

VILLAGE OF BISCAYNE PARK, FLORIDA

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2004

VILLAGE OF BISCAYNE PARK, FLORIDA

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2004

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Commission Members
Village of Biscayne Park, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Biscayne Park, Florida ("the Village") as of and for the fiscal year ended September 30, 2004, 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 an opinion 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 opinion.

As described in Note 1, the City adopted provisions of the Governmental Accounting Standards Board Statement (GASB) No. 34, *Basic Financial Statements- and Management's Discussion and Analysis For State and Local Governments*; GASB No. 37, *Basic Financial Statements- and Management's Discussion and Analysis - For State and Local Governments: Omnibus*; GASB No.38, *Certain Financial Statement Note Disclosures*; and *Interpretation No.6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements; as of October 1, 2003*. This resulted in a change in the format and content of the basic financial statements.

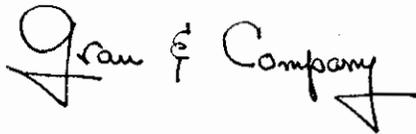
In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village as of September 30, 2004, and the respective changes in the financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 29, 2005, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

To the Honorable Mayor and Commission Members
Village of Biscayne Park, Florida
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Management's Discussion and Analysis and the Required Supplementary Information identified in the table of contents, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standard Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying information identified in the table of contents as combining and individual statements are presented for the purpose of additional analysis and are not required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respect in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Grau & Company". The signature is written in a cursive style with a large initial 'G' and a stylized 'C'.

April 29, 2005

MANAGEMENT DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Village of Biscayne Park, we offer readers of the Village of Biscayne Park's (the "Village") financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended September 30, 2004.

Financial Highlights

- The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$1,769,780 (net assets). Of this amount, \$1,056,956 (*unrestricted net assets*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Village's total net assets decreased by \$260,573. This decrease is attributable to excess expenses over revenues for 2004.
- As of the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$1,251,078, a decrease of \$533,726 in comparison with the prior year. Approximately \$816,669 of this total amount is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$760,607 or 29% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

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

The *statement of net assets* presents information on all of the Village's assets and liabilities, with the 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 is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the Village 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 include general government, public safety, public works, parks, code enforcement, and building, planning & zoning. The Village has no business type activities.

The government-wide financial statements can be found on pages 10 and 11 of this report.

Overview of the Financial Statements (Continued)

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 Biscayne Park, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village are governmental 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 statements focus on *near-term inflows and outflows of spendable resources* as well as on *balances of spendable 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 *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 Biscayne Park maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund which is considered to be the only major fund. Data from other four governmental funds are combined into a single aggregate presentation. Individual fund data for each of these nonmajor government funds is provided in the form of combining statements elsewhere in the report.

The Village of Biscayne Park adopts an annual appropriated budget for its general fund as well as its other governmental funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 12 to 15 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 16 to 25 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 Village's case, assets exceeded liabilities by \$1,769,780 at the close of the most recent fiscal year.

A portion of the Village's net assets, \$518,702 or 29%, reflects its investment in capital assets (e.g., land and equipment). The Village of Biscayne Park uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

Government-wide Financial Analysis (Continued)

An additional portion of the Village's net assets, \$194,122 or 11%, represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net assets, \$1,056,956 or 60%, may be used to meet the government's on-going obligations to citizens and creditors.

At the end of the current year, the Village is able to report positive balances in all three categories of net assets.

Village of Biscayne Park's Net Assets

	Fiscal Year <u>2004</u>	Fiscal Year <u>2003</u>
Current assets	\$ 1,423,883	\$ 1,929,931
Capital assets, net	<u>578,385</u>	<u>274,284</u>
Total assets	<u>2,002,268</u>	<u>2,204,215</u>
Long-term debt	59,682	28,735
Other liabilities	<u>172,806</u>	<u>145,127</u>
Liabilities	<u>232,488</u>	<u>173,862</u>
Investment in capital assets, net of related debt	518,702	245,549
Restricted	194,122	219,622
Unrestricted	<u>1,056,956</u>	<u>1,565,182</u>
Total net assets	<u>\$ 1,769,780</u>	<u>\$ 2,030,353</u>

The Village's net investment in capital assets increased \$273,153 during the fiscal year. Approximately 54% of the increase was for the purchase of land for future police and Village Hall expansion, 15% for Village Hall improvements, 15% for police improvements and equipment and 16% for public works equipment. The decrease in restricted assets is due to the purchase of land and police improvements which is offset by the increase in funds designated for road maintenance and transit improvements.

Village of Biscayne Park's Changes in Net Assets

	Fiscal Year <u>2004</u>	Fiscal Year <u>2003</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 725,826	\$ 782,133
Grants and contributions	3,980	48,521
General Revenues:		
Property taxes	985,944	1,196,112
Transit taxes	136,261	-
Franchise taxes	132,785	-
Public service taxes	212,504	178,903
Intergovernmental	257,624	380,785
Investment income and miscellaneous	<u>32,078</u>	<u>26,250</u>
Total revenues	<u>2,487,002</u>	<u>2,612,704</u>
Expenses:		
General government	703,731	807,766

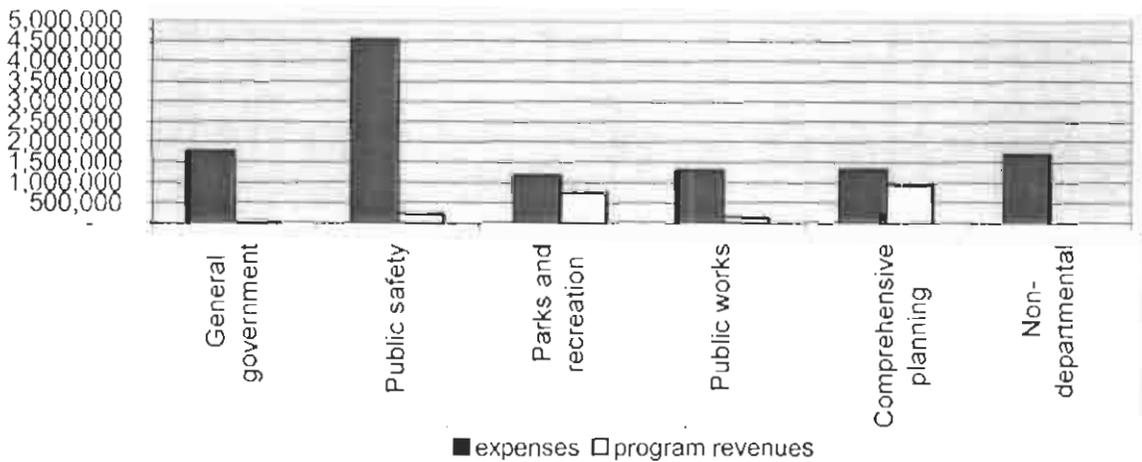
Government-wide Financial Analysis (Continued)

