22,236	5,898	28,134
2015	22,809	5,325	28,134
2016	23,396	4,738	28,134
2017	23,999	4,135	28,134
2018-2022	129,595	14,331	143,926
2023	14,935	178	15,113
	$ 258,647	$ 41,062	$ 299,709

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, 2012 is $3,996,059. The amortization schedule herein represents the total debt service to be paid under this loan agreement once all amounts are borrowed. The loan is secured by the communications service tax. Total debt service for fiscal year 2012 was $368,347 and the pledged revenue was $981,847. 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			
2013	$ 84,085	$ 135,466	$ 219,551
2014	180,400	131,100	311,500
2015	186,567	128,042	314,609
2016	192,945	118,554	311,499
2017	199,542	111,958	311,500
2018-2022	1,104,820	452,678	1,557,498
2023-2027	1,307,036	250,462	1,557,498
2028-2030	740,664	38,085	778,749
	$ 3,996,059	$ 1,366,345	$ 5,362,404

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.

NOTE 9 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

GRANTS CONTINGENCY

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

NOTE 10 – DEFICIT FUND BALANCE

The Transportation Special Revenue Fund has a deficit fund balance of $690,343 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–FUND BALANCE CLASSIFICATIONS

As of September 30, 2012, fund balances in the general fund have been set aside for the following purposes. The Village, by its charter, cannot have any unassigned fund balance, therefore, many of the commitments/assignments are established to fund current operations, such as working capital.

Nonspendable	
Prepaids	$ 303,918
	303,918
Restricted	
Building inspections	756,685
Fire code violations	116,478
Fire grant revenue (UASI)	31,667
Law enforcement seizures	149,240
	1,054,070

NOTE 11–FUND BALANCE CLASSIFICATIONS (CONTINUED)

Committed	
Emergencies	4,000,000
Fire rescue transport fees	768,269
Labor negotiations	90,000
	4,858,269
Assigned	
Compensated absences	500,137
Working capital (surplus)	7,678,407
	8,178,544
Total Fund Balance	$ 14,394,801

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, 2012 were $695,444 while the employee contributions were $109,350. Amendments to the Plan must be authorized by the Village Council.

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 2012, the Village transferred $34,478 from their defined benefit pension plan to the SHARE plan. 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, 2012 is $837,335.

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, 2012. The PERS does not issue a stand-alone financial report for the Plan.

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

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

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

At October 1, 2012 (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	50
Non-vested	15
Total	65

NOTE 13 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 15.94% of covered payroll for the year ended September 30, 2012 which was determined by the October 1, 2010 actuarial valuation. The participant contribution rate which is fixed by ordinance is 10.5%. This funding policy is designed to limit the Village's exposure to contribute to the Plan. State contributions are recognized as a revenue and expenditure in the general fund.

FUNDED STATUS AND FUNDING PROGRESS

The funded status of the plan as of October 1, 2012, 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
10/1/2012	$ 19,111,769	$ 25,829,573	$ 6,717,804	74.0%	$ 6,782,023	99.1%

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.

NOTE 13 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

FUNDED STATUS AND FUNDING PROGRESS (CONTINUED)

Additional information as of the latest actuarial valuation follows:

Valuation Date	10/1/12
Contribution Rates	
Employer (and State)	17.68%
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*	8.0% per year compounded annually, net of investment related expenses
Projected salary increases*	4.0% to 9.4% variable
Cost of living adjustments	Not applicable

*Includes inflation and other general increases at 4%

ANNUAL PENSION COST AND NET PENSION ASSET

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

Annual Required Contribution	$ 1,024,104
Interest on Net Pension Asset	(12,902)
Adjustment to Annual Required Contribution	21,390
Annual Pension Cost	1,032,592
Contributions Made	1,024,104
Decrease in Net Pension Asset	8,488
Net Pension Asset - Beginning of Year	(161,269)
Net Pension Asset - End of Year	$ (152,781)

NOTE 13 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

ANNUAL PENSION COST AND NET PENSION ASSET (CONTINUED)

The annual required contribution for the current year was determined as part of the October 1, 2009 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)
9/30/2010	$ 973,125	101.3%	$ (129,093)
9/30/2011	1,009,020	103.2%	(161,269)
9/30/2012	1,032,592	99.2%	(152,781)

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, 2012, there were three (3) participants in the Plan. The balance in the Plan at September 30, 2012 is $139,548.

