

# VILLAGE OF KEY BISCAYNE, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED SEPTEMBER 30, 2011



Prepared by:  
THE FINANCE DEPARTMENT

**VILLAGE OF KEY BISCAYNE, FLORIDA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**VILLAGE OF KEY BISCAYNE, FLORIDA**  
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## **INTRODUCTORY SECTION**

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# V I L L A G E   O F   K E Y   B I S C A Y N E

## Department of Finance and Administrative Services

### *Village Council*

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

April 27, 2012

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, 2011.

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, 2011 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amount and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Village of Key Biscayne's financial statements for the fiscal year ended September 30, 2011 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 supplemental information section of this report.

### **Local Economy**

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

Property values were once again lower during the past year following nationwide trends. Continuing weakness in the national and state economy will constrain the growth of property tax revenues and will likely have an unfavorable impact on many of the Village's intergovernmental revenues such as sales tax

and state revenue sharing. The Village continues to monitor operating expenses closely while seeking additional cost-cutting measures to mitigate any future loss of revenue.

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

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

#### **Pension Benefits**

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

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

#### **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Village of Key Biscayne for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2010. This was the nineteenth 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

**VILLAGE OF KEY BISCAAYNE, FLORIDA**

VILLAGE OFFICIALS

SEPTEMBER 30, 2011

**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**

Beatrice Galeano, P.A.

**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, 2010

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.



*Linda C. Sandson*

President

*Jeffrey R. Emer*

Executive Director

**VOTERS OF  
KEY BISCAIYNE**

**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

Key Biscayne

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**FINANCIAL SECTION**

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**INDEPENDENT AUDITORS' REPORT**

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## 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, 2011 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, 2011 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.

As more fully described in Note 1 to the financial statements, the Village implemented the requirements of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which significantly changed the classifications of fund balance of governmental funds.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2012 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.

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 57 through 61, 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 of Key Biscayne basic financial statements as a whole. The introductory section and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information included in the introductory section and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on or provide any assurance on them.

*Marcum LLP*

Miami, FL  
April 27, 2012

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

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## Management's Discussion and Analysis

As Management of the Village of Key Biscayne, we offer readers of the Village of Key Biscayne's (the Village) financial statements this narrative overview and analysis of the financial activities of the Village of Key Biscayne for the fiscal year ended September 30, 2011. 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 \$79,193,555 (net assets).
- The Village's total net assets increased by \$3,478,732. This is attributable to an increase in building permit and stormwater fee revenues.
- By taking advantage of lower interest rates, the Village generated approximately \$1,997,494 in savings by refunding bonds.
- At the close of the current fiscal year, the Village of Key Biscayne's governmental funds reported an ending fund balance of \$20,131,514, an increase of \$948,700 in comparison with the prior year. The Village's charter requires that there be no unassigned fund balance.

### 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 56 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 57 to 61 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 \$79,193,555 at the close of the most recent fiscal year.

A portion of the Village's assets, \$97,283,422 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 \$3,172,050. The majority of this increase is attributable to licensing and permitting activities and Key Biscayne Community Center programs. For the most part, increases in expenses closely paralleled inflation and growth in the scope of services.

## Net Assets

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

**Table A - 1**  
**Summary of Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current assets	\$ 22,222,158	\$ 21,037,985	\$ 1,225,219	\$ 1,226,700	\$ 23,447,377	\$ 22,264,685
Capital assets, net	<u>71,685,564</u>	<u>71,465,039</u>	<u>25,597,858</u>	<u>25,826,523</u>	<u>97,283,422</u>	<u>97,291,562</u>
<b>Total assets</b>	<u>93,907,722</u>	<u>92,503,024</u>	<u>26,823,077</u>	<u>27,053,223</u>	<u>120,730,799</u>	<u>119,556,247</u>
Current liabilities	1,895,815	4,423,980	92,185	729,229	1,988,000	5,153,209
Noncurrent liabilities	<u>30,921,856</u>	<u>30,161,043</u>	<u>8,627,388</u>	<u>8,527,172</u>	<u>39,549,244</u>	<u>38,688,215</u>
<b>Total Liabilities</b>	<u>32,817,671</u>	<u>34,585,023</u>	<u>8,719,573</u>	<u>9,256,401</u>	<u>41,537,244</u>	<u>43,841,424</u>
Investment in capital assets, net of related debt	43,428,433	41,377,118	16,970,470	16,680,711	60,398,903	58,057,829
Restricted	1,170,247	--	--	--	1,170,247	--
Unrestricted	<u>16,491,371</u>	<u>16,540,883</u>	<u>1,133,034</u>	<u>1,116,111</u>	<u>17,624,405</u>	<u>17,656,994</u>
<b>Total Net Assets</b>	<u>\$ 61,090,051</u>	<u>\$ 57,918,001</u>	<u>\$ 18,103,504</u>	<u>\$ 17,796,822</u>	<u>\$ 79,193,555</u>	<u>\$ 75,714,823</u>

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 4,834,169	\$ 3,694,600	\$ 1,577,296	\$ 1,100,412	\$ 6,411,465	\$ 4,795,012
Operating grants and contributions	77,638	163,752	--	--	77,638	163,752
Capital grants and contributions	730,492	959,360	258,500	2,673,451	988,992	3,632,811
General revenues:						
Property taxes	16,646,040	17,832,874	--	--	16,646,040	17,832,874
Utility taxes	1,705,238	1,655,032	--	--	1,705,238	1,655,032
Communications services tax	964,324	1,029,087	--	--	964,324	1,029,087
Franchise fees	735,519	1,006,415	--	--	735,519	1,006,415
Unrestricted intergovernmental revenue	1,575,314	1,391,242	--	--	1,575,314	1,391,242
Investment income and miscellaneous	184,319	153,193	2,162	1,974	186,481	155,167
<b>Total Revenues</b>	<b>27,453,053</b>	<b>27,885,555</b>	<b>1,837,958</b>	<b>3,775,837</b>	<b>29,291,011</b>	<b>31,661,392</b>
<b>Expenses</b>						
General government	2,830,412	2,751,697	--	--	2,830,412	2,751,697
Public Safety	12,538,607	12,122,776	--	--	12,538,607	12,122,776
Parks and Recreation	4,232,147	4,134,830	--	--	4,232,147	4,134,830
Public Works	1,719,526	1,614,443	--	--	1,719,526	1,614,443
Building, Zoning and Planning	1,714,303	1,611,119	--	--	1,714,303	1,611,119
Interest on long-term debt	1,217,874	1,366,437	--	--	1,217,874	1,366,437
Stormwater	--	--	815,402	603,262	815,402	603,262
Solid waste collection	--	--	546,534	585,927	546,534	585,927
Sanitary sewer construction	--	--	197,474	39,178	197,474	39,178
<b>Total Expenses</b>	<b>24,252,869</b>	<b>23,601,302</b>	<b>1,559,410</b>	<b>1,228,367</b>	<b>25,812,279</b>	<b>24,829,669</b>
Changes in net assets before transfers	3,200,184	4,284,253	278,548	2,547,470	3,478,732	6,831,723
Transfers	(28,134)	(212,308)	28,134	212,308	--	--
Changes in net assets after transfers	<b>3,172,050</b>	<b>4,071,945</b>	<b>306,682</b>	<b>2,759,778</b>	<b>3,478,732</b>	<b>6,831,723</b>
Net Assets - Beginning	57,918,001	53,846,056	17,796,822	15,037,044	75,714,823	68,883,100
Net Assets - Ending	<b>\$61,090,051</b>	<b>\$57,918,001</b>	<b>\$18,103,504</b>	<b>\$17,796,822</b>	<b>\$79,193,555</b>	<b>\$75,714,823</b>

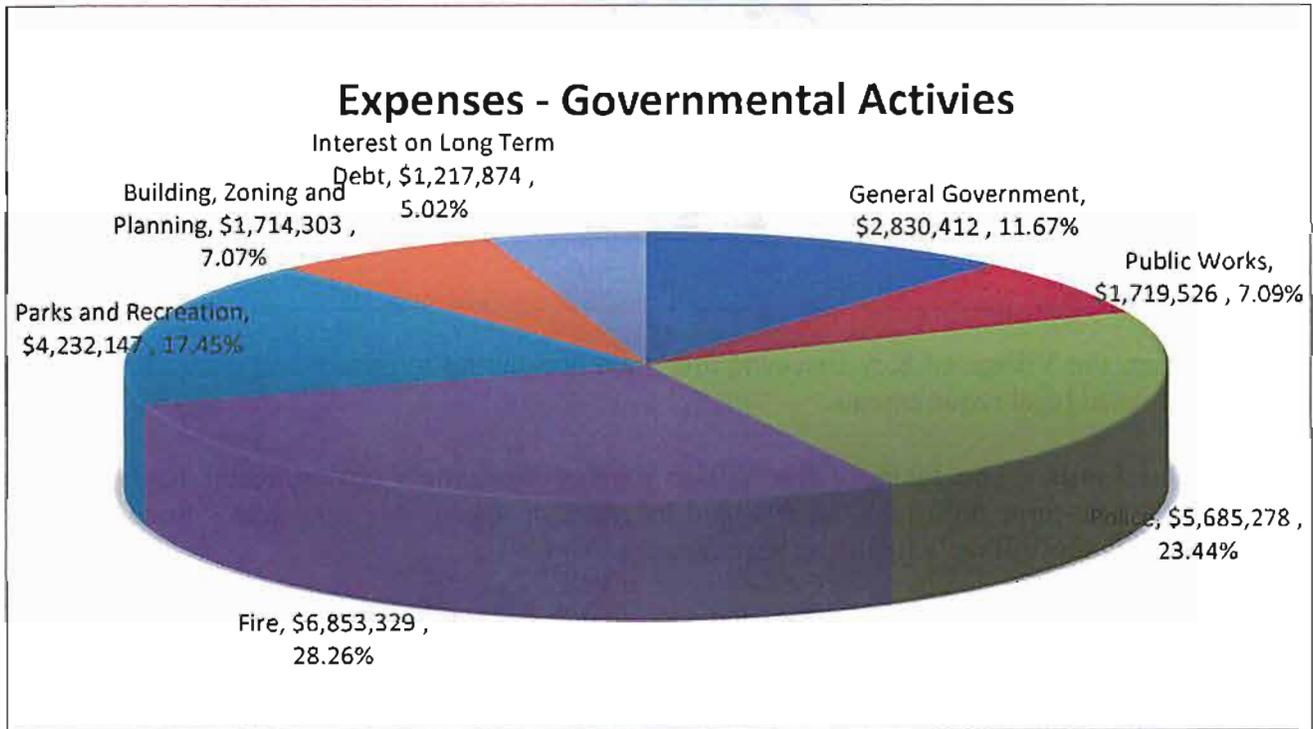
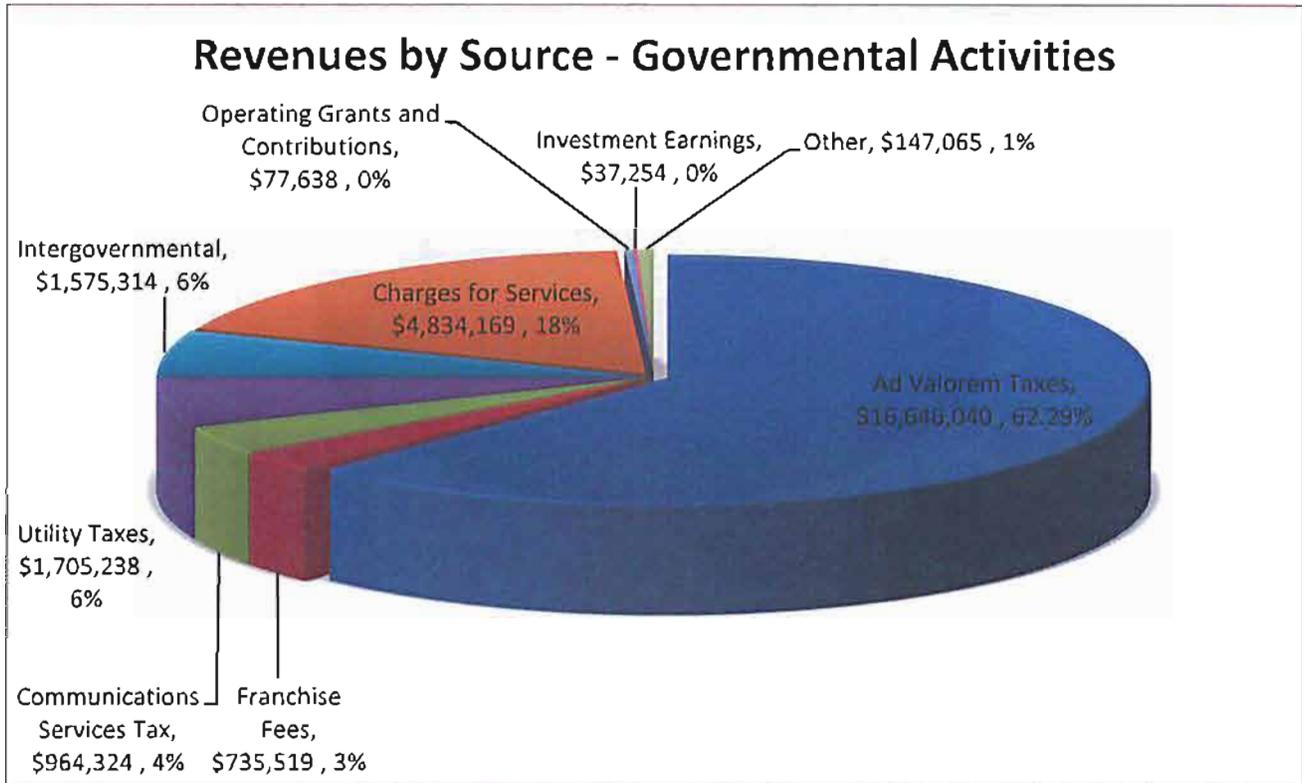
The Village's net assets increased by \$3,478,732 during the current fiscal year. This increase is attributable to an increase in licensing and permitting activities.