Net Assets (Continued)

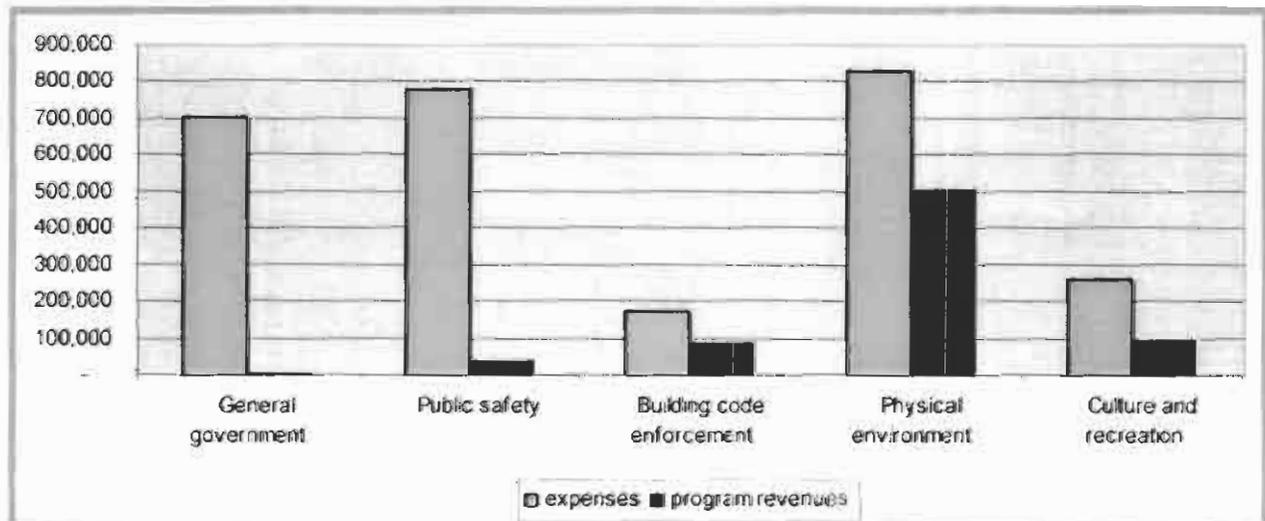
Public safety	779,293	674,897
Building code enforcement	173,757	128,389
Physical environment	830,443	706,334
Culture and recreation	258,618	169,486
Non-departmental	<u>1,733</u>	<u>4,224</u>
Total expenses	<u>2,747,575</u>	<u>2,491,096</u>
Change in net assets	<u>\$ (260,573)</u>	<u>\$ 121,608</u>

Governmental activities. The Village's net assets decreased by \$260,573 in the current fiscal year. All of the decrease was attributable to governmental activities. The largest revenue source was property taxes (40%) followed by charges for services (29%). For the most part, increases in expenses reflect growth in the level of services provided by the Village.

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities



Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the Village of Biscayne Park'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. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Village's governmental funds reported a combined balance of \$1,251,078, a decrease of \$533,726 in comparison with the prior year. Approximately 65% of this total amount (\$816,669) constitutes *unreserved fund balance*, which is available for spending at the Village's discretion. The remainder of the fund balance (\$434,409) is reserved to indicate that it is not available for new spending because it has already been committed for (1) capital projects (\$194,122) or (2) long-term receivables (\$240,287).

The general fund is the chief operating fund of the Village. At the end of the current fiscal year, unreserved fund balance of the general fund was \$760,607. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 29 percent of total general fund expenditures, while total fund balance represents 38 percent of that same amount.

A summary of the general fund's condensed balance sheet and statement of revenues, expenditures and changes in fund balance for September 30, 2004 and 2003, is shown below:

Summary of General Fund's condensed Balance Sheet

	Fiscal Year <u>2004</u>	Fiscal Year <u>2003</u>
Total assets	<u>\$ 1,233,176</u>	<u>\$1,716,823</u>
Total liabilities	<u>232,282</u>	<u>339,219</u>
Reserved fund balance	240,287	246,602
Unreserved fund balance	<u>760,607</u>	<u>1,131,002</u>
Total fund balance	<u>1,000,894</u>	<u>1,377,604</u>
Total liabilities and fund balance	<u>\$ 1,233,176</u>	<u>\$1,716,823</u>

Summary of General Fund's condensed statement of revenues, expenditures, and changes in fund balance

	Fiscal Year <u>2004</u>	Fiscal Year <u>2003</u>
Total Revenues	\$2,258,280	\$2,411,899
Total Expenditures	<u>2,634,990</u>	<u>2,598,309</u>
Excess of revenues over expenditures	<u>\$ (376,710)</u>	<u>\$ (186,410)</u>

The fund balance of the Village of Biscayne Park's general fund decreased by \$376,710 during the current fiscal year. The decrease was the result of a reduction in revenues collected and investments in capital assets of \$449,575.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were relatively minor and consisted of transfers between the departments as approved by Council. There were no supplemental appropriations for the fiscal year ended September 30, 2004.

Major revenue variances between the final budget and actual results in the general fund are in the charges for services and miscellaneous revenues. The Village included approximately \$75 thousand of interest and penalties from late payments of customers' garbage fees. However, during the year, Miami-Dade County implemented the inclusion of garbage fees on the property tax billings for Village residents resulting in significant improvement in the collection of garbage fees.

Capital Assets

As of September 30, 2004, the Village's investment in capital assets amounted to \$578,384 (net of accumulated depreciation). The total increase in capital assets for the current fiscal year was \$529,578.

VILLAGE OF BISCAYNE PARK Capital Assets

	Balance September <u>30, 2003</u>	<u>Additions</u>	<u>Deletions</u>	Balance September <u>30, 2004</u>
Non-depreciable capital assets:				
Land	\$ 9,351	\$ 148,139	\$ -	\$ 157,490
Capital assets, being depreciated:				
Building	35,659	80,183	-	115,842
Improvements		64,502	-	64,502
Furniture and equipment	<u>930,204</u>	<u>236,934</u>	-	<u>1,167,137</u>
Less accumulated depreciation for:				
Building	204,211	-	-	204,211
Improvements	-	12,900	-	12,900
Furniture and equipment	<u>665,271</u>	<u>132,574</u>	<u>-</u>	<u>797,844</u>
Total capital assets, being depreciated, Net	<u>264,933</u>	<u>155,961</u>	<u>-</u>	<u>420,894</u>
Governmental activities Capital assets, net	<u>\$ 274,284</u>	<u>\$ 304,100</u>	<u>\$ -</u>	<u>\$ 578,384</u>

Additional information on the Village's capital assets can be found in the notes to the financial statements on pages 23-24 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Miami-Dade County in September 2003 was 7.1 percent, which represented a decrease from a rate of 7.7 percent the previous year. This compares unfavorably to the state's average unemployment rate of 5.1 percent and the national average rate of 5.8 percent in September 2003. (Source: Florida Agency for Workplace Innovation, Labor Market Statistics.)
- Inflationary trends in the region are comparable to national indices.