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.

NOTE 14 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

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 pronouncements. 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	$ 122,766
Interest on Normal Cost	4,998
Amortization	20,015
Annual OPEB Cost	147,779
Interest of Net OPEB Obligation	8,431
Adjustment to ARC	(7,481)
Contributions Made	(19,290)
Increase in Net OPEB Obligation	129,439
Net OPEB Obligation, Beginning of Year	240,880
Net OPEB Obligation, End of Year	$ 370,319

NOTE 14 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

THREE-YEAR TREND INFORMATION

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation is as follows:

Fiscal Year Ended	9/30/2012	9/30/2011	9/30/2010
Annual OPEB Cost	$ 148,729	$ 134,038	$ 128,991
Percentage of OPEB Cost Contributed	13%	10%	7%
Net OPEB Obligation	$ 370,319	$ 240,880	$ 120,492

FUNDED STATUS AND FUNDING PROGRESS

The funded status of the plan as of October 1, 2008, the date of the latest actuarial valuation which covered fiscal years ended September 30, 2010 through September 30, 2012, 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.

NOTE 14 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

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:

Valuation date	October 1, 2008
Actuarial cost method	Entry Age
Amortization method	Level % closed (Remaining amortization 28 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.

NOTE 16 – SUBSEQUENT EVENT

On October 24, 2012, the Village issued the School Improvement Revenue Bonds, Series 2012 in the amount of $5,575,000 for the purpose of providing a portion of the financing of a permanent secondary educational facility and recreational fields for Village residents located at the Mast Academy Campus as well as necessary renovations of the Key Biscayne K-8 center, financing, architectural, engineering, environmental, legal and other planning costs related thereto, and paying costs of issuance of the bonds. The bonds are payable in semi-annual payments over 20 years beginning on April 1, 2013 at an interest rate of 3.35% per annum. The bond shall mature on October 1, 2032.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF KEY BISCAYNE, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual Amounts on a GAAP Basis	Prior Year Reserves/ Adjustments	Adjusted Amounts on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final				
Revenues						
Property taxes	$ 16,789,533	$ 16,789,533	$ 16,985,109	$ --	$ 16,985,109	$ 195,576
Utility taxes/communications services tax	2,620,000	2,620,000	2,709,498	--	2,709,498	89,498
Franchise fees	735,000	735,000	846,252	--	846,252	111,252
Licenses and permits	1,301,300	1,301,300	2,383,500	--	2,383,500	1,082,200
Intergovernmental	852,000	852,000	1,466,122	--	1,466,122	614,122
Charges for services	2,609,000	2,609,000	2,901,119	--	2,901,119	292,119
Interest	11,691	11,691	28,038	--	28,038	16,347
Grants	--	--	6,629	--	6,629	6,629
Miscellaneous income	97,949	97,949	212,698	--	212,698	114,749
Total Revenues	25,016,473	25,016,473	27,538,965	--	27,538,965	2,522,492
Expenditures						
Current:						
General government:						
Elected officials	274,053	274,053	396,670	--	396,670	(122,617)
Village Clerk	350,492	350,492	339,148	--	339,148	11,344
Administration	1,136,668	1,136,668	1,008,797	--	1,008,797	127,871
Village Attorney	490,000	490,000	500,931	(10,931)	490,000	--
Total general government	2,251,213	2,251,213	2,245,546	(10,931)	2,234,615	16,598
Public safety:						
Police	5,440,080	5,440,080	5,489,211	--	5,489,211	(49,131)
Fire	6,480,944	6,480,944	6,808,298	--	6,808,298	(327,354)
Total public safety	11,921,024	11,921,024	12,297,509	--	12,297,509	(376,485)
Public works	1,765,060	1,765,060	1,735,207	--	1,735,207	29,853
Building, zoning and planning	1,730,008	1,730,008	1,791,613	(7,536)	1,784,077	(54,069)
Parks and recreation:						
Parks	1,081,014	1,081,014	1,042,318	--	1,042,318	38,696
Community center	2,026,668	2,026,668	2,190,212	(178,115)	2,012,097	14,571
Athletic division	582,507	582,507	555,537	--	555,537	26,970
Total parks and recreation	3,690,189	3,690,189	3,788,067	(178,115)	3,609,952	80,237
Debt service:						
Principal	2,127,510	2,127,510	1,944,258	--	1,944,258	183,252
Interest and fiscal charges	847,336	847,336	638,973	--	638,973	208,363
Total Expenditures	24,332,340	24,332,340	24,441,173	(196,582)	24,244,591	87,749
Excess (Deficiency) of Revenues over Expenditures	684,133	684,133	3,097,792	(196,582)	3,294,374	2,610,241
Other Financing Uses						
Appropriation of prior years':						
Reserves - working capital	(684,133)	--	--	189,046	--	--
Reserves - building division	--	--	--	7,536	--	--
Reserves - law enforcement	--	--	(27,594)	--	--	--
Transfers out	--	--	(5,844,356)	--	(5,844,356)	(5,844,356)
Total Other Financing Uses	(684,133)	--	(5,871,950)	196,582	(5,844,356)	5,844,356
Net Change in Fund Balances	$ --	$ 684,133	$ (2,774,158)	$ --	$ (2,549,982)	$ 3,234,115