### Business-type Activities

Business-type activities increased the Village's net assets by \$306,682.

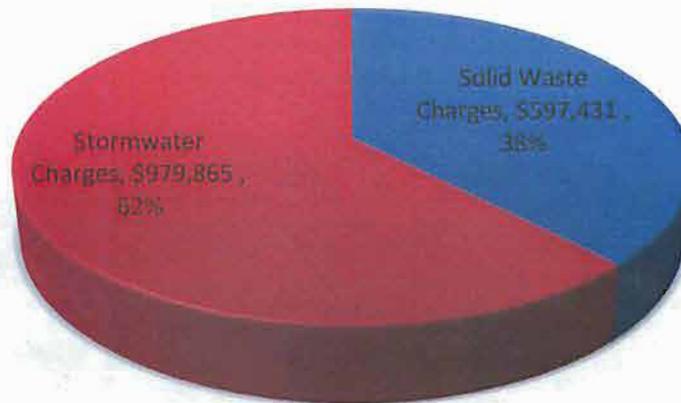
- In fiscal 2011, the solid waste and stormwater funds reflected increases in net assets.
- The Stormwater Utility Fund reflected net income of \$164,463, due mainly to an increase in rates for FY 2011.
- The Solid Waste Collection Fund reported net income of \$50,897, due to increased collection of old receivables and lower operational costs.
- The Sanitary Sewer Construction Fund project has been completed. The net income of \$61,026 is a result of a capital grant.

**Governmental Activities**

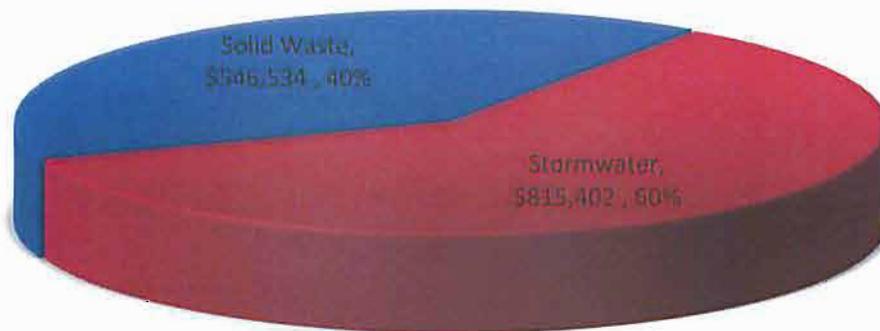


## Business-type Activities

### Revenues by Source - Business Type Activities



### Expenses - 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 spendable 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 \$17,544,071, an increase of \$2,257,382 in comparison with the prior year. All balances have been categorized and set aside for the following uses: (1) Non-spendable: prepaid items \$305,730, (2) Restricted: building inspections, fire code violations, fire grant revenue and law enforcement seizures \$1,170,247, (3) Committed: capital improvement plan, capital leases, emergencies, fire rescue transport fees, fire station building reserves, fire vehicle replacements, labor negotiations, master plan initiatives, open space land trust, playing fields, police/administrative building reserve, recreational facilities and roadway improvements \$12,039,224 and (4) Assigned: compensated absences, police pension and working capital \$4,028,870.

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 43% 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, 2011 and 2010, is shown as follows:

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

	2011	2010
<b>Total Assets</b>	<u>\$ 19,192,632</u>	<u>\$ 16,903,287</u>
<b>Total Liabilities</b>	\$ 1,648,561	\$ 1,616,598
<b>Reserved Fund Balance</b>	<u>17,544,071</u>	<u>15,286,689</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 19,192,632</u>	<u>\$ 16,903,287</u>

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

	2011	2010
<b>Total Revenues</b>	<u>\$ 26,544,351</u>	<u>\$ 26,785,459</u>
<b>Total Expenditures</b>	<u>24,580,516</u>	<u>23,793,439</u>
<b>Excess of Revenues over Expenditures</b>	1,963,835	2,992,020
<b>Total Other financing Sources (Uses)</b>	<u>293,547</u>	<u>(23,864)</u>
<b>Net Change in Fund Balance</b>	<u>\$ 2,257,382</u>	<u>\$ 2,968,156</u>

**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 2012 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 has decreased. At management's recommendation surplus funds generated by the general fund during the recent fiscal year were reserved as working capital in order to mitigate future economic challenges.

**General Fund Budgetary Highlights**

There were three departments with significant budget to actual variances: Fire, Building, Zoning and Planning, and the Community Center. These variances were caused by the following:

- Fire Rescue – payout of compensated absences per employee Collective Bargaining Agreement.
- Building, Planning & Zoning – increased licensing and permitting activity as offset by corresponding revenues.
- Community Center – increased program expenses as offset by corresponding revenues.

## **Capital Assets**

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

- Enhancements to the Emergency Management Services within the Fire Rescue department
- Continuation of the Beach Renourishment program
- Installation of public parking at the Community Church
- Installation of traffic calming devices
- Architectural design of 530 Crandon Blvd park
- Resurfacing of Mashta Island Drive

Additional information on the Village's capital assets can be found in Note 7 on pages 37-47 of this report.

## **Debt Administration**

At September 30, 2011, the Village had bonded debt outstanding of \$36,384,610. Of this amount, \$10,004,830 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.

In order for the Village to take advantage of the historical low interest rate environment, several banks were surveyed for financing rates on potential loans with maturity dates equal to those of the existing debt. Results indicated reduced interest rates that would allow the Village to refinance various existing bonds and obtain present value savings. During the year the Village refinanced five of its obligation bonds. The refunding involved the issuance of new debt whose proceeds were used to immediately repay the previously issued debt and produce positive cash flow savings.

Additional information on the Village's long-term debt can be found in Note 8 on pages 37-47 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 starting to show 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 four 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 9.4%, which is a decrease from a rate of 13.20% percent a year ago. This is favorable to the state's average unemployment rate of 10.6% as of September 30, 2011.

All of these factors were considered during preparation of the Village of Key Biscayne's budget for the 2012 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.

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## **BASIC FINANCIAL STATEMENTS**

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# VILLAGE OF KEY BISCAYNE, FLORIDA

## STATEMENT OF NET ASSETS

SEPTEMBER 30, 2011

	Governmental Activities	Business- type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 8,563,328	\$ 1,111,642	\$ 9,674,970
Investments	11,007,623	--	11,007,623
Receivables, net	1,034,444	747,362	1,781,806
Prepays	305,730	--	305,730
Internal balances	683,785	(683,785)	--
Net pension asset	140,395	--	140,395
Deferred bond issue costs	200,000	50,000	250,000
Restricted assets:			
Cash and cash equivalents	14,173	--	14,173
Investments	272,680	--	272,680
Capital assets not being depreciated	24,437,022	280,993	24,718,015
Capital assets being depreciated, net	<u>47,248,542</u>	<u>25,316,865</u>	<u>72,565,407</u>
<b>Total Assets</b>	<u>93,907,722</u>	<u>26,823,077</u>	<u>120,730,799</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	856,120	92,185	948,305
Accrued interest payable	181,014	--	181,014
Unearned revenue	858,681	--	858,681
Noncurrent liabilities:			
Due within one year	2,622,910	695,584	3,318,494
Due in more than one year	28,058,066	7,931,804	35,989,870
Net OPEB obligation	<u>240,880</u>	<u>--</u>	<u>240,880</u>
<b>Total Liabilities</b>	<u>32,817,671</u>	<u>8,719,573</u>	<u>41,537,244</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	43,428,433	16,970,470	60,398,903
Restricted (Note 12)	1,170,247	--	1,170,247
Unrestricted	<u>16,491,371</u>	<u>1,133,034</u>	<u>17,624,405</u>
<b>Total Net Assets</b>	<u>\$ 61,090,051</u>	<u>\$ 18,103,504</u>	<u>\$ 79,193,555</u>

*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, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	
<b>Governmental activities</b>							
General government	\$ 2,830,412	\$ 169,307	\$ --	\$ --	\$ (2,661,105)	\$ --	\$ (2,661,105)
Police	5,685,278	1,763	--	--	(5,683,515)	--	(5,683,515)
Fire	6,853,329	190,989	31,040	--	(6,631,300)	--	(6,631,300)
Public works	1,719,526	--	--	730,492	(989,034)	--	(989,034)
Building, zoning and planning	1,714,303	2,184,127	--	--	469,824	--	469,824
Parks and recreation	4,232,147	2,287,983	46,598	--	(1,897,566)	--	(1,897,566)
Interest on long-term debt	1,217,874	--	--	--	(1,217,874)	--	(1,217,874)
<b>Total governmental activities</b>	<b>24,252,869</b>	<b>4,834,169</b>	<b>77,638</b>	<b>730,492</b>	<b>(18,610,570)</b>	<b>--</b>	<b>(18,610,570)</b>
<b>Business-type activities</b>							
Stormwater	815,402	979,865	--	--	--	164,463	164,463
Sanitary sewer	197,474	--	--	258,500	--	61,026	61,026
Solid waste	546,534	597,431	--	--	--	50,897	50,897
<b>Total business-type activities</b>	<b>1,559,410</b>	<b>1,577,296</b>	<b>--</b>	<b>258,500</b>	<b>--</b>	<b>276,386</b>	<b>276,386</b>
<b>Total</b>	<b>\$ 25,812,279</b>	<b>\$ 6,411,465</b>	<b>\$ 77,638</b>	<b>\$ 988,992</b>	<b>(18,610,570)</b>	<b>276,386</b>	<b>(18,334,184)</b>
<b>General Revenues</b>							
Property taxes					16,646,040	--	16,646,040
Franchise fees based on gross receipts					735,519	--	735,519
Utility taxes					1,705,238	--	1,705,238
Communications services tax					964,324	--	964,324
Unrestricted intergovernmental revenue					1,575,314	--	1,575,314
Unrestricted investment earnings					37,254	2,162	39,416
Miscellaneous income					147,065	--	147,065
Transfers					(28,134)	28,134	--
<b>Total General Revenues and Transfers</b>					<b>21,782,620</b>	<b>30,296</b>	<b>21,812,916</b>
<b>Change in Net Assets</b>					<b>3,172,050</b>	<b>306,682</b>	<b>3,478,732</b>
<b>Net Assets - Beginning</b>					<b>57,918,001</b>	<b>17,796,822</b>	<b>75,714,823</b>
<b>Net Assets - Ending</b>					<b>\$ 61,090,051</b>	<b>\$ 18,103,504</b>	<b>\$ 79,193,555</b>