All of these factors were considered in preparing the Village of Biscayne Park budget for the 2004 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Village of Biscayne Park'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 Finance Department, 640 Northeast 114th Street, Biscayne Park, Florida 33161.

GOVERNMENT-WIDE
FINANCIAL STATEMENTS

VILLAGE OF BISCAYNE PARK, FLORIDA
STATEMENT OF NET ASSETS
September 30, 2004

ASSETS	GOVERNMENTAL ACTIVITIES
Cash and cash equivalents	\$ 1,117,817
Accounts receivable - net	306,067
Capital assets:	
Land	157,490
Building	204,211
Equipment	1,167,138
Improvements other than building	<u>64,502</u>
Total Capital assets	1,593,341
Less accumulated depreciation	<u>(1,014,956)</u>
Total Capital assets - net	<u>578,385</u>
Total Assets	<u>\$ 2,002,269</u>
LIABILITIES	
Accounts payable	\$ 43,816
Accrued payroll	16,203
Accrued compensated absences	112,787
Noncurrent liabilities:	
The amount due in one year	32,027
The amount due in more than one year	<u>27,655</u>
Total Liabilities	<u>232,488</u>
NET ASSETS	
Invested in capital assets, net of related debt	518,703
Restricted for:	
Construction of municipal building	521
Public safety	66,604
Citizen Independent Transport	126,997
Unrestricted	<u>1,056,956</u>
Total Net Assets	<u>\$ 1,769,781</u>

VILLAGE OF BISCAYNE PARK, FLORIDA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2004

	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS
Functions/programs	Expenses	Charges for services	Operating grants and contributions	Governmental activities
Governmental activities:				
General government	\$ 703,731	\$ 4,771	\$ -	\$ (698,960)
Public safety	779,293	38,041	-	(741,252)
Building code enforcement	173,757	88,071	-	(85,686)
Physical environment	830,443	503,118	3,980	(323,345)
Culture and recreation	258,618	91,825	-	(166,793)
Interest on long-term debt	1,733	-	-	(1,733)
Total activities	2,747,575	725,826	3,980	(2,017,769)
General revenues:				
Property taxes, levied for general purpose				898,761
Property taxes, levied for road fund				87,183
Transit taxes				136,261
Franchise taxes				132,785
Public service taxes				212,504
Intergovernmental				257,624
Investment Income				32,078
Total general revenues				1,757,196
Change in net assets				(260,573)
Net assets, October 1, as restated				2,030,354
Net assets, September 30				\$ 1,769,781

VILLAGE OF BISCAYNE PARK, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2004

	<u>General</u>	<u>Other Governmental Funds</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS			
Cash and cash equivalents	\$ 925,524	\$ 192,293	\$ 1,117,817
Accounts receivable - net	297,923	8,144	306,067
Due from other funds	9,729	59,541	69,270
Total Assets	\$ 1,233,176	\$ 259,978	\$ 1,493,154
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 43,751	\$ 65	\$ 43,816
Accrued payroll	16,203	-	16,203
Accrued compensated absences	112,787	-	112,787
Due to other funds	59,541	9,729	69,270
Total Liabilities	232,282	9,794	242,076
Fund balance:			
Reserved for:			
Long term waste fees receivable	240,287	-	240,287
Construction of municipal building	-	521	521
Public safety	-	66,604	66,604
Citizen independent transport	-	126,997	126,997
Unreserved reported in:			
Road Fund	-	56,062	56,062
General Fund	760,607	-	760,607
Total Fund Balances	1,000,894	250,184	1,251,078
Total Liabilities and Fund Balances	\$ 1,233,176	\$ 259,978	\$ 1,493,154

FUND
FINANCIAL STATEMENTS

VILLAGE OF BISCAYNE PARK, FLORIDA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2004

Fund balances - total government funds	\$ 1,251,078
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>	
<p style="padding-left: 40px;">Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>	
Governmental capital assets	1,593,341
Less accumulated depreciation	(1,014,956)
<p style="padding-left: 40px;">Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.</p>	
Capital leases	<u>(59,682)</u>
Net assets of governmental activities	<u>\$ 1,769,781</u>

VILLAGE OF BISCAYNE PARK, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2004

	General	Other Governmental Funds	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Property taxes	\$ 898,761	\$ 223,444	\$ 1,122,205
Franchise taxes	132,785	-	132,785
Public service taxes	212,504	-	212,504
Charges for services	599,714	-	599,714
Intergovernmental	261,604	-	261,604
Licenses and permits	88,071	-	88,071
Fines and forfeitures	33,991	4,050	38,041
Investment Income	30,850	1,228	32,078
Total Revenues	<u>2,258,280</u>	<u>228,722</u>	<u>2,487,002</u>
EXPENDITURES			
Current:			
General government	508,138	152,590	660,728
Public safety	745,540	23,745	769,285
Building code enforcement	173,757	-	173,757
Physical environment	779,813	-	779,813
Culture and recreation	225,836	-	225,836
Debt service:			
Principal payments	41,035	-	41,035
Interest and fiscal charges	1,733	-	1,733
Capital Outlay:			
Land	-	148,139	148,139
Improvements	-	65,926	65,926
Equipment	216,119	10,338	226,457
Total Expenditures	<u>2,691,971</u>	<u>400,738</u>	<u>3,092,709</u>
(Deficiency) of Revenues Over Expenditures	<u>(433,691)</u>	<u>(172,016)</u>	<u>(605,707)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	15,000	15,000
Operating transfers (out)	(15,000)	-	(15,000)
Capital leases	71,981	-	71,981
Total Other Financing Sources	<u>56,981</u>	<u>15,000</u>	<u>71,981</u>
NET CHANGE IN FUND BALANCES	(376,710)	(157,016)	(533,726)
FUND BALANCES - BEGINNING	<u>1,377,604</u>	<u>407,200</u>	<u>1,784,804</u>
FUND BALANCES - ENDING	<u>\$ 1,000,894</u>	<u>\$ 250,184</u>	<u>\$ 1,251,078</u>