See note to budgetary comparison schedule.

VILLAGE OF KEY BISCAYNE, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

NOTE TO BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

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, 2012, there were no supplemental appropriations.

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

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

(g) The Village Manager is authorized to transfer part or all of an encumbered appropriation balance within departments within a fund; however, any revisions that alter the total appropriations of any department or fund must be approved by the Village Council. The classification detail at which expenditures may not legally exceed appropriations is at the department level.

(h) There were no budget amendments during fiscal year ended September 30, 2012.

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
10/1/07	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%
10/1/10	14,625,108	20,284,931	5,659,823	72.1%	6,663,025	84.9%
10/1/11	16,807,725	23,544,436	6,736,711	71.4%	6,761,983	99.6%
10/1/12	19,111,769	25,829,573	6,717,804	74.0%	6,782,023	99.1%

VILLAGE OF KEY BISCAYNE, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
PENSION TRUST FUND

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended September 30,	Annual Required Contribution	Percentage Contributed
2007	$ 773,701	100%
2008	839,400	100%
2009	958,925	100%
2010	968,173	102%
2011	1,002,826	104%
2012	1,024,104	99%

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 and only valuation prepared for the OPEB Plan as it covered fiscal years ended September 30, 2010 through September 30, 2012.

STATISTICAL SECTION

STATISTICAL SECTION

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

Contents **Page**

Financial Trends
These schedules contain trend information to help the reader understand how the Village's financial performance and well-being have changed over time. These schedules include: **61-65**

Revenue Capacity
These schedules contain information to help the reader assess the Village's most significant local revenue source, the property tax. **66-70**

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. **71-74**

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 **75-77**

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. **78-79**

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

VILLAGE OF KEY BISCAYNE, FLORIDA

NET ASSETS BY COMPONENT

LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	$ 43,428,433	$ 44,373,229
Restricted	171,680	283,180	326,826	359,899	261,813	284,639	308,813	--	1,170,247	1,627,771
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	16,491,371	18,496,550
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	61,090,051	64,497,550
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	16,970,470	16,462,270
Restricted	--	--	--	--	--	--	--	--	--	--
Unrestricted	1,388,975	1,254,664	1,281,141	778,320	432,133	(2,209,685)	(346,721)	1,116,111	1,133,034	706,195
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	18,103,504	17,168,465
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	60,398,903	60,835,499
Restricted	171,680	283,180	326,826	359,899	261,813	284,639	308,813	--	1,170,247	1,627,771
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	17,624,405	19,202,745
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	$ 79,193,555	$ 81,666,015