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

VILLAGE OF KEY BISCAYNE, FLORIDA

BALANCE SHEET  
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2011

	General	Transportation Special Revenue	Capital Improvements	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 7,804,167	\$ --	\$ 759,161	\$ 8,563,328
Investments	8,006,389	--	3,001,234	11,007,623
Receivables, net	904,846	121,351	8,247	1,034,444
Due from other funds	1,898,820	--	--	1,898,820
Prepaid items	305,730	--	--	305,730
Restricted cash and cash equivalents	--	14,173	--	14,173
Restricted investments	272,680	--	--	272,680
<b>Total Assets</b>	<b>\$ 19,192,632</b>	<b>\$ 135,524</b>	<b>\$ 3,768,642</b>	<b>\$ 23,096,798</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 752,737	\$ --	\$ 103,383	\$ 856,120
Due to other funds	1,695	1,213,340	--	1,215,035
Deferred revenue	894,129	--	--	894,129
<b>Total Liabilities</b>	<b>1,648,561</b>	<b>1,213,340</b>	<b>103,383</b>	<b>2,965,284</b>
<b>Fund Balances (Note 12)</b>				
Non-spendable	305,730	--	--	305,730
Restricted	1,170,247	--	--	1,170,247
Committed	12,039,224	--	3,665,259	15,704,483
Assigned	4,028,870	--	--	4,028,870
Unassigned	--	(1,077,816)	--	(1,077,816)
<b>Total Fund Balances (Deficit)</b>	<b>17,544,071</b>	<b>(1,077,816)</b>	<b>3,665,259</b>	<b>20,131,514</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 19,192,632</b>	<b>\$ 135,524</b>	<b>\$ 3,768,642</b>	
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds				71,685,564
A net pension asset is not considered to represent a financial asset and therefore is not reported in the governmental funds				140,395
Long-term receivables are not available to pay for current period expenditures and, therefore, are not reported in the funds				35,448
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore not reported in the funds (Note 2)				(30,902,870)
<b>Net Assets of Governmental Activities</b>				<b>\$ 61,090,051</b>

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, 2011**

	General	Transportation Special Revenue	Capital Improvements	Total Governmental Funds
<b>Revenues</b>				
Property taxes	\$ 16,646,040	\$ --	\$ --	\$ 16,646,040
Utility taxes	1,705,238	--	--	1,705,238
Communications services tax	1,011,971	--	--	1,011,971
Franchise fees	735,519	--	--	735,519
Licenses and permits	1,948,820	--	--	1,948,820
Intergovernmental	1,358,573	947,233	--	2,305,806
Charges for services	2,885,349	--	--	2,885,349
Interest	29,038	18	8,198	37,254
Grants	77,638	--	--	77,638
Miscellaneous income	146,165	--	900	147,065
<b>Total Revenues</b>	<u>26,544,351</u>	<u>947,251</u>	<u>9,098</u>	<u>27,500,700</u>
<b>Expenditures</b>				
Current:				
General government	1,929,153	--	--	1,929,153
Fire	6,557,442	--	--	6,557,442
Police	5,312,977	--	--	5,312,977
Public works	1,711,868	--	--	1,711,868
Building, zoning and planning	1,702,541	--	--	1,702,541
Parks and recreation	3,799,408	--	--	3,799,408
Capital outlay	423,823	--	1,539,396	1,963,219
Debt service:				
Principal	1,918,987	429,519	--	2,348,506
Interest and fiscal charges	1,224,317	296,116	--	1,520,433
<b>Total Expenditures</b>	<u>24,580,516</u>	<u>725,635</u>	<u>1,539,396</u>	<u>26,845,547</u>
Deficiency of revenues over expenditures	<u>1,963,835</u>	<u>221,616</u>	<u>(1,530,298)</u>	<u>655,153</u>
<b>Other Financing Sources (Uses)</b>				
Capital lease	321,681	--	--	321,681
Transfers out	(28,134)	--	--	(28,134)
Debt service - principal	(15,885,000)	(2,808,952)	--	(18,693,952)
Refunding bonds issued	15,885,000	2,808,952	--	18,693,952
<b>Total Other Financing Sources (Uses)</b>	<u>293,547</u>	<u>--</u>	<u>--</u>	<u>293,547</u>
<b>Net Change in Fund Balances</b>	2,257,382	221,616	(1,530,298)	948,700
<b>Fund Balances (Deficit) - Beginning</b>	<u>15,286,689</u>	<u>(1,299,432)</u>	<u>5,195,557</u>	<u>19,182,814</u>
<b>Fund Balances (Deficit) - Ending</b>	<u>\$ 17,544,071</u>	<u>\$ (1,077,816)</u>	<u>\$ 3,665,259</u>	<u>\$ 20,131,514</u>

*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, 2011**

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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)	\$ 948,700
--	------------

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	\$ 1,844,950	
Depreciation expense	<u>(1,636,232)</u>	
Net adjustment		208,718

Under the modified accrual basis of accounting used in the governmental funds, revenues are not recognized until funds are measurable and available to finance current expenditures. In the statement of activities, however, which is presented on the accrual basis, revenues are reported when earned.

The detail of the difference is as follows:

Communications services tax proceeds	(47,647)
--------------------------------------	----------

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	20,887,408	
Capital lease payments	152,488	
Other debt adjustment	2,562	
Refunding bonds proceeds	(18,693,952)	
Capital lease proceeds	<u>(321,681)</u>	2,026,825

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	(144,704)	
Accrued interest expense	120,560	
Debt issuance costs	181,999	
Net OPEB obligation	(120,388)	
Net pension asset	11,302	
Other items	<u>(13,315)</u>	<u>35,454</u>

Change in net assets of governmental activities (Page 12)	<u>\$ 3,172,050</u>
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*The accompanying notes are an integral part of these financial statements.*

**VILLAGE OF KEY BISCAYNE, FLORIDA**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS**

**SEPTEMBER 30, 2011**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Totals</u>
	<u>Stormwater Utility System</u>	<u>Sanitary Sewer Construction</u>	<u>Solid Waste</u>	
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 192,569	\$ 763,377	\$ 155,696	\$ 1,111,642
Accounts receivables, net	556,299	--	191,063	747,362
Due from other funds	--	--	1,695	1,695
<b>Total Current Assets</b>	<u>748,868</u>	<u>763,377</u>	<u>348,454</u>	<u>1,860,699</u>
<b>Noncurrent Assets</b>				
Capital assets not being depreciated	280,993	--	--	280,993
Capital assets being depreciated, net	6,508,607	18,808,258	--	25,316,865
Deferred bond issue costs	50,000	--	--	50,000
<b>Total Noncurrent Assets</b>	<u>6,839,600</u>	<u>18,808,258</u>	<u>--</u>	<u>25,647,858</u>
<b>Total Assets</b>	<u>7,588,468</u>	<u>19,571,635</u>	<u>348,454</u>	<u>27,508,557</u>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued liabilities	32,881	12,835	46,469	92,185
Due to other funds	685,480	--	--	685,480
Current portion of revolving loans	--	220,584	--	220,584
Current portion of revenue bonds payable	475,000	--	--	475,000
<b>Total Current Liabilities</b>	<u>1,193,361</u>	<u>233,419</u>	<u>46,469</u>	<u>1,473,249</u>
<b>Noncurrent Liabilities</b>				
Revenue bonds	3,655,000	--	--	3,655,000
Revolving loans	--	4,276,804	--	4,276,804
<b>Total Noncurrent Liabilities</b>	<u>3,655,000</u>	<u>4,276,804</u>	<u>--</u>	<u>7,931,804</u>
<b>Total Liabilities</b>	<u>4,848,361</u>	<u>4,510,223</u>	<u>46,469</u>	<u>9,405,053</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	2,659,600	14,310,870	--	16,970,470
Unrestricted	80,507	750,542	301,985	1,133,034
<b>Total Net Assets</b>	<u>\$ 2,740,107</u>	<u>\$ 15,061,412</u>	<u>\$ 301,985</u>	<u>\$ 18,103,504</u>

*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, 2011**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Totals</u>
	<u>Stormwater Utility System</u>	<u>Sanitary Sewer Construction</u>	<u>Solid Waste</u>	
<b>Operating Revenues</b>				
Charges for services	\$ 979,865	\$ --	\$ 597,431	\$ 1,577,296
<b>Operating Expenses</b>				
General and administrative	359,377	--	546,534	905,911
Depreciation	288,567	--	--	288,567
<b>Total Operating Expenses</b>	<u>647,944</u>	<u>--</u>	<u>546,534</u>	<u>1,194,478</u>
<b>Operating Income</b>	<u>331,921</u>	<u>--</u>	<u>50,897</u>	<u>382,818</u>
<b>Non-Operating Revenues (Expenses)</b>				
Interest income	328	1,718	116	2,162
Interest expense	(167,458)	(197,474)	--	(364,932)
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(167,130)</u>	<u>(195,756)</u>	<u>116</u>	<u>(362,770)</u>
<b>Income (Loss) before Contributions and Transfers</b>	164,791	(195,756)	51,013	20,048
Capital contributions	--	258,500	--	258,500
Transfers in	300,000	28,134	--	328,134
Transfers out	--	(300,000)	--	(300,000)
<b>Total Contributions and Transfers</b>	<u>300,000</u>	<u>(13,366)</u>	<u>--</u>	<u>286,634</u>
<b>Change in Net Assets</b>	464,791	(209,122)	51,013	306,682
<b>Net Assets - Beginning</b>	<u>2,275,316</u>	<u>15,270,534</u>	<u>250,972</u>	<u>17,796,822</u>
<b>Net Assets - Ending</b>	<u>\$ 2,740,107</u>	<u>\$ 15,061,412</u>	<u>\$ 301,985</u>	<u>\$ 18,103,504</u>

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

**VILLAGE OF KEY BISCAWAYNE, FLORIDA**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

**FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	<u>Business-type Activities -</u> <u>Enterprise Funds</u>			<u>Totals</u>
	<u>Stormwater Utility System</u>	<u>Sanitary Sewer Construction</u>	<u>Solid Waste</u>	
<b>Cash Flows from Operating Activities</b>				
Receipts from customers and users	\$ 590,001	\$ --	\$ 609,619	\$ 1,199,620
Receipts from interfund services provided	34,607	--	--	34,607
Payments to suppliers	(364,218)	--	(544,281)	(908,499)
Payments for interfund services	--	--	(499)	(499)
<b>Net Cash Provided by Operating Activities</b>	<u>260,389</u>	<u>--</u>	<u>64,839</u>	<u>325,228</u>
<b>Cash Flows from Non-Capital Financing Activities</b>				
Transfers in from other funds	300,000	28,134	--	328,134
Transfers out to other funds	--	(300,000)	--	(300,000)
<b>Net Cash Provided by (Used In) Non-Capital Financing Activities</b>	<u>300,000</u>	<u>(271,866)</u>	<u>--</u>	<u>28,134</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Capital contributions	--	580,820	--	580,820
Proceeds from revenue bond issuance	4,450,000	--	--	4,450,000
Proceeds from revolving loan	--	48,968	--	48,968
Payments for construction of capital assets	(15,342)	(60,375)	--	(75,717)
Payments on revenue bonds	(4,770,000)	--	--	(4,770,000)
Payments on revolving loans	--	(247,392)	--	(247,392)
Interest paid	(167,458)	(197,474)	--	(364,932)
Other debt issuance costs paid	(50,000)	--	--	(50,000)
<b>Net Cash Provide by (Used In) Capital and Related Financing Activities</b>	<u>(552,800)</u>	<u>124,547</u>	<u>--</u>	<u>(378,253)</u>
<b>Cash Flows from Investing Activities</b>				
Interest received	328	1,718	116	2,162
<b>Net Cash Provided by Investing Activities</b>	<u>328</u>	<u>1,718</u>	<u>116</u>	<u>2,162</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	7,917	(145,601)	64,955	(72,729)
<b>Cash and Cash Equivalents - Beginning</b>	<u>184,652</u>	<u>908,978</u>	<u>90,741</u>	<u>1,184,371</u>
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 192,569</u>	<u>\$ 763,377</u>	<u>\$ 155,696</u>	<u>\$ 1,111,642</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>				
Operating income	\$ 331,921	\$ --	\$ 50,897	\$ 382,818
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	288,567	--	--	288,567
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	(389,865)	--	13,883	(375,982)
Due from other funds	--	--	(1,695)	(1,695)
Increase (decrease) in:				
Accounts payable and accrued liabilities	(4,841)	--	2,253	(2,588)
Due to other funds	34,607	--	(499)	34,108
Total adjustments	<u>(71,532)</u>	<u>--</u>	<u>13,942</u>	<u>(57,590)</u>
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 260,389</u>	<u>\$ --</u>	<u>\$ 64,839</u>	<u>\$ 325,228</u>

*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, 2011**

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**Assets**

**Investments**

Money market funds	\$ 1,334,719
Common stocks	4,758,712
Mutual funds	<u>9,177,855</u>

**Total Investments** 15,271,286

**Contributions Receivable**

Village (including State)	<u>42,694</u>
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**Total Assets** 15,313,980

**Liabilities**           --

**Net Assets**

**Net Assets Held in Trust for Pension Benefits** \$ 15,313,980

*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, 2011**

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**Additions**

**Contributions**

Plan members	\$ 659,341
Village (including State)	<u>1,135,705</u>

**Total Contributions** 1,795,046

**Investment Income**

Net depreciation in the fair value of investments	(220,895)
Interest and dividends	<u>154,346</u>
	(66,549)
Less: investment expenses	<u>(100,817)</u>

**Net Investment Loss** (167,366)

**Total Additions** 1,627,680

**Deductions**

Benefits paid	239,419
Transfer to ICMA share plan	12,887
Administrative expenses	<u>50,080</u>

**Total Deductions** 302,386

**Change in Net Assets** 1,325,294

**Net Assets - Beginning** 13,988,686

**Net Assets - Ending** \$ 15,313,980

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

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**NOTES TO BASIC FINANCIAL STATEMENTS**

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# VILLAGE OF KEY BISCAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

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### 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.