VILLAGE OF BISCAYNE PARK, 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, 2004

Changes in fund balances - total government funds

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

Net change in fund balances	\$ (533,726)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital outlays	449,573	
Less current year depreciation	(145,474)	304,099

The issuance of long-term debt (e.g., bonds, leases) provided current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

Capital leases financing	(71,981)	
Principal payments	41,035	<u>(30,946)</u>

Change in net assets of governmental activities	<u>\$ (260,573)</u>
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NOTES TO THE
FINANCIAL STATEMENTS

VILLAGE OF BISCAYNE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The summary of the Village of Biscayne Park, Florida's (the Village) significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

The accounting policies of the Village conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. This report, the accounting systems and classification of accounts conform to standards of the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

a. ***Financial Reporting Entity***

The Village of Biscayne Park, Florida (the "Village") is a municipal corporation governed by an elected mayor and four-member council under a Commission form of government. The Village is located in Miami-Dade County, Florida and was incorporated in 1933. The Village provides the following services to its residents - general government, public safety, building code enforcement, physical environment and culture and recreation.

The financial statements were prepared in accordance with GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB # 39, 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 which 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 changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Village has no business-type activities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. *Government-wide and fund financial statements (Continued)*

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments 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.

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. 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 generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, utility taxes, franchise 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures) for the determination of major funds. The Village only has one major fund, the **General Fund**, 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.

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, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

c. ***Measurement focus, basis of accounting, and financial statement presentation (Continued)***

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources and then from the unrestricted resources.

d. ***New accounting standards adopted***

In the fiscal year ending September 30, 2004, the Village adopted the following statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

1. Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments*, Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments: Omnibus an amendment of GASB Statements No. 21 and No. 34*.
2. Statement No. 38, *Certain Financial Statement Note Disclosures*.
3. Statement No. 41, *Budgetary Comparison Schedules – Perspective Differences, an amendment of GASB Statement No. 34*.
4. Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

e. ***Assets, liabilities and net assets or equity***

1. ***Deposits and Investments***

The Village’s cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value by quoted market prices. The State Treasurer’s Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as their fair value of the pool shares.

2. ***Receivables and Payables***

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either interfund receivables/payables (i.e, the current portion of interfund loans) or as advances to/from other funds (i.e, the non-current portion of interfund loans). All other outstanding balances between funds are reported as a due to/from other funds.

The Village accrues revenues and the related receivables for waste fees in March of each fiscal year. Waste fees are due when billed. Waste fee receivables expected to be collected on subsequent years are presented on the balance sheets as a reservation of the general fund’s fund balance.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

e. ***Assets, liabilities and net assets or equity (Continued)***

All other receivables due from external sources are considered to be fully collectible and as such, an allowance for doubtful accounts has not been established.

3. ***Property Taxes***

Property values are assessed as of January 1 of each year, at which time taxes become an enforceable lien on property. Tax bills are mailed for the Village by Miami-Dade County (the County) on or about October 1 of each year and are payable with discounts of up to 4% offered for early payment. Taxes become delinquent on April 1 of the year following the year of assessment and State law provides for enforcement of collection of property taxes by seizure of the personal property or by the sale of interest-bearing tax certificates to satisfy unpaid property taxes.

Assessed values are established by the Miami-Dade County Property Appraiser. In November 1992, a Florida constitutional amendment was approved by the voters which provides for limiting the increases in homestead property valuations for Ad Valorem tax purposes to a maximum of 3% annually and also provides for reassessment of market values upon changes in ownership. The County bills and collects all property taxes and remits them to the Village.

State statutes permit municipalities to levy property taxes at a rate of up to 10 mills (\$10 per \$1,000 of assessed taxable valuation). The tax levy of the Village is established by the Village commission and the Miami-Dade County Property Appraiser incorporates the Village's millage into the total tax levy, which includes the County and the County School Board tax requirements. The millage rate assessed by the Village for the fiscal year ended September 30, 2004 was 8 mills (\$8 per \$1,000 of taxable assessed valuation).

4. ***Capital Assets***

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, sidewalks, culverts, light poles, and similar items), are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$750 for equipment 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 on the date of donation.

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 they are completed.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. *Assets, liabilities and net assets or equity (Continued)*

4. *Capital Assets (Continued)*

<u>Assets</u>	<u>Years</u>
Building	20
Improvements other than buildings	5
Furniture and equipment	5

When capital assets are sold or disposed of, the related cost and accumulated depreciation are removed from the accounts and a resulting gain or loss is recorded in the government-wide financial statements.

5. *Compensated Absences*

It is the Village's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation pay and sick pay benefits are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

6. *Long-Term Obligations*

In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net assets.

7. *Grant Revenue*

The Village, a recipient of grant revenues, recognizes revenues (net of estimated uncollectible amounts, if any) when all applicable eligibility requirements, including time requirements, are met.

8. *Fund Equity/Net Assets*

As a result of implementing GASB Statement No. 34, and other subsequent pronouncements, the Village's ending fund balance at September 30, 2003 was restated to arrive at beginning net assets at October 1, 2003.

Fund Balance at September 30, 2003	\$ 1,784,804
Net Capital Assets	<u>245,550</u>
Beginning Net Assets at October 1, 2003	<u>\$ 2,030,354</u>

The government-wide financial statements utilize a net asset presentation. Net assets are categorized as investments in capital assets (net of related debt) restricted and unrestricted.

Investment in Capital Assets (net of related debt) – is intended to reflect the portion of net assets which are associated with capital assets less the outstanding capital assets related debt.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

e. ***Assets, liabilities and net assets or equity (Continued)***

Restricted Net Assets – represent assets which have third party (statutory, bond covenant or granting agency) limitations on their use. When both restricted and unrestricted net assets are available for a specific expense, it is the Village policy to use restricted net assets first, until exhausted before using unrestricted resources.

9. ***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 reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ.

2. **DEPOSITS AND INVESTMENTS**

At year-end, the Village's carrying amount of deposits was \$230,099 and the bank balance was \$337,411. The Village's deposits are fully collateralized by federal depository insurance or by the State Treasurer collateral pool. Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", requires all qualified depositories to deposit with the Treasurer or another banking institution eligible collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. Government and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

In accordance with Section 218.415 of the Florida Statutes, the Village is authorized to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, which include the Local Government Surplus Funds Trust Fund administered by the State Board of Administration (SBA). The Local Government Surplus Funds Trust is governed by Chapter 19-7 of the Florida Administrative Code, which identifies the Rules of the State Board of Administration. These rules provide guidance and establish the general operating procedures for the administration of the Local Government Surplus Funds Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the SBA.