VILLAGE OF KEY BISCAYNE, FLORIDA

CHANGES IN NET ASSETS

LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	$ 2,830,412	$ 3,379,954
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	5,685,278	7,277,611
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	6,853,329	5,814,706
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	1,714,303	1,808,574
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	1,719,526	1,736,803
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	4,232,147	4,201,578
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	1,217,874	843,965
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	24,252,869	25,063,191
Business-type activities:										
Stormwater system	634,361	971,081	454,963	720,158	693,135	911,500	779,856	603,262	815,402	689,287
Solid waste collection	273,076	259,173	466,162	501,417	571,246	619,823	618,155	585,927	546,534	563,995
Sanitary sewer	6,288	15,732	10,261	9,993	9,454	9,046	144,922	39,178	197,474	1,234,279
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	1,559,410	2,487,561
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	$ 25,812,279	$ 27,550,752
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	$ 169,307	$ 177,574
Police	110,215	197,244	212,121	40,719	21,385	14,203	38,181	(1,479)	1,763	375
Fire	5,805	6,505	7,120	50,392	40,144	146,588	136,433	158,975	190,989	145,544
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	2,287,983	2,614,034
Building, zoning and planning	117,705	86,455	142,550	167,802	193,391	133,104	1,173,440	1,247,715	2,184,127	2,347,092
Operating grants and contributions	99,830	--	650,679	3,559,753	799,493	251,180	157,912	163,752	77,638	6,629
Capital grants and contributions	421,085	524,736	517,643	--	--	--	1,709,481	959,360	730,492	783,886
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	5,642,299	6,075,134
Business-type activities:										
Charges for services:										
Stormwater system	531,164	520,729	518,812	517,365	509,571	499,101	491,314	484,932	979,865	935,352
Solid waste collection	313,492	284,900	533,632	531,967	520,650	530,803	635,580	615,480	597,431	588,449
Capital grants and contributions:										
Stormwater system	--	--	--	--	--	--	331,319	172,164	--	--
Sanitary sewer	--	--	--	--	--	5,460,763	6,971,311	2,501,287	258,500	--
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	1,835,796	1,523,801
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	$ 7,478,095	$ 7,598,935

(Continued)

VILLAGE OF KEY BISCAYNE, FLORIDA

CHANGES IN NET ASSETS
(Continued)

LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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)	$ (18,610,570)	$ (18,988,057)
Business-type activities	(69,069)	(440,357)	121,058	(182,236)	(243,614)	4,950,298	6,886,591	2,545,496	276,386	(963,760)
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)	$ (18,334,184)	$ (19,951,817)
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	$ 16,646,040	$ 16,985,109
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	1,705,238	1,727,651
Franchise fees	611,502	677,203	705,810	1,088,929	1,113,194	1,064,666	992,997	1,006,415	735,519	846,252
Communications services tax	--	--	746,400	797,054	763,801	1,226,423	1,091,734	1,029,087	964,324	946,399
Intergovernmental	776,869	821,883	978,304	996,092	1,000,265	2,265,243	1,348,324	1,391,242	1,575,314	1,667,597
Investment earnings	82,286	110,562	255,611	306,339	641,115	346,531	44,737	21,346	37,254	37,985
Miscellaneous	200,561	126,607	281,657	--	--	--	91,232	131,847	147,065	212,697
Transfers	(9,737)	(28,134)	(28,135)	(28,133)	(28,133)	(28,134)	(164,502)	(212,308)	(28,134)	(28,134)
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	21,782,620	22,395,556
Business-type activities:										
Investment earnings	22,163	21,235	41,050	45,527	49,086	48,202	21,303	1,974	2,162	587
Transfers	9,737	28,134	28,135	28,133	28,133	28,134	164,502	212,308	28,134	28,134
Total business-type activities	31,900	49,369	69,185	73,660	77,219	76,336	185,805	214,282	30,296	28,721
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	$ 21,812,916	$ 22,424,277
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	$ 3,172,050	$ 3,407,499
Business-type activities	(37,169)	(390,988)	190,243	(108,576)	(166,395)	5,026,634	7,072,396	2,759,778	306,682	(935,039)
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	$ 3,478,732	$ 2,472,460

VILLAGE OF KEY BISCAYNE, FLORIDA

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General fund										
Non-spendable	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ 305,730	$ 303,918
Restricted	--	--	--	--	--	--	--	--	1,170,247	1,054,070
Committed	--	--	--	--	--	--	--	--	12,039,224	4,858,269
Assigned	--	--	--	--	--	--	--	--	4,028,870	8,178,544
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	17,544,071	14,394,801
All other governmental funds										
Committed	--	--	--	--	--	--	--	--	3,665,259	6,060,286
Unassigned	--	--	--	--	--	--	--	--	(1,077,816)	(690,343)
Restricted	--	--	--	--	--	--	--	--	--	573,701
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	2,587,443	5,943,644
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	$ 20,131,514	$ 20,338,445

Note: The Village implemented GASB Statement No. 54 for the fiscal year ended September 30, 2011.