# VILLAGE OF KEY BISCAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

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### 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.

# VILLAGE OF KEY BISCAAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

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### 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* 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.

# VILLAGE OF KEY BISCAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

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### 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.

# VILLAGE OF KEY BISCAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

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### 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 \$750 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. All infrastructure assets have been capitalized since inception of the Village.

**VILLAGE OF KEY BISCAYNE, FLORIDA**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**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 2011.

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:

<u>Assets</u>	<u>Years</u>
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 occupational licenses 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, 2011 and were subsequently

# VILLAGE OF KEY BISCAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

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### 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.

# VILLAGE OF KEY BISCAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

##### 9. Fund Equity

The Village has implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This Statement establishes 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/Resolution) 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 management of the Village to which the Council has delegated the authority to assign, modify or rescind amounts to be used for specific purposes. This balance includes (a) all remaining amounts that are reported in 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

# VILLAGE OF KEY BISCAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

##### *9. Fund Equity (continued)*

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 12 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.

# VILLAGE OF KEY BISCAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

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### 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 \$30,902,870 difference is as follows:

Bonds Payable	\$ 27,757,222
Debt Issuance Costs	(200,000)
Capital Leases Payable	355,205
Compensated Absences	2,568,549
Accrued Interest Payable	181,014
Net OPEB Obligation	<u>240,880</u>
	<u>\$ 30,902,870</u>

### 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 .07% to 1.2%. There are certificates of deposit with maturities of 90 days or less totaling \$2,001,176 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 \$11,007,623 which are presented as investments in the accompanying financial statements.

# VILLAGE OF KEY BISCAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

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### 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, 2011, the Village had the following investments with its corresponding maturities in its portfolio:

Investments	Investment Maturities (In Years)	
	Fair Value	Less Than 1
Repurchase Agreements	<u>\$ 1,087,497</u>	<u>\$ 1,087,497</u>

#### *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.

# VILLAGE OF KEY BISCAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

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### NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

#### *INVESTMENTS – VILLAGE (CONTINUED)*

##### *Custodial Credit Risk*

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

##### *INVESTMENTS – PENSION PLAN*

As of September 30, 2011, the Village's Defined Benefit Pension Plan had the following investments with its corresponding maturities in its portfolio:

Investments	Investment Maturities (In Years)				
	Fair Value	Less Than 1	1-5	6-10	10+
Bond Mutual Funds	<u>\$ 5,683,769</u>	<u>\$ 430,773</u>	<u>\$ 2,936,855</u>	<u>\$ 1,624,780</u>	<u>\$ 691,361</u>

##### *Interest Rate Risk*

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

##### *Credit Risk*

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

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

# VILLAGE OF KEY BISCAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

### 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, 2011, 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, 2011 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	\$ --	\$ --	\$ --	\$ 556,299	\$ 212,702	\$ --	\$ 769,001
Contributions	--	--	--	--	--	42,694	42,694
Property Taxes	340,230	--	--	--	--	--	340,230
Intergovernmental	351,132	121,351	8,247	--	--	--	480,730
Other	213,484	--	--	--	--	--	213,484
Gross Receivables	904,846	121,351	8,247	556,299	212,702	42,694	1,846,139
Less: Allowance for Uncollectibles	--	--	--	--	(21,639)	--	(21,639)
<b>Net Total Receivables</b>	<b>\$ 904,846</b>	<b>\$ 121,351</b>	<b>\$ 8,247</b>	<b>\$ 556,299</b>	<b>\$ 191,063</b>	<b>\$ 42,694</b>	<b>\$ 1,824,500</b>

**VILLAGE OF KEY BISCAYNE, FLORIDA**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**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, 2011 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, 2011, there were no material delinquent taxes.

**NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances as of September 30, 2011 is as follows:

Due from/to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue	\$ 1,213,340
	Stormwater	685,480
Solid Waste	General	<u>1,695</u>
		<u>\$ 1,900,515</u>

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

# VILLAGE OF KEY BISCAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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

Interfund transfers:

<u>Transfers Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Sanitary Sewer	\$ 28,134
Sanitary Sewer	Solid Waste	<u>300,000</u>
		<u>\$ 328,134</u>

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, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
<b>Capital Assets, Not Being Depreciated</b>				
Land	\$ 21,833,837	\$ --	\$ --	\$ 21,833,837
Construction in progress	13,934,001	651,646	(11,982,462)	2,603,185
<b>Total Capital Assets, Not Being Depreciated</b>	<u>35,767,838</u>	<u>651,646</u>	<u>(11,982,462)</u>	<u>24,437,022</u>
<b>Capital Assets, Being Depreciated</b>				
Buildings	24,590,982	31,466	--	24,622,448
Improvements other than buildings	17,237,666	12,597,190	--	29,834,856
Furniture, fixtures and equipment	6,808,568	547,110	(352,002)	7,003,676
<b>Total Capital Assets, Being Depreciated</b>	<u>48,637,216</u>	<u>13,175,766</u>	<u>(352,002)</u>	<u>61,460,980</u>
<b>Less Accumulated Depreciation for</b>				
Buildings	(3,890,576)	(497,589)	--	(4,388,165)
Improvements other than buildings	(4,428,251)	(430,656)	--	(4,858,907)
Furniture, fixtures and equipment	(4,609,381)	(707,987)	352,002	(4,965,366)
<b>Total Accumulated Depreciation</b>	<u>(12,928,208)</u>	<u>(1,636,232)</u>	<u>352,002</u>	<u>(14,212,438)</u>
<b>Total Capital Assets, Being Depreciated, Net</b>	<u>35,709,008</u>	<u>11,539,534</u>	<u>--</u>	<u>47,248,542</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 71,476,846</u>	<u>\$ 12,191,180</u>	<u>\$ (11,982,462)</u>	<u>\$ 71,685,564</u>

**VILLAGE OF KEY BISCAYNE, FLORIDA**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

**NOTE 7 – CAPITAL ASSETS (CONTINUED)**

	<u>Ending Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type Activities</b>				
<b>Capital Assets, Not Being Depreciated</b>				
Construction in progress	\$ 19,322,430	\$ 59,901	\$ (19,101,338)	\$ 280,993
<b>Total Capital Assets, Not Being Depreciated</b>	<u>19,322,430</u>	<u>59,901</u>	<u>(19,101,338)</u>	<u>280,993</u>
<b>Capital Assets, Being Depreciated</b>				
Stormwater utility system	10,056,660	293,080	--	10,349,740
Sanitary Sewer system	--	18,808,259	--	18,808,259
<b>Total Capital Assets, Being Depreciated</b>	<u>10,056,660</u>	<u>19,101,339</u>	<u>--</u>	<u>29,157,999</u>
<b>Less Accumulated Depreciation for</b>				
Stormwater utility system	<u>(3,552,567)</u>	<u>(288,567)</u>	<u>--</u>	<u>(3,841,134)</u>
<b>Total Accumulated Depreciation</b>	<u>(3,552,567)</u>	<u>(288,567)</u>	<u>--</u>	<u>(3,841,134)</u>
<b>Total Capital Assets, Being Depreciated, Net</b>	<u>6,504,093</u>	<u>18,812,772</u>	<u>--</u>	<u>25,316,865</u>
<b>Business-type Activities Capital Assets, Net</b>	<u>\$ 25,826,523</u>	<u>\$ 18,872,673</u>	<u>\$ (19,101,338)</u>	<u>\$ 25,597,858</u>

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

**Governmental Activities**

General government	\$ 544,342
Police	343,844
Fire	295,887
Public works	7,658
Building, zoning and planning	11,762
Parks	<u>432,739</u>

**Total Depreciation Expense - Governmental Activities** \$ 1,636,232

**Business-type Activities**

Stormwater	<u>\$ 288,567</u>
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# VILLAGE OF KEY BISCAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

### 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, 2011:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
<b>Bonds Payable</b>					
Land acquisition and capital improvement revenue bonds, Series 1999	\$ 6,610,000	\$ --	\$ (525,000)	\$ 6,085,000	\$ 550,000
Land acquisition and capital improvement revenue bonds, Series 2000	7,430,000	--	(7,430,000)	--	--
Capital improvement revenue refunding bonds, Series 2011A	--	6,890,000	--	6,890,000	550,000
Capital improvement bonds, Series 2002	7,540,914	--	(7,540,914)	--	--
Capital improvement revenue refunding bonds, Series 2011B	--	7,130,000	--	7,130,000	560,000
Land acquisition and capital improvement revenue bonds, Series 2004	2,153,011	--	(2,153,011)	--	--
Capital improvement and land acquisition revenue refunding bonds, Series 2011	--	1,865,000	--	1,865,000	140,000
Transportation tax revenue bonds, Series 2005	3,007,829	--	(3,007,829)	--	--
Transportation tax revenue refunding bonds, Series 2011	--	2,808,952	--	2,808,952	174,191
Road improvement revenue bonds, Series 2006	3,208,924	--	(230,654)	2,978,270	239,376
<b>Total Bonds Payable</b>	<u>29,950,678</u>	<u>18,693,952</u>	<u>(20,887,408)</u>	<u>27,757,222</u>	<u>2,213,567</u>
<b>Other Liabilities</b>					
Capital leases	186,012	321,681	(152,488)	355,205	152,488
Compensated absences	2,423,845	1,335,597	(1,190,893)	2,568,549	256,855
<b>Total Other Liabilities</b>	<u>2,609,857</u>	<u>1,657,278</u>	<u>(1,343,381)</u>	<u>2,923,754</u>	<u>409,343</u>
<b>Governmental Activities Long-Term Liabilities</b>	<u>\$ 32,560,535</u>	<u>\$ 20,351,230</u>	<u>\$ (22,230,789)</u>	<u>\$ 30,680,976</u>	<u>\$ 2,622,910</u>

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.

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

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NOTE 8 – LONG-TERM DEBT (CONTINUED)

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

Debt service requirements to maturity are as follows:

<b>Fiscal Year Ending September 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$ 550,000	\$ 273,942	\$ 823,942
2013	580,000	247,302	827,302
2014	610,000	219,247	829,247
2015	640,000	189,779	829,779
2016	670,000	158,865	828,865
2017-2020	<u>3,035,000</u>	<u>453,701</u>	<u>3,488,701</u>
	<u>\$ 6,085,000</u>	<u>\$ 1,542,836</u>	<u>\$ 7,627,836</u>

*LAND ACQUISITION AND CAPITAL IMPROVEMENT REVENUE BONDS, SERIES 2000*

On July 11, 2000, the Village issued a second series of \$10,000,000 Capital Improvement Revenue Bonds, Series 2000, the proceeds of which were used for the acquisition of property and financing of the construction of the Civic Center project. The bonds were refunded during fiscal year 2011, through the issuance of the Capital Improvement Revenue Refunding Bonds, Series 2011A.

*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.

**VILLAGE OF KEY BISCAYNE, FLORIDA**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**NOTE 8 – LONG-TERM DEBT (CONTINUED)**

***CAPITAL IMPROVEMENT REVENUE REFUNDING BONDS, SERIES 2011A (CONTINUED)***

Debt service requirements to maturity are as follows:

<b>Fiscal Year Ending September 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$ 550,000	\$ 132,027	\$ 682,027
2013	645,000	139,004	784,004
2014	660,000	123,931	783,931
2015	670,000	108,570	778,570
2016	690,000	92,862	782,862
2017-2020	<u>3,675,000</u>	<u>216,044</u>	<u>3,891,044</u>
	<u>\$ 6,890,000</u>	<u>\$ 812,438</u>	<u>\$ 7,702,438</u>

***CAPITAL IMPROVEMENT REVENUE BONDS, SERIES 2002***

On November 1, 2002, the Village issued Capital Improvement Revenue Bonds, Series 2002 for the purpose of financing a portion of the cost of construction and equipping of a community center including a parking garage and swimming pool. The bonds were refunded during fiscal year 2011, through the issuance of the Capital Improvement Revenue Refunding Bonds, Series 2011B.