Investments are categorized to give an indication of the level of risk assumed by the entity at year-end. The three categories of credit risk are as follows:

- (1) Insured or registered, or securities held by the government or its agent in the government's name.
- (2) Uninsured and unregistered, with securities held by the counter-party's trust department or agent in the government's name.

2. **DEPOSITS AND INVESTMENTS (CONTINUED)**

(3) Uninsured and unregistered, with securities held by the counter-party, or by its trust department or agent but not in the government's name.

At September 30, 2004 the Village's investments, which totaled \$887,718, consisted of deposits in the Florida State Board of Administration (SBA) investment pool and as such were not subject to categorization.

3. **RECEIVABLES/PAYABLES**

Accounts Receivable

Receivables at September 30, 2004, consisted of franchise fees, taxes and receivables arising from waste fee charges. The Village's receivables at September 30, 2004 were as follows:

Franchise fees and taxes	\$ 62,531
Waste Fees	<u>243,536</u>
Total receivables	306,067
Less: Non-current waste fees receivable	<u>240,287</u>
Total current receivables	<u>\$ 65,780</u>

Of the \$243,536 waste fees receivable, \$240,287 is not expected to be collected by the Village during fiscal 2004. In addition, of the \$243,536 waste fee receivable, approximately \$29,000 represents interest and penalties on the unpaid balances. Accordingly, the Village has established a reservation of fund balance for the long-term portion of the receivables. All franchise fees and taxes receivable are considered fully collectible.

4. **INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances as of September 30, 2004, was as follows:

Due to/From Other Funds

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 9,729	\$ 59,541
Special revenue funds:		
Road Fund	-	9,729
Police Forfeiture Fund	1,487	-
Citizen Independent Transport Fund	<u>58,054</u>	-
	<u>\$ 69,270</u>	<u>\$ 69,270</u>

4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

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

Interfund Transfers

<u>Fund</u>	<u>Transfer In (Out)</u>
General Fund	\$ (15,000)
Special revenue funds:	
Municipal Building Fund	<u>15,000</u>
	<u>\$ -</u>

The transfer was used to partially finance the land acquired for the expansion of the Village's Hall.

5. CAPITAL ASSETS

Capital assets activity for the fiscal year ended September 30, 2004 was as follows:

Governmental activities:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 9,351	\$148,139	\$ -	\$ 157,490
Total capital assets, not being depreciated	<u>9,351</u>	<u>148,139</u>	<u>-</u>	<u>157,490</u>
Capital assets, being depreciated:				
Building	204,211	-	-	204,211
Improvements	-	64,502	-	64,502
Furniture and equipment	<u>930,204</u>	<u>236,934</u>	<u>-</u>	<u>1,167,138</u>
Total capital assets being depreciated	<u>1,134,415</u>	<u>301,436</u>	<u>\$ -</u>	<u>\$ 1,435,851</u>
Less accumulated depreciation for:				
Building	204,211	-	-	204,212
Improvements	-	12,900	-	12,900
Furniture and equipment	<u>665,271</u>	<u>132,574</u>	<u>-</u>	<u>797,844</u>
Total accumulated depreciation	<u>869,482</u>	<u>145,474</u>	<u>\$ -</u>	<u>1,014,956</u>
Total capital assets, being depreciated, net	<u>264,933</u>	<u>155,961</u>	<u>\$ -</u>	<u>420,894</u>
Governmental activities capital assets, net	<u>\$ 274,284</u>	<u>\$304,100</u>	<u>\$ -</u>	<u>\$ 578,385</u>

5. CAPITAL ASSETS (CONTINUED)

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

Governmental activities:	
General government	\$ 41,578
Public safety	20,484
Physical environment	50,630
Culture and recreation	<u>32,782</u>
 Total depreciation expense – governmental activities	 <u>\$ 145,474</u>

6. LONG-TERM DEBT

In 2004, the Village entered into three lease agreements for the purchase of two police vehicles and a garbage truck totaling \$71,981. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been capitalized and a liability has been recorded at the net present value of the future minimum lease payments, as of the inception date.

Future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2004 are as follows:

Year ending September 30	
2005	\$ 34,346
2006	25,226
2007	<u>3,778</u>
Total minimum lease payments	63,350
Less: amount representing interest (at rates ranging from 3.91% to 6.25%)	<u>(3,668)</u>
Present value of minimum lease payments	<u>\$ 59,682</u>

Changes in general long-term debt during the year were as follows:

	Balance September 30, <u>2003</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2004</u>
Capital leases	<u>\$ 28,736</u>	<u>\$ 71,981</u>	<u>\$ 41,035</u>	<u>\$ 59,682</u>

7. DEFINED BENEFIT PENSION PLAN

Plan Description. All of the Village's full-time employees participate in the Florida Retirement System (FRS), a multiple employer cost sharing public employee retirement system, administered by the Florida Legislature and available to governmental units within Florida. The FRS provides vesting after six years of creditable service. Members are eligible for normal retirement after vesting (10 years or more creditable service for regular members). Early retirement may be taken anytime, but there is a five percent benefit reduction for each year prior to normal retirement age (less than 30 years service or 62 years of age for regular members).

7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Funding Policy. Plan members do not contribute. The Village contribution rates ranged from 7.39% to 18.53% of covered payroll. Article X, Section 14 of the State Constitution and Part VII, Chapter 112 of the Florida Statutes provide the authority to amend the contribution rates and obligations.

The Village's contributions for the Florida Retirement System for the last three years which were equal to the required contribution for each year were as follows:

<u>September 30,</u>	<u>Required Contribution</u>	<u>Contribution Rates</u>
2004	\$ 128,846	7.39% - 18.53%
2003	\$ 101,655	7.39% - 18.53%
2002	\$ 102,354	5.76% - 16.01%

The most recent actuarial report was prepared as of July 1, 2003. Section 121.031(3) of the Florida Statutes requires that an actuarial review of the FRS be performed biannually. The conclusions of the review are included in the annual report of the FRS.

The Florida Retirement System issues a financial report that includes the financial statements and other statistically relevant financial information. That report may be obtained from the State of Florida, Division of Retirement, 2639 N. Monroe Street, Tallahassee, Florida 32399 or by calling (850) 488-2879.

8 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; injuries to employees; and natural disasters.

The Village has joined with other municipalities in the State participating in the Florida League of Cities Municipal Self Insurance Program, (the Program) a public entity risk pool currently operating as a common risk management and insurance program. The inter-local agreement with the Florida League of Cities Municipal Self Insurance Program provides that the Program will be self-sustaining through member premiums and will reinsure through commercial companies. During the past three years, the Village has not incurred any significant claims nor have there been any significant reductions in coverage.