VILLAGE OF KEY BISCAYNE, FLORIDA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	$ 16,646,040	$ 16,985,109
Franchise fees	611,502	677,203	1,452,210	1,885,983	1,113,194	1,064,666	992,997	1,006,415	735,519	846,252
Utility taxes/communication services tax	2,251,876	2,219,118	1,488,002	1,549,601	2,231,193	1,534,379	2,834,749	2,731,766	2,717,209	2,709,498
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	1,948,820	2,383,500
Intergovernmental revenue	999,391	1,031,805	1,495,947	1,756,083	1,593,718	3,189,251	3,047,844	2,089,015	2,305,806	2,451,483
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	2,885,349	2,901,119
Grants	99,830	--	650,679	2,799,762	206,040	251,180	167,873	425,339	77,638	6,629
Investment income	82,286	110,562	255,611	306,339	632,355	338,528	44,737	21,346	37,254	37,985
Miscellaneous	399,124	441,761	281,657	--	8,762	8,003	26,232	131,848	147,065	212,697
Total revenues	17,058,894	18,537,911	21,891,849	26,366,028	27,514,031	29,671,932	30,427,524	27,933,203	27,500,700	28,534,272
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	1,929,153	2,066,501
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	6,557,442	7,056,020
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	5,312,977	5,453,853
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	1,711,868	1,727,203
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	1,702,541	1,777,349
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	3,799,408	3,764,570
Capital outlay	5,108,330	10,664,348	4,527,998	6,432,271	6,830,844	4,743,796	1,537,930	2,349,935	1,963,219	3,793,179
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	2,140,684	2,348,506	2,436,139
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	1,386,913	1,520,433	828,393
Total expenditures	20,759,033	26,935,903	24,096,605	28,986,971	27,935,109	27,407,896	26,015,287	26,419,037	26,845,547	28,903,207
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	1,514,166	655,153	(368,935)
Other financing sources (uses)										
Capital Leases	--	--	--	--	--	--	--	--	--	604,000
Transfers in	938,652	819,251	1,245,653	1,731,583	6,697,854	4,533,094	3,236,194	--	--	5,816,222
Transfers out	(948,389)	(847,385)	(1,273,788)	(1,759,716)	(6,725,988)	(4,561,228)	(3,400,696)	(212,308)	(28,134)	(5,844,356)
Bonds issued	1,657,090	8,330,462	2,850,000	3,450,000	4,000,000	--	--	--	--	--
Refunding bonds issued	--	--	--	--	--	--	--	--	18,693,952	--
Debt service - principal	--	--	--	--	--	--	--	--	(18,693,952)	--
Proceeds from sale of capital assets	--	--	--	--	--	--	65,000	--	--	--
Capital lease proceeds	--	--	404,471	--	--	--	--	188,444	321,681	--
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)	293,547	575,866
Net change in fund balances	$ (2,052,786)	$ (95,664)	$ 1,021,580	$ 800,924	$ 3,550,788	$ 2,235,902	$ 4,312,735	$ 1,490,302	$ 948,700	$ 206,931
Debt service as a percentage of non-capital expenditures	19%	20%	14%	13%	16%	16%	17%	17%	18%	15%

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
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
2011	16,646,040	735,519	1,705,238	1,358,573	1,011,971	21,457,341
2012	16,985,109	846,252	1,727,651	2,451,483	981,847	22,992,342

Source: Village of Key Biscayne Finance Department.