***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.

# VILLAGE OF KEY BISCAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

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### NOTE 8 – LONG-TERM DEBT (CONTINUED)

#### *CAPITAL IMPROVEMENTS REVENUE REFUNDING BONDS, SERIES 2011B (CONTINUED)*

Debt service to maturity is as follows:

<b>Fiscal Year Ending September 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$ 560,000	\$ 166,772	\$ 726,772
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
2017-2021	3,305,000	320,169	3,625,169
2022-2023	<u>900,000</u>	<u>16,237</u>	<u>916,237</u>
	<u>\$ 7,130,000</u>	<u>\$ 1,031,269</u>	<u>\$ 8,161,269</u>

#### *LAND ACQUISITION AND CAPITAL IMPROVEMENT REVENUE BONDS, SERIES 2004*

On December 12, 2004, the Village issued \$2,800,000 of Capital Improvement and Land Acquisition Revenue Bonds, Series 2004 for the purpose of completing the road construction associated with the new administration, fire and community center buildings. The bonds were refunded during fiscal year 2011, through the issuance of the Capital Improvement and Land Acquisition Revenue Refunding Bonds, Series 2011.

#### *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 1, 2011, at an interest rate equal to 2.41% per annum.

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

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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:

<b>Fiscal Year Ending September 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$ 140,000	\$ 43,681	\$ 183,681
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
2017-2021	870,000	84,230	954,230
2022-2023	<u>230,000</u>	<u>4,218</u>	<u>234,218</u>
	<u>\$ 1,865,000</u>	<u>\$ 270,734</u>	<u>\$ 2,135,734</u>

*TRANSPORTATION TAX REVENUE BONDS, SERIES 2005*

On July 15, 2005, the Village issued Transportation Tax Revenue Bonds, Series 2005, for the purpose of financing a portion of the costs of road improvements within the Village (Crandon Boulevard Improvements – Phase II). The issuance was established similar to bond anticipation notes where the principal amount is the lesser of \$3,500,000 or the advances made under the bond. The bonds were refunded during fiscal year 2011, through the issuance of the Transportation Tax Revenue Refunding Bonds, Series 2011.

*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 \$365,492 and \$ 216,741, 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.

**VILLAGE OF KEY BISCAYNE, FLORIDA**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**NOTE 8 – LONG-TERM DEBT (CONTINUED)**

***TRANSPORTATION TAX REVENUE REFUNDING BONDS, SERIES 2011 (CONTINUED)***

Debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<b>Fiscal Year Ending September 30</b>			
2012	\$ 174,191	\$ 66,594	\$ 240,785
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
2017-2021	1,032,911	171,014	1,203,925
2022-2025	<u>860,700</u>	<u>42,244</u>	<u>902,944</u>
	<u>\$ 2,808,952</u>	<u>\$ 501,842</u>	<u>\$ 3,310,794</u>

***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 \$3,658,307. For the current year, debt service and pledged revenues were \$357,125 and \$365,000, respectively. The bonds are due in quarterly principal installments. Interest accrues at 4.05% per annum.

Debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<b>Fiscal Year Ending September 30</b>			
2012	\$ 239,376	\$ 116,965	\$ 356,341
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
2017-2021	1,561,881	195,807	1,757,688
2022	<u>123,617</u>	<u>1,607</u>	<u>125,224</u>
	<u>\$ 2,978,270</u>	<u>\$ 680,037</u>	<u>\$ 3,658,307</u>

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

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NOTE 8 – LONG-TERM DEBT (CONTINUED)

*CAPITAL LEASES*

On January 20, 2011, the Village entered into a lease purchase agreement to finance the purchase of thirteen (13) police vehicles at a market value of \$321,681, and refinance seven (7) police vehicles with a market value of \$137,243. These lease purchase agreements qualify as capital leases for accounting purposes. The lease payments on the financed vehicles are due on January 20th each year through the maturity date of January 25, 2014, and for the refinanced vehicles are due on January 20th each year through the maturity date of January 25, 2013 at an annual financial cost of 2.0%. At September 30, 2011, the lease obligation was \$355,205.

**Assets**

Machinery and equipment	\$ 607,271
Accumulated depreciation	<u>(180,549)</u>
	<u>\$ 426,722</u>

Future minimum lease payments and the present value of net minimum lease payments as of September 30, 2011 are as follows:

**Fiscal Year Ending September 30**

2012	\$ 152,488
2013	137,094
2014	<u>81,621</u>
Total minimum lease payments	371,203
Less: amount representing interest	<u>15,998</u>
	<u>\$ 355,205</u>

# VILLAGE OF KEY BISCAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

### FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

**NOTE 8 – LONG-TERM DEBT (CONTINUED)**

The following is a summary of changes in long-term liabilities of the Village for business-type activities for the year ended September 30, 2011:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type Activities</b>					
<b>Bonds and Loans Payable</b>					
Stormwater utility revenue bonds, Series 1999	\$ 4,450,000	\$ --	\$ (4,450,000)	\$ --	\$ --
Stormwater utility revenue refunding bond, Series 2011	--	4,450,000	(320,000)	4,130,000	475,000
Revolving loan, 1996	300,382	--	(20,602)	279,780	21,133
Revolving loan, 2009	4,395,430	48,968	(226,790)	4,217,608	199,451
<b>Total Bonds and Loans Payable</b>	<u>9,145,812</u>	<u>4,498,968</u>	<u>(5,017,392)</u>	<u>8,627,388</u>	<u>695,584</u>
<b>Business-type Activities</b>					
<b>Long-Term Liabilities</b>	<u>\$ 9,145,812</u>	<u>\$ 4,498,968</u>	<u>\$ (5,017,392)</u>	<u>\$ 8,627,388</u>	<u>\$ 695,584</u>

***STORMWATER UTILITY REVENUE BONDS, SERIES 1999***

On January 26, 1999, the Village issued \$7,200,000 Stormwater Utility Revenue Bonds, Series 1999, the proceeds of which were used to pay the principal of the \$7,200,000 Bond Anticipation Notes, Series 1995. The bonds were refunded during fiscal year 2011, through the issuance of the Stormwater Utility Revenue Refunding Bonds, Series 2011.

***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. 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.

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

NOTE 8 – LONG-TERM DEBT (CONTINUED)

*STORMWATER UTILITY REVENUE REFUNDING BONDS, SERIES 2011 (CONTINUED)*

Debt service requirements to maturity are as follows:

<b>Fiscal Year Ending September 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$ 475,000	\$ 98,707	\$ 573,707
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
2017-2019	<u>1,640,000</u>	<u>78,990</u>	<u>1,718,990</u>
	<u>\$ 4,130,000</u>	<u>\$ 456,252</u>	<u>\$ 4,586,252</u>

*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 2011 was \$28,134 and state revenue sharing was \$205,876. 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:

<b>Fiscal Year Ending September 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$ 21,133	\$ 7,001	\$ 28,134
2013	21,677	6,457	28,134
2014	22,236	5,898	28,134
2015	22,809	5,325	28,134
2016	23,396	4,738	28,134
2017-2021	126,340	14,331	140,671
2022-2023	<u>42,189</u>	<u>1,058</u>	<u>43,247</u>
	<u>\$ 279,780</u>	<u>\$ 44,808</u>	<u>\$ 324,588</u>

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

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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, 2011 is \$4,217,608. The amortization schedule herein represents the total debt service to be paid under this loan agreement once all amounts are borrowed. Proceeds in the amount of \$2,448,947 were received during the 2010 fiscal year and \$12,534 was received during the 2011 fiscal year. The loan is secured by the communications service tax. Total debt service for fiscal year 2011 was \$368,347 and the pledged revenue was \$1,011,971. 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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<b>Fiscal Year Ending September 30</b>			
2012	\$ 199,451	\$ 168,896	\$ 368,347
2013	206,270	162,077	368,347
2014	213,322	155,025	368,347
2015	220,615	147,732	368,347
2016	228,157	140,190	368,347
2017-2021	1,263,259	578,477	1,841,736
2022-2026	1,494,474	347,262	1,841,736
2027-2030	<u>1,206,069</u>	<u>83,146</u>	<u>1,289,215</u>
	<u>\$ 5,031,617</u>	<u>\$ 1,782,805</u>	<u>\$ 6,814,422</u>

# VILLAGE OF KEY BISCAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

### NOTE 9 – DEFEASED DEBT

During the year, the Village refinanced five of its outstanding bonds as summarized in the following table. The refunding involved the issuance of new debt whose proceeds were used to immediately repay previously issued (“old”) debt (a current refunding).

Old Debt Defeased			New Refunding Debt Issued					
Series	Principal Amount Retired	Interest Rates	Series	Dated	Principal Amount Issued	Interest Rates	Cash Flow Savings	Economic Gain
<b><u>Governmental Activities</u></b>								
2000	\$7,430,000	5.24%	2011A	6/13/2011	\$6,890,000	2.31%	\$1,048,575	\$933,432
2002	7,540,914	3.59%	2011B	8/1/2011	7,130,000	2.41%	486,484	418,595
2004	2,153,011	3.83%	2011	8/1/2011	1,865,000	2.41%	120,291	98,637
2005	3,007,829	4.09%	2011	9/30/2011	2,808,952	2.42%	325,611	268,677
<b><u>Business-Type Activities</u></b>								
1999	4,450,000	4.13%	2011	7/18/2011	4,450,000	2.39%	305,060	278,153

Upon issuance of the current refunding, the debt defeased was removed from the face of the financial statements.

### NOTE 10 – COMMITMENTS AND CONTINGENCIES

#### **LITIGATION**

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

#### **GRANTS CONTINGENCY**

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

# VILLAGE OF KEY BISCAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

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### NOTE 11 – DEFICIT FUND BALANCE

The Transportation Special Revenue Fund has a deficit fund balance of \$1,077,816 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 12 – FUND BALANCE CLASSIFICATIONS

As of September 30, 2011, 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**

Prepays	\$ 305,730
	<u>305,730</u>

#### **Restricted**

Building inspections	720,689
Fire code violations	102,918
Fire grant revenue (UASI)	73,960
Law enforcement seizures	<u>272,680</u>
	<u>1,170,247</u>

#### **Committed**

Capital improvement plan	3,716,860
Capital lease	98,654
Emergencies	4,000,000
Fire rescue transport fees	625,017
Fire station building reserve	10,257
Fire vehicle replacements	50,000
Labor negotiations	90,000
Master plan initiatives	1,707,275
Open space land trust	1,000,000
Playing fields	326,367
Police/administrative building reserve	13,632
Recreation facilities	226,162
Roadway improvements	<u>175,000</u>
	<u>12,039,224</u>

# VILLAGE OF KEY BISCAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

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### NOTE 12--FUND BALANCE CLASSIFICATIONS (CONTINUED)

<b>Assigned</b>	
Compensated absences	477,204
Police pension	2,562
Working capital (surplus)	<u>3,549,104</u>
	<u>4,028,870</u>
 <b>Total Fund Balance</b>	 <u><u>\$ 17,544,071</u></u>

### NOTE 13 – DEFINED CONTRIBUTION PLANS

The Village as a single-employer contributes to the Village of Key Biscayne Money Purchase Plans, which are defined contribution plans created in accordance with Internal Revenue Code Section 401(a). 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 14), were no longer eligible to contribute to the 401(a) plan. Employer contributions for the fiscal year ended September 30, 2011 were \$704,156 while the employee contributions were \$162,544. 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 14).

During fiscal year 2011, the Village did not transfer any funds 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, 2011 is \$ 748,778.

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

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**NOTE 14 – DEFINED BENEFIT PENSION PLAN**

*PLAN DESCRIPTION*

Effective October 1, 1997, the Village established a single-employer Public Employee Retirement System (PERS) to provide pension benefits for its police officers and firefighters. The PERS is considered to be part of the Village's financial reporting entity and is included in the Village's financial reports as a pension trust fund. The Plan was created under Village Ordinance 97-21. The latest available actuarial valuation is as of October 1, 2010. 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, 2010 (date of the latest actuarial valuation), Plan membership consisted of the following:

Retirees and Beneficiaries Currently Receiving Benefits and Terminated	
Employees Entitled to Benefits but Not Yet Receiving Them	<u>19</u>
Current Employees	
Vested	43
Non-vested	<u>22</u>
<b>Total</b>	<u><u>65</u></u>

**VILLAGE OF KEY BISCAYNE, FLORIDA**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**NOTE 14 – 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 15.97% of covered payroll for the year ended September 30, 2011 which was determined by the October 1, 2009 actuarial valuation. The participant contribution rate which is fixed by ordinance is 10.5%. This funding policy is designed to limit the Village’s exposure to contribute to the Plan. State contributions are recognized as a revenue and expenditure in the general fund.