9. CONTINGENCIES

Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the Village. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Village expects such amounts, if any, to be immaterial.

Lawsuits

The Village is a defendant in various suits and claims incidental to its operations. The ultimate effect of such litigation cannot be ascertained at this time. It is the opinion of the Village's attorney that the Village has sufficient insurance coverage to cover any claims or liabilities, which may arise from such action and the resolution of the matter, will not have a material adverse effect on the financial condition of the Village.

REQUIRED SUPPLEMENTARY
INFORMATION

VILLAGE OF BISCAYNE PARK, FLORIDA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2004

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Property taxes	875,766	875,766	\$ 898,761	\$ 22,995
Franchise taxes	89,716	89,716	132,785	43,069
Public service taxes	268,871	268,871	212,504	(56,367)
Charges for services	704,186	704,186	599,714	(104,472)
Intergovernmental	290,536	290,536	261,604	(28,932)
Licenses and permits	130,553	130,553	88,071	(42,482)
Fines and forfeitures	51,140	51,140	33,991	(17,149)
Miscellaneous revenue	459,952	459,952	30,850	(429,102)
Total Revenues	<u>2,870,720</u>	<u>2,870,720</u>	<u>2,258,280</u>	<u>(612,440)</u>
EXPENDITURES				
Current:				
General government	521,921	521,921	508,138	13,783
Public safety	821,678	821,678	745,540	76,138
Building code enforcement	183,531	183,531	173,757	9,774
Physical environment	885,375	885,375	779,813	105,562
Culture and recreation	255,319	255,319	225,836	29,483
Debt service:				
Principal payments	46,521	46,521	41,035	5,486
Interest and fiscal charges	-	-	1,733	(1,733)
Capital Outlay:				
Equipment	156,375	156,375	216,119	(59,744)
Total Expenditures	<u>2,870,720</u>	<u>2,870,720</u>	<u>2,691,971</u>	<u>178,749</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>(433,691)</u>	<u>(433,691)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers (out)	-	-	(15,000)	(15,000)
Proceeds from capital leases	-	-	71,981	71,981
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>56,981</u>	<u>56,981</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>(376,710)</u>	<u>(376,710)</u>
FUND BALANCES - BEGINNING	<u>1,377,604</u>	<u>1,377,604</u>	<u>1,377,604</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 1,377,604</u>	<u>\$ 1,377,604</u>	<u>\$ 1,000,894</u>	<u>\$ (376,710)</u>

Notes to Budgetary Comparison Schedule

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. Annual appropriations lapse at fiscal year end.

The Village follows Chapter 80-274 of the state of Florida Statutes and its charter in establishing the budgetary data reflected in the financial statements. The budget process is as follows:

Prior to August 1, the Village Manager submits to the Village Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted to obtain taxpayer comments.

Prior to October 1, the budget is legally enacted through passage of an appropriation ordinance.

The appropriated budget is prepared and adopted by fund, function, and department. Budgets are monitored within each department at the account level by the respective department head and the Finance Director. The Village's department heads may make transfers of appropriations within a department with approval of the Village Manager and Finance Director. Transfers of appropriations between departments require the additional approval of the Council. The legal level of budgetary control (i.e. the level at which expenditures may not exceed appropriations) is the department level.

The Village Council may make by ordinance supplemental appropriations during the fiscal year. There were no supplemental appropriations for the fiscal year ended September 30, 2004.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g. purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

Excess Expenditures over appropriation

Expenditures exceeded the budget in the general fund for the fiscal year ended September 30, 2004 for the following account:

	<u>Final Budget</u>	<u>Actual</u>	<u>Amount in Excess of Final Budget</u>
Equipment	\$ 156,375	\$ 216,119	\$ 59,744
Interest	-	1,733	1,733

COMBINING AND INDIVIDUAL
STATEMENTS AND SCHEDULES

VILLAGE OF BISCAYNE PARK, FLORIDA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 September 30, 2004

	Special Revenue				Total
	Road Fund	Municipal Building Fund	Police Forfeiture Fund	Citizen Independent Transport Fund	
ASSETS					
Cash and cash equivalents	\$ 57,713	\$ 521	\$ 65,116	\$ 68,943	\$ 192,293
Accounts receivable - net	8,143				8,143
Due from other funds	-	-	1,488	58,054	59,542
Total assets	\$ 65,856	\$ 521	\$ 66,604	\$ 126,997	\$ 259,978
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ 65	\$ -	\$ -	\$ -	\$ 65
Due to other funds	9,729	-	-	-	9,729
Total liabilities	9,794	-	-	-	9,794
Fund balance:					
Reserved for:					
Designated for construction of municipal building	-	521	-	-	521
Public safety	-	-	66,604	-	66,604
Transport	-	-	-	126,997	126,997
Unreserved reported in:					
Road	56,062	-	-	-	56,062
Total fund balances	56,062	521	66,604	126,997	250,184
Total liabilities and fund balances	\$ 65,856	\$ 521	\$ 66,604	\$ 126,997	\$ 259,978

VILLAGE OF BISCAYNE PARK, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2004

	<u>Special Revenue</u>				<u>Total</u>
	<u>Road Fund</u>	<u>Municipal Building Fund</u>	<u>Police Forfeiture Fund</u>	<u>Citizen Independent Transport Fund</u>	
REVENUES					
Taxes	\$ 87,183	\$ -	\$ -	\$ 136,261	\$ 223,444
Fines and forfeitures	-	-	4,050	-	4,050
Investment Income	348	28	425	427	1,228
Total Revenues	<u>87,531</u>	<u>28</u>	<u>4,475</u>	<u>136,688</u>	<u>228,722</u>
EXPENDITURES					
Current:					
General government	142,783	116	-	9,691	152,590
Public safety	-	-	23,745	-	23,745
Capital outlay	<u>76,264</u>	<u>148,139</u>	<u>-</u>	<u>-</u>	<u>224,403</u>
Total Expenditures	<u>219,047</u>	<u>148,255</u>	<u>23,745</u>	<u>9,691</u>	<u>400,738</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(131,516)</u>	<u>(148,227)</u>	<u>(19,270)</u>	<u>126,997</u>	<u>(172,016)</u>
OTHER FINANCING SOURCES					
Operating transfers in	-	15,000	-	-	15,000
Total Other Financing Sources	<u>-</u>	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>15,000</u>
NET CHANGE IN FUND BALANCES	<u>(131,516)</u>	<u>(133,227)</u>	<u>(19,270)</u>	<u>126,997</u>	<u>(157,016)</u>
FUND BALANCE - BEGINNING	<u>187,578</u>	<u>133,748</u>	<u>85,874</u>	<u>-</u>	<u>407,200</u>
FUND BALANCE - ENDING	<u>\$ 56,062</u>	<u>\$ 521</u>	<u>\$ 66,604</u>	<u>\$ 126,997</u>	<u>\$ 250,184</u>

COMPLIANCE
SECTION

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and Commission Members
Village of Biscayne Park, Florida

We have audited the financial statements of the Village of Biscayne Park, Florida (the Village) as of and for the fiscal year ended September 30, 2004, and have issued our report thereon dated April 29, 2005. 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.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance 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 an instance of non-compliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and recommendations as item 00-10.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design and operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are identified in the accompanying schedule of findings and recommendations as items 00-2, 00-7, and 00-8.