VILLAGE OF KEY BISCAYNE, FLORIDA

NET ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

Fiscal Year Ended September 30,	Real Property		Personal Property	Total Net Assessed Value	Total Direct Tax Rate
	Residential Property	Commercial Property			
2003	$ 3,128,872,469	$ 99,098,715	$ 31,948,797	$ 3,259,919,981	3.606
2004	3,506,812,044	111,068,946	43,233,556	3,661,114,546	3.606
2005	3,713,841,630	117,626,058	43,867,688	3,875,335,376	3.606
2006	4,115,175,292	130,346,736	41,852,920	4,287,374,948	3.606
2007	5,421,393,923	166,638,240	47,020,078	5,635,052,241	3.450
2008	6,173,257,097	294,540,559	46,315,146	6,514,112,802	3.200
2009	6,045,667,021	326,947,307	38,117,174	6,410,731,502	3.200
2010	5,579,196,777	301,954,316	39,521,761	5,920,672,854	3.200
2011	5,101,548,253	276,247,015	38,812,865	5,416,608,133	3.200
2012	5,199,632,122	281,666,505	41,574,020	5,522,872,647	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
2003	2002	3.606	-	3.606	5.889	0.390	6.279	8.482	0.770	9.252	0.039	0.597	0.586	20.359
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	4.580	0.285	4.865	7.570	0.378	7.948	0.035	0.535	0.896	17.478
2009	2008	3.200	-	3.200	4.838	0.285	5.123	7.533	0.264	7.797	0.035	0.535	0.893	17.582
2010	2009	3.200	-	3.200	4.838	0.285	5.123	7.698	0.297	7.995	0.035	0.535	0.972	17.859
2011	2010	3.200	-	3.200	5.428	0.445	5.873	7.864	0.385	8.249	0.035	0.535	0.873	18.764
2012	2011	3.200	-	3.200	4.805	0.285	5.090	7.765	0.240	8.005	0.035	0.374	0.742	17.445

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

2012				2003			
Taxpayer	Net Assessed Value	Rank	Percent of Total Village Net Assessed Value	Taxpayer	Net Assessed Value	Rank	Percent of Total Village Net Assessed Value
Consultatio Key Biscayne LLC	$ 57,288,920	1	1.06%	Sonesta Beach Resort, LP	$ 39,921,710	1	1.22%
GB Hotel Partners LTD	49,300,000	2	0.91%	GB Hotel Partners LTD	26,929,342	2	0.83%
EDW A McCarthy-Archbishop	23,341,773	3	0.43%	Key Biscayne Ocean Club Ltd.	17,486,700	3	0.54%
Red Dragon's Sands LTD	17,627,724	4	0.33%	Oceanclub Community Assoc	12,500,000	4	0.38%
Galleria of Key Biscayne Inc	17,500,000	5	0.32%	Pitu, Inc.	9,657,016	5	0.30%
Key Biscayne Properties LLC	15,616,530	6	0.29%	Galleria of Key Biscayne Inc	8,741,107	6	0.27%
Key Biscayne Presbyterian Church	12,606,491	7	0.23%	Claudio Alvarez	8,505,544	7	0.26%
Ocean Club Community Association	12,500,000	8	0.23%	Red Dragon Sands, LTD	8,470,400	8	0.26%
260 Cape FLA LLC	11,383,593	9	0.21%	John Dasburg	6,828,983	9	0.21%
United Real Est Ventures Inc	11,117,654	10	0.21%	Yoyot Realty, Inc.	5,849,394	10	0.18%
	$ 228,282,685		4.21%		$ 144,890,196		4.45%

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
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	20,591,128	19,157,014	93.04%	367,746	19,524,760	94.82%
2010	18,995,891	17,832,874	93.88%	197,199	18,030,073	94.92%
2011	17,375,233	16,305,811	93.85%	340,229	16,646,040	95.80%
2012	17,673,192	16,915,884	95.71%	69,225	16,985,109	96.11%

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

	Governmental Activities			Business-Type Activities			
Fiscal Year Ended September 30,	General Obligation Bonds	Revenue Bonds	Loans Payable	Revenue Bonds	Loans Payable	Total	Percent of Personal Income (1)
2003	$ --	$ 29,271,000	$ --	$ 6,625,000	$ --	$ 35,896,000	0.23%
2004	--	29,164,892	--	6,430,000	--	35,594,892	0.24%
2005	--	30,850,606	--	6,010,000	--	36,860,606	0.24%
2006	--	33,085,960	--	5,785,000	--	38,870,960	0.23%
2007	--	31,695,102	--	5,200,000	--	36,895,102	0.25%
2008	--	33,987,811	5,000,000	5,200,000	339,919	44,527,730	0.22%
2009	--	32,040,160	--	4,835,000	2,387,341	39,262,501	0.25%
2010	--	29,950,678	--	4,450,000	4,695,812	39,096,490	0.26%
2011	-	27,757,222	-	4,130,000	4,497,388	36,384,610	0.29%
2012	-	25,543,132	-	3,655,000	4,254,706	33,452,838	0.33%

(1) Personal income amounts are disclosed on page 76 on the demographic schedule.