***FUNDED STATUS AND FUNDING PROGRESS***

The funded status of the plan as of October 1, 2010, 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
10/1/2010	\$ 14,625,108	\$ 20,284,931	\$ 5,659,823	72.1%	\$ 6,663,025	84.9%

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

Additional information as of the latest actuarial valuation follows:

Valuation Date	10/1/10
Contribution Rates	
Employer (and State)	15.94%
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

**VILLAGE OF KEY BISCAYNE, FLORIDA**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**NOTE 14 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**

*FUNDED STATUS AND FUNDING PROGRESS (CONTINUED)*

Actuarial Assumptions

Investment rate of return*	8.5% per year compounded annually, net of investment related expenses
Projected salary increases*	9.4% to 3.5% variable
Cost of living adjustments	Not Applicable

\*Includes inflation and other general increases at 4%

*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	\$ 1,152,543
Interest on Net Pension Asset	(10,973)
Adjustment to Annual Required Contribution	<u>(17,167)</u>
Annual Pension Cost	1,124,403
Contributions Made	<u>1,135,705</u>
Decrease in Net Pension Asset	(11,302)
Net Pension Asset - Beginning of Year	<u>(129,093)</u>
 Net Pension Asset - End of Year	 <u>\$ (140,395)</u>

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.

Fiscal Year Ended	Trend Information		Net Pension Obligation (Asset)
	Annual Pension Cost (APC)	Percentage of APC Contributed	
9/30/2009	\$ 964,096	99.5%	\$ (116,341)
9/30/2010	973,125	101.3%	(129,093)
9/30/2011	1,124,403	101.0%	(140,395)

# VILLAGE OF KEY BISCAYNE, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

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### NOTE 14 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

#### *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, 2011, there were three (3) participants in the Plan. The balance in the Plan at September 30, 2011 is \$82,217.

### NOTE 15 – OTHER POST EMPLOYMENT BENEFITS

#### *PLAN DESCRIPTION*

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

#### *FUNDING POLICY AND ANNUAL OPEB COST*

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

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

**VILLAGE OF KEY BISCAYNE, FLORIDA**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**NOTE 15 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

***FUNDING POLICY AND ANNUAL OPEB COST (CONTINUED)***

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

**Required Contribution Rates**

Employer	Pay-as-you-go
Plan members	N/A
Normal Cost	\$ 113,504
Interest on Normal Cost	8,489
Amortization	<u>11,570</u>
Annual OPEB Cost	133,563
Interest of Net OPEB Obligation	4,217
Adjustment to ARC	(3,742)
Contributions Made	<u>(13,650)</u>
Increase in Net OPEB Obligation	120,388
Net OPEB Obligation, Beginning of Year	<u>120,492</u>
Net OPEB Obligation, End of Year	<u><u>\$ 240,880</u></u>

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

Fiscal Year Ended	<u>9/30/2011</u>	<u>9/30/2010</u>
Annual OPEB Cost	\$ 134,038	\$ 128,991
Percentage of OPEB Cost Contributed	10.18%	6.59%
Net OPEB Obligation	\$ 240,880	\$ 120,492

Note GASB Statement No. 45 was implemented for the fiscal year ended September 30, 2010. Therefore, only two years of trend information is available.

**VILLAGE OF KEY BISCAYNE, FLORIDA**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**NOTE 15 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

***FUNDED STATUS AND FUNDING PROGRESS***

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

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

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

***ACTUARIAL METHODS AND ASSUMPTIONS***

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

Valuation date	October 1, 2008
Actuarial cost method	Entry Age
Amortization method	Level % closed (Remaining amortization 30 years)
Actuarial assumptions:	
Investment rate of return*	3.0% compounded annually
Projected salary increases*	6.0% - 9.4%
Payroll growth assumptions	4.0%
*Includes inflation at	3% per year

**VILLAGE OF KEY BISCAYNE, FLORIDA**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**NOTE 15 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

*ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)*

Healthcare cost trend rate(s):

	<u>Insurance Premiums</u>
Select Rates	1.0% for 2009 graded to 5.0% for 2019
Ultimate rate	5.0%

**NOTE 16 – 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.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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VILLAGE OF KEY BISCAIYNE, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2011

	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				
	<b>Revenues</b>					
Property taxes	\$ 16,506,471	\$ 16,506,471	\$ 16,646,040	\$ --	\$ 16,646,040	\$ 139,569
Utility taxes/communications services tax	2,580,000	2,580,000	2,717,209	--	2,717,209	137,209
Franchise fees	1,000,000	1,000,000	735,519	--	735,519	(264,481)
Licenses and permits	1,125,250	1,125,250	1,948,820	--	1,948,820	823,570
Intergovernmental	897,600	897,600	1,358,573	--	1,358,573	460,973
Charges for services	2,359,302	2,359,302	2,510,237	--	2,510,237	150,935
Interest	--	--	29,038	--	29,038	29,038
Grants	--	--	77,638	--	77,638	77,638
Miscellaneous income	114,380	114,380	146,165	--	146,165	31,785
<b>Total Revenues</b>	<b>24,583,003</b>	<b>24,583,003</b>	<b>26,169,239</b>	<b>--</b>	<b>26,169,239</b>	<b>1,586,236</b>
<b>Expenditures</b>						
<b>Current:</b>						
<b>General government:</b>						
Elected officials	282,789	282,789	236,085	--	236,085	46,704
Village Clerk	397,880	400,132	351,075	--	351,075	49,057
Administration	1,040,105	1,046,993	943,700	--	943,700	103,293
Village Attorney	490,000	490,000	410,517	--	410,517	79,483
<b>Total general government</b>	<b>2,210,774</b>	<b>2,219,914</b>	<b>1,941,377</b>	<b>--</b>	<b>1,941,377</b>	<b>278,537</b>
<b>Public safety:</b>						
Police	5,228,843	5,333,030	5,543,593	(321,681)	5,221,912	111,118
Fire	6,241,871	6,268,739	6,300,928	(32,189)	6,268,739	--
<b>Total public safety</b>	<b>11,470,714</b>	<b>11,601,769</b>	<b>11,844,521</b>	<b>(353,870)</b>	<b>11,490,651</b>	<b>111,118</b>
Public works	1,855,172	1,863,424	1,721,788	--	1,721,788	141,636
Building, zoning and planning	1,581,494	1,588,899	1,717,825	(128,926)	1,588,899	--
<b>Parks and recreation:</b>						
Parks	1,095,346	1,100,724	1,063,246	--	1,063,246	37,478
Community center	2,019,376	2,027,398	2,190,212	(162,814)	2,027,398	--
Athletic division	565,902	565,252	555,537	--	555,537	9,715
<b>Total parks and recreation</b>	<b>3,680,624</b>	<b>3,693,374</b>	<b>3,808,995</b>	<b>(162,814)</b>	<b>3,646,181</b>	<b>47,193</b>
<b>Debt service:</b>						
Principal	1,943,514	1,943,514	1,918,987	--	1,918,987	24,527
Interest and fiscal charges	1,479,076	1,479,076	1,224,317	--	1,224,317	254,759
<b>Total Expenditures</b>	<b>24,221,368</b>	<b>24,389,970</b>	<b>24,177,810</b>	<b>(645,610)</b>	<b>23,532,200</b>	<b>857,770</b>
<b>Excess (Deficiency) of</b>						
<b>Revenues over Expenditures</b>	<b>361,635</b>	<b>193,033</b>	<b>1,991,429</b>	<b>(645,610)</b>	<b>2,637,039</b>	<b>2,444,006</b>
<b>Other Financing Uses</b>						
Appropriation of prior years':						
Reserves - working capital	(361,635)	(185,628)	--	195,003	--	185,628
Reserves - building division	--	(7,405)	--	128,926	--	7,405
Reserves - law enforcement	--	--	(27,594)	--	--	--
Proceeds of refunding bonds	--	--	15,885,000	15,885,000	--	--
Debt service - principal	--	--	(15,885,000)	(15,885,000)	--	--
Capital lease proceeds	--	--	321,681	321,681	--	--
Transfers out	--	--	(28,134)	--	(28,134)	(28,134)
<b>Total Other Financing Uses</b>	<b>(361,635)</b>	<b>(193,033)</b>	<b>265,953</b>	<b>645,610</b>	<b>(28,134)</b>	<b>(164,899)</b>
<b>Net Change in Fund Balances</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ 2,257,382</b>	<b>\$ --</b>	<b>\$ 2,608,905</b>	<b>\$ (2,608,905)</b>

See note to budgetary comparison schedule.

**VILLAGE OF KEY BISCAYNE, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**NOTE TO BUDGETARY COMPARISON SCHEDULE**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**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, 2011, there were supplemental appropriations of \$168,602.
- (e) Formal budgetary integration is employed as a management control device for the general fund.
- (f) The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles (GAAP), except for certain unbudgeted expenditures of prior year reserves.
- (g) The Village Manager is authorized to transfer part or all of an encumbered appropriation balance within departments within a fund; however, any revisions that alter the total appropriations of any department or fund must be approved by the Village Council. The classification detail at which expenditures may not legally exceed appropriations is at the department level.
- (h) There were no significant budget amendments during fiscal year ended September 30, 2011.

**VILLAGE OF KEY BISCAYNE, FLORIDA**

**REQUIRED SUPPLEMENTARY INFORMATION  
PENSION TRUST FUND**

**SCHEDULE OF FUNDING PROGRESS**

<b>Actual Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b) - (a)</b>	<b>Funded Ration (a) / (b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL As % of Covered Payroll (b - a) / c</b>
10/1/05	\$ 5,703,772	\$ 9,379,732	\$ 3,675,960	60.8%	\$ 5,320,018	69.1%
10/1/06	7,255,221	10,782,826	3,527,605	67.3%	5,355,088	65.9%
10/1/07	9,017,393	12,335,707	3,318,314	73.1%	5,740,991	57.8%
10/1/08	10,682,895	16,049,481	5,366,586	66.6%	6,365,246	84.3%
10/1/09	12,548,462	18,495,824	5,947,362	67.8%	6,808,421	87.4%
10/1/10	14,625,108	20,284,931	5,659,823	72.1%	6,663,025	84.9%

**VILLAGE OF KEY BISCAYNE, FLORIDA**

**REQUIRED SUPPLEMENTARY INFORMATION  
PENSION TRUST FUND**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

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<b>Year Ended September 30,</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
2006	\$ 729,857	100%
2007	773,701	100%
2008	839,400	100%
2009	958,925	100%
2010	968,173	102%
2011	1,152,543	98.5%

**VILLAGE OF KEY BISCAYNE, FLORIDA**

**REQUIRED SUPPLEMENTARY INFORMATION  
OTHER POST EMPLOYMENT BENEFITS**

**SCHEDULE OF FUNDING PROGRESS**

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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.