A material *weakness* is a condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur, and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described in the accompanying schedule of findings and recommendations, we consider 00-7 to be material weaknesses.

To the Honorable Mayor and Commission Members
Village of Biscayne Park, Florida
Page 2

We also noted other matters that we have reported to management in the schedule of findings and recommendations accompanying this report.

This report is intended solely for the information and use of the Mayor, Commission members, management and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

Grau & Company

April 29, 2005

**MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES
OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

To the Honorable Mayor and Commission Members
Village of Biscayne Park, Florida

We have audited the financial statements of the Village of Biscayne Park, Florida (the Village) as of and for the fiscal year ended September 30, 2004, and have issued our report thereon dated April 29, 2005.

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 and Chapter 10.550, Rules of the Auditor General.

We have issued our Independent Auditor's Report on Compliance and Internal Control over Financial Reporting, Summary of Schedule of Prior Audit Findings, and Schedule of Findings and Questioned Costs. Disclosure in those reports and schedules which are dated April 29, 2005, should be considered in conjunction with this management letter.

The purpose of this letter is to comment on those matters described in Rule 10.554(1)(j) required by the Rules of the Auditor General for the State of Florida. Accordingly, in connection with our audit of the financial statements of the Village, as described in the first paragraph, we report on the following which is included on pages 32 through 38.

- I. **Status of prior year findings and recommendations.**
- II. **Compliance with the Provisions of the Auditor General of the State of Florida.**

We previously reported on the Village's compliance and internal control over financial reporting in our report dated April 29, 2005 on pages 30 and 31.

This report is intended for the information of management, Commission members of the Village of Biscayne Park, Florida, and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank the Village of Biscayne Park, Florida, and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements and the courtesies extended to us.



April 29, 2005

**VILLAGE OF BISCAYNE PARK, FLORIDA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FISCAL YEAR ENDED SEPTEMBER 30, 2004**

I. STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

02-3 Compliance with Internal Revenue Service reporting requirements

Condition

The Internal Revenue Service (IRS) requires that payments to third party individuals in excess of \$600 per year must be reported at year end by filing a 1099 form for each individual meeting the threshold. During our testing over cash disbursements, we noted that the Village made disbursements to individuals in excess of the \$600 limit that were not reported on form 1099 for the 2003 year end.

Effect

The Village is not in compliance with IRS regulations and may be subjected to fines and penalties, which will reduce available resources that are earmarked for Village operations.

Recommendation

We recommend that the Village establish monitoring procedures to ensure that all required 1099 forms are filed as required under IRS regulations.

Management's Response

The Village implemented procedures to monitor payments to third party individuals to comply with the IRS requirement of filing 1099 for payments meeting the \$600 threshold. In addition, effective January 1, 2004, the Village's Council Members were included in the payroll subject to withholding taxes in compliance with the bargaining agreement with IRS as a result of their examination in 2003.

Current Year Status

The recommendation was implemented in FY2004 and comments will not be repeated.

01-1. Compliance with Section 166.241 (3) of the Florida Statutes

Section 166.241 (3) of the Florida Statutes states that "The governing body of each municipality shall adopt a budget each fiscal year. The budget must be adopted by ordinance unless otherwise specified in the respective municipality's charter. The amount available from taxation and other sources, including amounts carried over from prior fiscal years, must equal the total appropriations for expenditures and reserves. The budget must regulate expenditures of the municipality, and it is unlawful for any officer of a municipal government to expend or contract for expenditures in any fiscal year except in pursuance of budgeted appropriations." The Village did not adopt a budget for all of the special revenue funds, and therefore, is not in compliance with the above mentioned Florida Statute.

Recommendation

We recommend that the Village comply with Section 166.241 (3) of the Florida Statutes and budget all of its governmental fund types.

VILLAGE OF BISCAYNE PARK, FLORIDA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FISCAL YEAR ENDED SEPTEMBER 30, 2004

I. STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS – (CONTINUED)

01-1. Compliance with Section 166.241 (3) of the Florida Statutes (Continued)

Management's Response

The Village adopted budget for all governmental funds in FY2004.

Current Year Status

Recommendation was properly implemented and comments will not be repeated.

00-2 Cash Disbursements

During the performance of our tests over the Village's controls over cash disbursements, we noted a number of recurring deficiencies.

Of the twenty-eight disbursements selected for testing, the associated invoices were not canceled or clearly marked as paid for eleven of those disbursements; the Village personnel could not locate the documentary evidence associated with a formal check request or signed approval for five of the disbursements; no vendor invoices were provided for five of the disbursements; and the canceled checks for four of the disbursements were not located.

While no evidence was noted of any improprieties, lack of proper controls over cash disbursements could result in inaccurate and/or improper disbursements. Establishing and adhering to these controls is essential for the Village in meeting its fiduciary responsibility.

Recommendation

We recommend that the Village develop and adopt written policies and procedures over cash disbursements and the associated maintenance of supporting documentation. In all cases management oversight and involvement is essential in ensuring that these controls are being followed and adhered to.

Current Year Status

During the testing of current year travel expenditures we noted that 3 of the items selected for testing were not signed by the employee requesting the reimbursement and five were not approved by the respective department head. In addition, written policies and procedures covering the disbursement process are still not in place. Comments will be repeated.

Management's Response

The Village plans on establishing policies and procedures to be in place for 2005.

**VILLAGE OF BISCAYNE PARK, FLORIDA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED SEPTEMBER 30, 2004**

I. STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS – (CONTINUED)

00-4 Purchasing and Accounts Payable

During our audit, we noted deficiencies in the Village's internal control over the purchasing and accounts payable function. These deficiencies resulted in numerous errors identified within the Village's books and accounting records. The following summarizes issues identified as a result of our tests:

1. The Village does not have written procurement policies for the acquisition of goods and/or services.
2. The Village does not have controls in place over the maintenance of vouchers nor does it perform cut off procedures to ensure that disbursements are accounted for in the proper period.
3. There was no evidence that an accounts payable detail was prepared or any accruals recorded for the current year-liabilities. Liabilities were accrued as a result of the audit work performed at the end of the year.