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, 2012

	2012		
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	$ 25,543,132	100.00%	$ 25,543,132
Overlapping debt:			
Miami-Dade County	1,351,262	1.63%	22,075
Miami-Dade County School Board	161,860	1.38%	2,227
Subtotal, Overlapping Debt			24,302
Village of Key Biscayne Direct Debt			25,543,132
Total Direct and Overlapping Debt			$ 25,567,434

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	
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	10,100,329	2,140,684	1,386,913	3.40
2011	10,854,660	2,348,506	1,520,433	4.81
2012	11,549,163	2,436,139	828,393	5.12

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 (1)	Per Capita Personal Income (1)	Unemployment Rate (2)
2003	10,507	$ 83,127	$ 34,119	5.8%
2004	10,507	85,698	35,175	5.1%
2005	10,507	88,349	36,262	4.2%
2006	10,507	91,081	37,384	3.9%
2007	10,507	93,898	38,540	4.6%
2008	10,507	96,802	39,732	6.9%
2009	10,507	99,796	40,961	11.0%
2010	12,344	102,790	42,190	12.1%
2011	12,344	105,874	43,456	9.4%
2012	12,344	109,050	44,759	8.5%

Sources:
(1) City-data.com
(2) United States Bureau of Labor Statistics

VILLAGE OF KEY BISCAYNE, FLORIDA

PRINCIPAL EMPLOYERS

CURRENT YEAR AND SIX YEARS AGO

	2012			2006		
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	1,500	1	not known
Sonesta Beach Resort	-	-	-	1,500	2	not known
Winn Dixie Stores, Inc.	250	2	not known	250	3	not known
Village of Key Biscayne	117	3	not known	100	4	not known
All remaining employers are of an extremely small number						
Total	1,867			3,350		

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

VILLAGE OF KEY BISCAYNE, FLORIDA

FULL-TIME EQUIVALENT VILLAGE GOVERNMENT EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Number of Employees										
General government	5	6	7	6	6	6	8	7	7	7
Public safety	74	76	79	79	79	78	81	80	80	81
Building, planning and zoning	12	12	13	13	14	13	13	13	13	15
Public works	5	5	5	5	4	4	4	4	4	4
Parks and recreation	4	4	6	6	7	7	10	10	10	10
Total Number of Employees	100	103	110	109	110	108	116	114	114	117

Source: Village of Key Biscayne Finance Department budget.

VILLAGE OF KEY BISCAYNE, FLORIDA

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public safety:										
Police:										
Police personnel and officers	40	41	40	40	40	39	42	41	41	42
Police calls for service	20,660	19,004	16,510	13,006	35,412	36,190	37,002	34,935	37,646	31,214
Parking violations	639	628	682	801	996	776	824	523	563	638
Traffic violations	2,433	3,035	1,397	1,468	1,104	946	975	1,425	1,269	1,542
Fire:										
Fire personnel	34	35	39	39	39	39	39	39	39	39
Fire incidents	1,114	1,148	1,403	1,103	998	1,006	1,012	1,556	1,841	1,369
Fire inspections performed	840	307	332	269	220	305	229	267	469	323
Planning and development:										
Business permits issued	2,581	3,061	3,045	3,000	3,504	3,620	2,451	2,794	2,969	3,402
Business tax receipts issued	668	428	433	475	914	1,224	1,324	1,142	1,166	1,228
Culture and recreation:										
Number of building users	--	--	6,373	6,461	5,778	4,673	4,268	3,990	4,127	4,338
Solid waste:										
Residential accounts	1,200	1,200	1,200	1,200	1,200	1,299	1,298	1,302	1,292	1,264

Sources: Various Village Departments.

VILLAGE OF KEY BISCAYNE, FLORIDA

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	300	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	1	1
Swimming pools	--	--	1	1	1	1	1	1	1	1

Sources: Various Village Departments.

REPORTING 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, 2012, and have issued our report thereon dated May 31, 2013. 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

Management of the Village is responsible for establishing and maintaining effective 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

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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
May 31, 2013

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, 2012, and have issued our report thereon dated May 31, 2013.

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. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosures in that report, which is dated May 31, 2013, 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 findings or recommendations made in the preceding annual financial audit report.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Village complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.554(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.

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- 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. The Village of Key Biscayne was incorporated by the Laws of Florida, Act of 1955. There are no component units related to the Village.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Village did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Village for the fiscal year ended September 30, 2011, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2012. 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 Mayor, 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
May 31, 2013