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**STATISTICAL SECTION**

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## STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
<b>Financial Trends</b> <i>These schedules contain trend information to help the reader understand how the Village's financial performance and well-being have changed over time. These schedules include:</i>	<b>62-66</b>
<b>Revenue Capacity</b> <i>These schedules contain information to help the reader assess the Village's most significant local revenue source, the property tax.</i>	<b>67-71</b>
<b>Debt Capacity</b> <i>These schedules present information to help the reader assess the affordability of the Village's current levels of outstanding debt and the Village's ability to issue additional debt in the future.</i>	<b>72-75</b>
<b>Demographic and Economic Information</b> <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Village's financial activities take</i>	<b>76-78</b>
<b>Operating Information</b> <i>These schedules contain service and infrastructure data to help the reader understand how the information in the Village's financial report relates to the services the Village provides and the activities it performs.</i>	<b>79-80</b>

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

VILLAGE OF KEY BISCAYNE, FLORIDA

NET ASSETS BY COMPONENT

LAST NINE FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Governmental activities</b>									
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
Restricted	171,680	283,180	326,826	359,899	261,813	284,639	308,813	--	1,170,247
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
<b>Total governmental activities net assets</b>	<u>28,222,369</u>	<u>29,242,553</u>	<u>30,914,106</u>	<u>33,962,799</u>	<u>40,137,561</u>	<u>47,348,593</u>	<u>53,846,056</u>	<u>57,918,001</u>	<u>61,090,051</u>
<b>Business-type activities</b>									
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
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
<b>Total business-type activities net assets</b>	<u>3,413,730</u>	<u>3,022,742</u>	<u>3,212,985</u>	<u>3,104,409</u>	<u>2,938,014</u>	<u>7,964,648</u>	<u>15,037,044</u>	<u>17,796,822</u>	<u>18,103,504</u>
<b>Total government</b>									
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
Restricted	171,680	283,180	326,826	359,899	261,813	284,639	308,813	--	1,170,247
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
<b>Total government net assets</b>	<u>\$ 31,636,099</u>	<u>\$ 32,265,295</u>	<u>\$ 34,127,091</u>	<u>\$ 37,067,208</u>	<u>\$ 43,075,575</u>	<u>\$ 55,313,241</u>	<u>\$ 68,883,100</u>	<u>\$ 75,714,823</u>	<u>\$ 79,193,555</u>

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

**VILLAGE OF KEY BISCAYNE, FLORIDA**

**CHANGES IN NET ASSETS**

**LAST NINE FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Expenses</b>									
<b>Governmental activities:</b>									
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
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
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
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
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
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
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
<b>Total governmental activities</b>	<u>19,406,525</u>	<u>17,489,593</u>	<u>19,500,420</u>	<u>23,289,202</u>	<u>21,311,134</u>	<u>23,531,083</u>	<u>23,643,292</u>	<u>23,601,302</u>	<u>24,252,869</u>
<b>Business-type activities:</b>									
Stormwater system	634,361	971,081	454,963	720,158	693,135	911,500	779,856	603,262	815,402
Solid waste collection	273,076	259,173	466,162	501,417	571,246	619,823	618,155	585,927	546,534
Sanitary sewer	6,288	15,732	10,261	9,993	9,454	9,046	144,922	39,178	197,474
<b>Total business-type activities</b>	<u>913,725</u>	<u>1,245,986</u>	<u>931,386</u>	<u>1,231,568</u>	<u>1,273,835</u>	<u>1,540,369</u>	<u>1,542,933</u>	<u>1,228,367</u>	<u>1,559,410</u>
<b>Total government expenses</b>	<u>\$ 20,320,250</u>	<u>\$ 18,735,579</u>	<u>\$ 20,431,806</u>	<u>\$ 24,520,770</u>	<u>\$ 22,584,969</u>	<u>\$ 25,071,452</u>	<u>\$ 25,186,225</u>	<u>\$ 24,829,669</u>	<u>\$ 25,812,279</u>
<b>Program revenues</b>									
<b>Governmental activities:</b>									
<b>Charges for services:</b>									
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
Police	110,215	197,244	212,121	40,719	21,385	14,203	38,181	(1,479)	1,763
Fire	5,805	6,505	7,120	50,392	40,144	146,588	136,433	158,975	190,989
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
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
Operating grants and contributions	99,830	--	650,679	3,559,753	799,493	251,180	157,912	163,752	77,638
Capital grants and contributions	421,085	524,736	517,643	--	--	--	1,709,481	959,360	730,492
<b>Total governmental activities program revenues</b>	<u>1,818,639</u>	<u>1,811,827</u>	<u>4,075,814</u>	<u>6,797,775</u>	<u>3,860,283</u>	<u>3,485,866</u>	<u>5,410,509</u>	<u>4,817,712</u>	<u>5,642,299</u>
<b>Business-type activities:</b>									
<b>Charges for services:</b>									
Stormwater system	531,164	520,729	518,812	517,365	509,571	499,101	491,314	484,932	979,865
Solid waste collection	313,492	284,900	533,632	531,967	520,650	530,803	635,580	615,480	597,431
<b>Capital grants and contributions:</b>									
Stormwater system	--	--	--	--	--	--	331,319	172,164	--
Sanitary sewer	--	--	--	--	--	5,460,763	6,971,311	2,501,287	258,500
<b>Total business-type activities program revenues</b>	<u>844,656</u>	<u>805,629</u>	<u>1,052,444</u>	<u>1,049,332</u>	<u>1,030,221</u>	<u>6,490,667</u>	<u>8,429,524</u>	<u>3,773,863</u>	<u>1,835,796</u>
<b>Total program revenues</b>	<u>\$ 2,663,295</u>	<u>\$ 2,617,456</u>	<u>\$ 5,128,258</u>	<u>\$ 7,847,107</u>	<u>\$ 4,890,504</u>	<u>\$ 9,976,533</u>	<u>\$ 13,840,033</u>	<u>\$ 8,591,575</u>	<u>\$ 7,478,095</u>

(Continued)

VILLAGE OF KEY BISCAYNE, FLORIDA

CHANGES IN NET ASSETS  
(Continued)

LAST NINE FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Net (expense) revenue</b>									
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)
Business-type activities	(69,069)	(440,357)	121,058	(182,236)	(243,614)	4,950,298	6,886,591	2,545,496	276,386
<b>Total net expense</b>	<u>\$ (17,656,955)</u>	<u>\$ (16,118,123)</u>	<u>\$ (15,303,548)</u>	<u>\$ (16,673,663)</u>	<u>\$ (17,694,465)</u>	<u>\$ (15,094,919)</u>	<u>\$ (11,346,192)</u>	<u>\$ (16,238,094)</u>	<u>\$ (18,334,184)</u>
<b>General revenues</b>									
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
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
Franchise fees	611,502	677,203	705,810	1,088,929	1,113,194	1,064,666	992,997	1,006,415	735,519
Communications services tax	--	--	746,400	797,054	763,801	1,226,423	1,091,734	1,029,087	964,324
Intergovernmental	776,869	821,883	978,304	996,092	1,000,265	2,265,243	1,348,324	1,391,242	1,575,314
Investment earnings	82,286	110,562	255,611	306,339	641,115	346,531	44,737	21,346	37,254
Miscellaneous	200,561	126,607	281,657	--	--	--	91,232	131,847	147,065
Transfers	(9,737)	(28,134)	(28,135)	(28,133)	(28,133)	(28,134)	(164,502)	(212,308)	(28,134)
<b>Total governmental activities</b>	<u>15,230,518</u>	<u>16,697,950</u>	<u>17,787,900</u>	<u>19,540,120</u>	<u>23,625,613</u>	<u>26,460,347</u>	<u>24,730,246</u>	<u>22,855,535</u>	<u>21,782,620</u>
Business-type activities:									
Investment earnings	22,163	21,235	41,050	45,527	49,086	48,202	21,303	1,974	2,162
Transfers	9,737	28,134	28,135	28,133	28,133	28,134	164,502	212,308	28,134
<b>Total business-type activities</b>	<u>31,900</u>	<u>49,369</u>	<u>69,185</u>	<u>73,660</u>	<u>77,219</u>	<u>76,336</u>	<u>185,805</u>	<u>214,282</u>	<u>30,296</u>
<b>Total general revenues</b>	<u>\$ 15,262,418</u>	<u>\$ 16,747,319</u>	<u>\$ 17,857,085</u>	<u>\$ 19,613,780</u>	<u>\$ 23,702,832</u>	<u>\$ 26,536,683</u>	<u>\$ 24,916,051</u>	<u>\$ 23,069,817</u>	<u>\$ 21,812,916</u>
<b>Change in net assets</b>									
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
Business-type activities	(37,169)	(390,988)	190,243	(108,576)	(166,395)	5,026,634	7,072,396	2,759,778	306,682
<b>Total change in net assets</b>	<u>\$ (2,394,537)</u>	<u>\$ 629,196</u>	<u>\$ 2,553,537</u>	<u>\$ 2,940,117</u>	<u>\$ 6,008,367</u>	<u>\$ 11,441,764</u>	<u>\$ 13,569,859</u>	<u>\$ 6,831,723</u>	<u>\$ 3,478,732</u>

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

**VILLAGE OF KEY BISCAYNE, FLORIDA**

**FUND BALANCES OF GOVERNMENTAL FUNDS**

**LAST TEN FISCAL YEARS  
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>General fund</b>										
Non-spendable	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 305,730
Restricted	--	--	--	--	--	--	--	--	--	1,170,247
Committed	--	--	--	--	--	--	--	--	--	12,039,224
Assigned	--	--	--	--	--	--	--	--	--	4,028,870
Reserved	3,308,447	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	622,261	1,000,177	275,000	--	--	--	--	--	--	--
<b>Total general fund</b>	<u>3,930,708</u>	<u>3,967,559</u>	<u>4,952,188</u>	<u>5,754,277</u>	<u>6,874,310</u>	<u>9,875,416</u>	<u>11,298,178</u>	<u>12,318,533</u>	<u>15,286,689</u>	<u>17,544,071</u>
<b>All other governmental funds</b>										
Committed	--	--	--	--	--	--	--	--	--	3,665,259
Unassigned	--	--	--	--	--	--	--	--	--	(1,077,816)
Reserved	3,193,812	--	--	--	--	--	--	--	--	--
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	--
<b>Total all other governmental funds</b>	<u>3,193,812</u>	<u>1,104,174</u>	<u>23,883</u>	<u>243,374</u>	<u>(75,735)</u>	<u>472,557</u>	<u>2,081,599</u>	<u>5,373,979</u>	<u>3,896,125</u>	<u>2,587,443</u>
<b>Total governmental funds</b>	<u>\$ 7,124,520</u>	<u>\$ 5,071,733</u>	<u>\$ 4,976,071</u>	<u>\$ 5,997,651</u>	<u>\$ 6,798,575</u>	<u>\$ 10,347,973</u>	<u>\$ 13,379,777</u>	<u>\$ 17,692,512</u>	<u>\$ 19,182,814</u>	<u>\$ 20,131,514</u>

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

**VILLAGE OF KEY BISCAIYNE, FLORIDA**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Revenues</b>										
Ad valorem taxes	\$ 9,569,030	\$ 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
Franchise fees	639,072	611,502	677,203	1,452,210	1,885,983	1,113,194	1,064,666	992,997	1,006,415	735,519
Utility taxes/communication services tax	2,258,931	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
Licenses and permits	859,435	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
Intergovernmental revenue	971,136	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
Charges for services	336,134	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
Grants	196,919	99,830	--	650,679	2,799,762	206,040	251,180	167,873	425,339	77,638
Investment income	89,838	82,286	110,562	255,611	306,339	632,355	338,528	44,737	21,346	37,254
Miscellaneous	74,959	399,124	441,761	281,657	--	8,762	8,003	26,232	131,848	147,065
<b>Total revenues</b>	<b>14,995,454</b>	<b>17,058,894</b>	<b>18,537,911</b>	<b>21,891,849</b>	<b>26,366,028</b>	<b>27,514,031</b>	<b>29,671,932</b>	<b>30,427,524</b>	<b>27,933,203</b>	<b>27,500,700</b>
<b>Expenditures</b>										
Current:										
General government	1,486,638	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
Fire	799,424	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
Police	6,926,254	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
Public works	802,218	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
Building, planning and zoning	1,264,943	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
Parks and recreation	539,058	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
Capital outlay	243,372	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
Debt service:										
Principal retirement	1,015,000	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
Interest and other fiscal charges	1,420,845	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
<b>Total expenditures</b>	<b>14,497,752</b>	<b>20,759,033</b>	<b>26,935,903</b>	<b>24,096,605</b>	<b>28,986,971</b>	<b>27,935,109</b>	<b>27,407,896</b>	<b>26,015,287</b>	<b>26,419,037</b>	<b>26,845,547</b>
Excess (deficiency) of revenues over expenditures	497,702	(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
<b>Other financing sources (uses)</b>										
Transfers in	--	938,652	819,251	1,245,653	1,731,583	6,697,854	4,533,094	3,236,194	--	--
Transfers out	--	(948,389)	(847,385)	(1,273,788)	(1,759,716)	(6,725,988)	(4,561,228)	(3,400,696)	(212,308)	(28,134)
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
<b>Total other financing sources (uses)</b>	<b>--</b>	<b>1,647,353</b>	<b>8,302,328</b>	<b>3,226,336</b>	<b>3,421,867</b>	<b>3,971,866</b>	<b>(28,134)</b>	<b>(99,502)</b>	<b>(23,864)</b>	<b>293,547</b>
<b>Net change in fund balances</b>	<b>\$ 497,702</b>	<b>\$ (2,052,786)</b>	<b>\$ (95,664)</b>	<b>\$ 1,021,580</b>	<b>\$ 800,924</b>	<b>\$ 3,550,788</b>	<b>\$ 2,235,902</b>	<b>\$ 4,312,735</b>	<b>\$ 1,490,302</b>	<b>\$ 948,700</b>
Debt service as a percentage of non-capital expenditures	21%	19%	20%	14%	13%	16%	16%	17%	17%	18%

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

**VILLAGE OF KEY BISCAYNE, FLORIDA**

**GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE**

**LAST TEN FISCAL YEARS  
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

<b>Fiscal Year</b>	<b>Ad Valorem Taxes</b>	<b>Franchise Taxes</b>	<b>Utility Taxes</b>	<b>Inter-governmental</b>	<b>Communications Services Tax*</b>	<b>Total</b>
2002	\$ 9,569,030	\$ 639,072	\$ 2,258,931	\$ 971,136	\$ 904,475	\$ 14,342,644
2003	11,317,161	611,502	2,251,876	999,391	825,739	16,005,669
2004	12,770,711	677,203	2,219,118	1,031,805	770,637	17,469,474
2005	13,360,125	705,810	2,234,402	1,140,599	746,400	18,187,336
2006	14,830,238	1,088,929	1,549,601	1,756,083	797,054	20,021,905
2007	18,667,979	1,113,194	1,467,392	1,593,718	763,801	23,606,084
2008	20,051,239	1,064,666	610,371	3,189,251	1,226,423	26,141,950
2009	19,769,976	992,997	1,555,748	3,047,844	1,091,734	26,458,299
2010	17,832,874	1,006,415	2,731,766	1,203,221	1,029,087	23,803,363
2011	16,646,040	735,519	1,705,238	1,358,573	1,011,971	21,457,341

Source: Village of Key Biscayne Finance Department.