It is important to note that maintaining controls over purchasing and payables is essential in ensuring that the Village does not post improper and/or unauthorized disbursements. In addition, these controls are essential to properly account and monitor all costs.

Recommendation

We recommend that the Village develop and adopt written policies and procedures over the administration of its purchasing and accounts payable function. Once in place, management should take steps to ensure that these policies are being adhered to and that any deviations are addressed and corrected immediately.

Current Year Status

The Village implemented all the recommendations in fiscal year 2004, except for items #1. Comments will be repeated for item #1.

Management's Response

The Village plans to implement written procurement policies for the year 2005.

00-7 Fixed Assets

During our audit of fixed assets, we noted a number of issues associated with internal control. The following summarizes issues identified as a result of our procedures:

1. The Village has no written capitalization policy and instead leaves determination of which items to capitalize to department heads.
2. Changes in status of fixed assets (i.e. sale, obsolescence, etc.,) are not reported to finance for proper accounting of such changes.
3. Periodic reviews of insurance are not performed to ensure that coverages are sufficient based on fixed assets held by the Village.

VILLAGE OF BISCAYNE PARK, FLORIDA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED SEPTEMBER 30, 2004

I. STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS – (CONTINUED)

00-7 Fixed Assets (Continued)

4. The Village's fixed assets have not been tagged as Village property, a physical inventory is not being performed at least annually, and such inventory is not compared with physical records and discrepancies corrected.

Internal control over fixed assets is essential in helping the Village ensure that its fixed assets are being properly accounted for and that theft or other inappropriate activity is not occurring. By not having these controls in place, the Village is exposed to possible loss. In addition, the Village cannot ensure that it is meeting its fiduciary responsibility over the administration of public resources.

Recommendation:

We recommend that the Village develop and adopt written policies and procedures, which ensure fixed assets are being properly monitored and accounted for. In addition, management should take steps to ensure that these policies are adhered to and properly applied.

Current Year Status

The Village has not addressed any of the recommendations during the year. This comment will be repeated.

Management's Response

The Village plans on developing and establishing policies and procedures to be in place for 2005.

00-8 Personnel Policies and Procedures

During the performance of our test work over payroll and our analysis of internal controls over payroll, we noted that the Village has not developed a written personnel policies and procedures manual. As a result, we noted that personnel policies were not consistent between departments of the Village. By not having written personnel policies, the Village is exposing itself to risks associated with potential claims from personnel related matters. In addition, employee duties and responsibilities are not defined resulting in inefficiencies in the Village's operations.

Recommendation

We recommend the Village develop and adopt a written personnel policies and procedures manual. Once written and adopted, Village management should take steps to ensure that these policies are being followed and adhered to.

**VILLAGE OF BISCAYNE PARK, FLORIDA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED SEPTEMBER 30, 2004**

I. STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS – (CONTINUED)

00-8 Personnel Policies and Procedures (Continued)

Current Year Status

As of September 30, 2004, the Village had not established a written personnel manual. Comment will be repeated.

Management's Response

The Village plans on developing and establishing policies and procedures to be in place for 2005.

00-9 Compliance With Laws and Regulations

During the performance of our audit, we noted numerous violations with the Village's compliance with applicable laws and regulations. The following summarizes our findings for the current year:

1. There was no documentary evidence to support budget amendments or reappropriations for fiscal 2000. In addition, expenditures exceed appropriations for Building Code Enforcement Capital Outlay and Debt Services (Leases).
2. There are no formally adopted written policies and procedures to help ensure the Village complies with State laws and regulations.

While no matters came to our attention that indicated that action had been taken against the Village for these violations, the possibility does exist that action could be taken by the State, if these violations are not addressed and properly corrected.

Recommendation

We recommend the Village take immediate action in curing its existing violations with laws and regulations. Upon clearing these issues, the Village should take steps to develop and adopt formal written policies and procedures, which address compliance with all applicable laws and regulations. Management should also take steps to ensure that once established these policies and procedures be properly applied and adhered to.

VILLAGE OF BISCAYNE PARK, FLORIDA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED SEPTEMBER 30, 2004

I. STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS – (CONTINUED)

00-10 Compliance With Laws and Regulations (Continued)

Current Year Status

During the current year expenditures exceeded appropriations for capital outlay. In addition the Village has no written policies established to ensure compliance laws and regulations.

Management's Response

The Village plans on developing and establishing policies and procedures to be in place for 2005.

II. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

1. Unless otherwise required to be reported in the auditor's report on compliance and on internal controls, the management letter shall include, but not limited to a statement as to whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. Recommendations, except for those addressed in the Schedule of Findings and Recommendations, made in the preceding annual report have been addressed. There were no significant findings and recommendations made in the annual financial audit report for the fiscal year ended September 30, 2004.
2. The Village of Biscayne Park complied with Section 218.415, Florida Statutes, regarding the investment of public funds.
3. There were no violations of laws, regulations, and contractual provisions or abuse, that were not clearly inconsequential, that have occurred, or were likely to have occurred, that were discovered within the scope of the audit except as disclosed in the schedule of findings and recommendations.
4. There were no illegal or improper expenditures, that were not clearly inconsequential, discovered within the scope of the audit that may not materially affect the financial statements except as disclosed in the schedule of findings and recommendations as item 00-10.
5. There were no deficiencies in internal control that are not reportable conditions, including, but not limited to, improper or inadequate accounting procedures, failure to properly record financial transactions or other inaccuracies, shortages, defalcations, or instances of fraud discovered by, or that came to the attention of the auditor except for finding 00-2 – 00-7 and 00-8.
6. The Village of Biscayne Park, Florida was incorporated in accordance with the laws of the State of Florida 16319 of 1933. The Village is governed by an elected Mayor and four-member Council under a Commission form of government. There are no component units to the Village.
7. The Village of Biscayne Park has not met one or more of the conditions described in Section 218.503(1)(a), Florida Statutes.
8. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1) (a), Florida Statutes agrees with the September 30, 2004 financial audit report.
9. We applied financial condition assessment procedures pursuant to Rule 10.556 (8) to assess the financial condition of the Village. While the Village is not currently in a state of financial emergency as defined in Section 218.503, Florida Statutes, we believe that the results of the financial indicators shows that the Village's overall financial condition is showing signs of deterioration which, if not corrected, could result in a future financial emergency. A significant factor we believe may have contributed to the deteriorating financial condition of the Village was the continuing decline in the unreserved fund balances in the general fund resulting from excess expenditures over revenues for the past two consecutive years.