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

## VILLAGE OF KEY BISCAYNE, FLORIDA

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

#### LAST TEN FISCAL YEARS

Fiscal Year Ended September 30,	Real Property			Total Net Assessed Value	Total Direct Tax Rate
	Residential Property	Commercial Property	Personal Property		
2002	\$ 2,618,160,883	\$ 82,923,284	\$ 30,749,478	\$ 2,731,833,645	3.606
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

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

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

## VILLAGE OF KEY BISCAIYNE, FLORIDA

### PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

#### LAST TEN FISCAL YEARS

Fiscal Year	Tax Roll Year	Village of Key Biscayne			Overlapping Rates (1)									Total Direct and Overlapping Rates
		General Operations	Debt Service	Total Village	Miami-Dade County			Miami-Dade Schools			Florida Inland Navigation District	South Florida Water Management	Other	
					Operating Millage	Service Millage	County Millage	Operating Millage	Service Millage	School Millage				
2002	2001	3.606	-	3.606	5.713	0.552	6.265	8.528	0.848	9.376	0.039	0.697	0.451	20.434
2003	2002	3.606	-	3.606	5.889	0.390	6.279	8.482	0.770	9.252	0.039	0.597	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

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

Taxpayer	2011			2002			Percent of Total Village Net Assessed Value
	Net Assessed Value	Rank	Percent of Total Village Net Assessed Value	Taxpayer	Net Assessed Value	Rank	
Consultatio Key Biscayne LLC	\$ 66,602,600	1	1.23%	Sonesta Beach Resort, LP	\$ 33,570,000	1	1.23%
GB Hotel Partners LTD	46,000,000	2	0.85%	Key Biscayne Ocean Club Ltd.	31,765,354	2	1.16%
EDW A McCarthy-Archbishop	23,385,548	3	0.43%	GB Hotel Partners LTD	27,144,582	3	0.99%
Galleria of Key Biscayne Inc	17,400,000	4	0.32%	Pitu, Inc.	9,188,029	4	0.34%
Red Dragon's Sands LTD	16,025,204	5	0.30%	Galleria of Key Biscayne Inc	7,978,440	5	0.29%
Key Biscayne Properties LLC	15,666,076	6	0.29%	Carlos M. De La Cruz	7,327,008	6	0.27%
Key Biscayne Presbyterian Churc	12,635,262	7	0.23%	Oceanclub Community Assoc	6,600,000	7	0.24%
Ocean Club Community Associa	12,500,000	8	0.23%	Grand Bay Tower Assoc	5,825,760	8	0.21%
JLK Global Fund US Inc	12,147,515	9	0.22%	Phillip Gevas	5,825,635	9	0.21%
260 Cape FLA LLC	10,928,675	10	0.20%	Yoyot Realty	5,518,156	10	0.20%
	<u>\$ 233,290,880</u>		<u>4.31%</u>		<u>\$ 140,742,964</u>		<u>5.15%</u>

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
2002	\$ 9,850,992	\$ 9,515,138	96.59%	\$ 14,273	\$ 9,529,411	96.74%
2003	11,755,271	11,317,160	96.27%	16,976	11,334,136	96.42%
2004	13,201,979	12,869,711	97.48%	19,305	12,889,016	97.63%
2005	13,974,460	13,360,251	95.60%	20,040	13,380,291	95.75%
2006	15,461,356	14,830,238	95.92%	22,245	14,852,483	96.06%
2007	19,423,659	18,667,979	96.11%	28,002	18,695,981	96.25%
2008	19,802,903	19,272,664	97.32%	273,302	19,545,966	98.70%
2009	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%

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

**VILLAGE OF KEY BISCAYNE, FLORIDA**

**RATIOS OF OUTSTANDING DEBT BY TYPE**

**LAST TEN FISCAL YEARS**

Fiscal Year Ended September 30,	Governmental Activities			Business-Type Activities		Total	Per Capita
	General Obligation Bonds	Revenue Bonds	Loans Payable	Revenue Bonds	Loans Payable		
2002	\$ --	\$ 29,935,000	\$ --	\$ 6,810,000	\$ --	\$ 36,745,000	\$ 3,562
2003	--	29,271,000	--	6,625,000	--	35,896,000	3,479
2004	--	29,164,892	--	6,430,000	--	35,594,892	3,450
2005	--	30,850,606	--	6,010,000	--	36,860,606	3,573
2006	--	33,085,960	--	5,785,000	--	38,870,960	3,768
2007	--	31,695,102	--	5,200,000	--	36,895,102	3,576
2008	--	33,987,811	5,000,000	5,200,000	339,919	44,527,730	4,238
2009	--	32,040,160	--	4,835,000	2,387,341	39,262,501	3,737
2010	--	29,950,678	--	4,450,000	4,695,812	39,096,490	3,167
2011	-	27,757,222	-	4,130,000	4,497,388	36,384,610	2,948

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

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

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The Village does not have general obligation debt.

# VILLAGE OF KEY BISCAYNE, FLORIDA

## DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

**SEPTEMBER 30, 2011**

Government Unit	2011		
	Net Debt Outstanding	Percentage Applicable to the Village of Key Biscayne (1)	Amount Applicable to the Village of Key Biscayne
<b>Direct:</b>			
Village of Key Biscayne	\$ 27,757,222	100.00%	\$ 27,757,222
<b>Overlapping debt:</b>			
Miami-Dade County	1,204,751	2.37%	28,553
Miami-Dade County School Board	356,992	2.05%	7,318
Subtotal, Overlapping Debt			35,871
Village of Key Biscayne Direct Debt			27,757,222
<b>Total Direct and Overlapping Debt</b>			<b>\$ 27,793,093</b>

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

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Fiscal Year Ended September 30,	Non- Ad Valorem Revenues	Debt Service		Coverage
		Principal	Interest	
2002	\$ 5,426,424	\$ 1,015,000	\$ 1,420,845	2.23
2003	5,426,424	1,015,000	1,420,845	2.71
2004	5,767,200	1,583,924	1,135,384	2.14
2005	8,531,598	1,161,298	1,300,596	3.47
2006	11,535,790	1,214,646	1,413,272	4.27
2007	8,846,052	1,418,401	1,556,396	3.42
2008	9,620,693	1,679,991	1,444,576	3.08
2009	10,657,548	2,051,307	1,450,649	3.04
2010	8,952,585	1,721,460	1,122,032	3.02
2011	10,854,660	2,348,506	1,520,433	4.81

Source: Village of Key Biscayne Finance Department.

# VILLAGE OF KEY BISCAIYNE, FLORIDA

## DEMOGRAPHIC AND ECONOMIC STATISTICS

### LAST TEN FISCAL YEARS

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Year	Population (1)	Median Household Income (1)	Per Capita Personal Income (1)	Unemployment Rate (2)
2002	10,507	\$ 86,599	\$ 54,214	6.0%
2003	10,507	86,599	54,214	5.8%
2004	10,507	86,599	54,214	5.1%
2005	10,507	86,599	54,214	4.2%
2006	10,507	86,599	54,214	3.9%
2007	10,507	86,599	54,214	4.6%
2008	10,507	86,599	54,214	6.9%
2009	10,507	86,599	54,214	11.0%
2010	12,344	86,599	54,214	12.1%
2011	12,344	86,599	54,214	9.4%

Sources:

(1) United States Census Bureau, 2010 Census data.

(2) United States Bureau of Labor Statistics

**VILLAGE OF KEY BISCAYNE, FLORIDA**

**PRINCIPAL EMPLOYERS**

**CURRENT YEAR AND NINE YEARS AGO**

Employer	2011			2002		
	Employees (1)	Rank	Percentage of Total Village Employment	Employees	Rank	Percentage of Total Village Employment
Ritz Carlton Key Biscayne	1,500	1	not known			
Winn Dixie Stores, Inc.	250	3	not known			
Village of Key Biscayne	<u>114</u>	3	not known			
All remaining employers are of an extremely small number						Information not available
Total	<u><u>1,864</u></u>					

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**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Number of Employees</b>										
General government	7	5	6	7	6	6	6	8	7	7
Public safety	72	74	76	79	79	79	78	81	80	80
Building, planning and zoning	16	12	12	13	13	14	13	13	13	13
Public works	3	5	5	5	5	4	4	4	4	4
Parks and recreation	<u>4</u>	<u>4</u>	<u>4</u>	<u>6</u>	<u>6</u>	<u>7</u>	<u>7</u>	<u>10</u>	<u>10</u>	<u>10</u>
<b>Total Number of Employees</b>	<u>102</u>	<u>100</u>	<u>103</u>	<u>110</u>	<u>109</u>	<u>110</u>	<u>108</u>	<u>116</u>	<u>114</u>	<u>114</u>

Source: Village of Key Biscayne Finance Department budget.

## VILLAGE OF KEY BISCAYNE, FLORIDA

### OPERATING INDICATORS BY FUNCTION/PROGRAM

#### LAST TEN FISCAL YEARS

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Public safety:</b>										
<b>Police:</b>										
Police personnel and officers	40	40	41	40	40	40	39	42	41	41
Police calls for service	21,127	20,660	19,004	16,510	13,006	35,412	36,190	37,002	34,935	37,646
Parking violations	789	639	628	682	801	996	776	824	523	563
Traffic violations	2,875	2,433	3,035	1,397	1,468	1,104	946	975	1,425	1,269
<b>Fire:</b>										
Fire personnel	33	34	35	39	39	39	39	39	39	39
Fire incidents	1,050	1,114	1,148	1,403	1,103	998	1,006	1,012	1,556	1,841
Fire inspections performed	476	840	307	332	269	220	305	229	267	469
<b>Planning and development:</b>										
Business permits issued	2,313	2,581	3,061	3,045	3,000	3,504	3,620	2,451	2,794	2,969
Business tax receipts issued	729	668	428	433	475	914	1,224	1,324	1,142	1,166
<b>Culture and recreation:</b>										
Number of building users	--	--	--	6,373	6,461	5,778	4,673	4,268	3,990	4,127
<b>Solid waste:</b>										
Residential accounts	1,200	1,200	1,200	1,200	1,200	1,200	1,299	1,298	1,302	1,292

Sources: Various Village Departments.

# VILLAGE OF KEY BISCAIYNE, FLORIDA

## CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

### LAST TEN FISCAL YEARS

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>General government:</b>										
Number of general government buildings	1	1	1	1	1	1	1	1	1	1
<b>Public safety:</b>										
<b>Police:</b>										
Police stations	1	1	1	1	1	1	1	1	1	1
Patrol units	3	3	3	3	3	3	3	3	3	3
<b>Fire:</b>										
Fire stations	1	1	1	1	1	1	1	1	1	1
<b>Transportation:</b>										
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
<b>Culture and recreation:</b>										
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
Swimming pools	--	--	--	1	1	1	1	1	1	1

Sources: Various Village Departments.

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## COMPLIANCE SECTION

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**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, 2011, and have issued our report thereon dated April 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

## 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  
April 27, 2012

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

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

We have audited the financial statements of the governmental activities, 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, 2011, which collectively comprise the Village's basic financial statements and have issued our report thereon dated April 27, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosures in those reports and schedule, which are dated April 27, 2012, 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' reports or schedule:

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding annual 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(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuses that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(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 to be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Village did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Village for the fiscal year ended September 30, 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 report for the fiscal year ended September 30, 2011. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(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 Commission, 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  
April 27, 2012