

VILLAGE OF BISCAYNE PARK, FLORIDA
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

VILLAGE OF BISCAYNE PARK, FLORIDA

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS (Required Supplementary Information)	3-9
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet	12
Reconciliation of the Balance Sheet to the Statement of Net Assets- (Governmental Funds)	13
Statement of Revenues, Expenditures and Changes in Fund Balances (Governmental Funds)	14
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Notes to Basic Financial Statements	16-25
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund	26-27
COMBINING FINANCIAL STATEMENTS	
Combining Balance Sheet – Nonmajor Governmental Funds	28
Combining Statements of Revenues, Expenditures and Changes in Fund Balances -Nonmajor Governmental Funds	29
Combining Statements of Revenues, Expenditures and Changes in Fund Balances Budget and Actual – Nonmajor Governmental Funds	30
COMPLIANCE SECTION	
Independent Auditors' Report on Internal Controls over Financial Reporting And Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	31-32
Report of Independent Certified Public Accountants on Compliance and Internal Control over Compliance Applicable to Each Major Federal Program	33-34
Schedule of Expenditures of Federal Awards	35
Note to the Schedule of Expenditures of Federal Awards	36
Management Letter in Accordance with the Rules of the Auditor General of the State of Florida	37-38
Schedule of Findings and Recommendations	39-43



CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

4649 PONCE DE LEON BLVD.
SUITE 404
CORAL GABLES, FL 33146 - 2118
TEL: 305-662-7272
FAX: 305-662-4266
ACC-CPA.COM

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the Village Council
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, 2006, 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 basic financial statements based on our audit.

We conducted our audits 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 opinions.

In our opinion, 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 of Biscayne Park, Florida as of September 30, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 21, 2006 on our consideration of the Village's internal control over financial reporting and our tests of 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 read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Schedules, listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Management's Discussion and Analysis

As management of the Village of Biscayne Park, we offer readers of the Village of Biscayne Park (the Village) financial statements this narrative overview and analysis of the financial activities of the Village of Biscayne Park for the fiscal year ended September 30, 2006.

Financial Highlights

- The assets of the Village of Biscayne Park exceeded its liabilities at the close of the most recent fiscal year by \$1,629,630 (net assets). Of this amount, \$799,822 (*unrestricted net assets*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Village's total net assets increased by \$162,409. This increase is attributable to excess of revenues over expenses for 2006.
- As of the close of the current fiscal year, the Village of Biscayne Park's general fund reported an ending fund balance of \$890,700, an increase of \$214,443 in comparison with the prior year. Approximately \$680,541 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 \$680,541 or 17% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Village of Biscayne Park basic financial statements. The Village of Biscayne Park 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 themselves.

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

The *statement of net assets* presents information on all of the Village of Biscayne Park 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 of Biscayne Park 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).

Overview of the Financial Statements (Continued)

Both of the government-wide financial statements distinguish functions of the Village of Biscayne Park 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 Biscayne Park 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 include only the Village of Biscayne Park itself (known as the *primary government*).

The government-wide financial statements can be found on pages 10 and 11 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 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 of Biscayne Park 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 seven 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 and the special revenue funds, of which the general fund and one special revenue fund (CITT) are considered to be major funds.

The Village of Biscayne Park adopts an annual appropriated budget for its general fund and one of the special revenue funds. A budgetary comparison statement has been provided for each fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 12 to 14 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 \$1,629,630 at the close of the most recent fiscal year.

Government-wide Financial Analysis (Continued)

A portion of the Village's net assets, \$511,655 or 31%, 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.

An additional portion of the Village's net assets, \$318,153 or 20%, represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net assets, \$799,822 or 49%, may be used to meet the government's on-going obligations to citizen's and creditors.

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

Village of Biscayne Park Net Assets

	Fiscal Year <u>2006</u>	Fiscal Year <u>2005</u>	<u>Change</u>
Current assets	\$ 1,331,019	\$ 1,168,716	\$162,303
Capital assets, net	<u>524,822</u>	<u>617,698</u>	<u>(92,876)</u>
Total assets	<u>1,855,841</u>	<u>1,786,414</u>	<u>69,427</u>
Liabilities	<u>226,211</u>	<u>319,193</u>	<u>(92,982)</u>
Investment in capital assets, net of related debt	511,655	574,368	(62,713)
Restricted	318,153	252,247	65,906
Unrestricted	<u>799,822</u>	<u>640,606</u>	<u>159,216</u>
Total net assets	<u>\$ 1,629,630</u>	<u>\$ 1,467,221</u>	<u>\$162,409</u>

Increase in current assets of approximately \$162,303 is due mainly to increases in cash from current year operations.

Capital assets decreased as a result of depreciation expense and liabilities decreased due to payouts of compensated absences for terminated employees.

The Village's net investment in capital assets decreased \$59,713 during the fiscal year. This decrease is due to depreciation on existing capital assets. The increase in restricted assets is due to funds designated for road maintenance and transit improvements.

Village of Biscayne Park Changes in Net Assets

	Fiscal Year <u>2006</u>	Fiscal Year <u>2005</u>	<u>Changes</u>
Revenues:			
Program Revenues:			
Charges for services	\$900,992	\$ 713,305	\$187,687
Grants and contributions	1,181,810	217,550	964,260
General Revenues:			
Property taxes	1,289,887	1,052,454	237,433
Franchise taxes	122,750	87,524	35,226
Public service taxes	228,549	215,844	12,705
Intergovernmental	610,060	509,223	100,837
Investment income and miscellaneous	<u>73,338</u>	<u>35,667</u>	<u>37,671</u>
Total revenues	<u>4,407,386</u>	<u>2,831,567</u>	<u>1,575,819</u>
Expenses:			
General government	644,968	643,498	1,470
Public safety	945,575	812,792	132,783
Building code enforcement	146,332	153,144	(6,812)
Physical environment	2,189,251	1,214,493	974,758
Culture and recreation	316,284	307,648	8,636
Interest on long-term debt	<u>2,567</u>	<u>2,552</u>	<u>15</u>
Total expenses	<u>4,244,977</u>	<u>3,134,127</u>	<u>1,110,850</u>
Change in net assets	162,409	(302,560)	<u>464,969</u>
Net assets beginning	<u>1,467,221</u>	<u>1,769,781</u>	
Net assets ending	<u>\$1,629,630</u>	<u>\$1,467,221</u>	

Governmental activities. The Village's net assets increased by \$162,409 in the current fiscal year. All of the increase was attributable to governmental activities. The largest revenue source was property taxes (29%) followed by grants and contributions (26%) and charges for services (20%). For the most part, increases in expenses reflect growth in the level of services provided by the Village and expenses incurred for Hurricane Wilma cleanup.

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 Town'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.

General Fund

The general fund is the chief operating fund of the Village of Biscayne Park. At the end of the current fiscal year, the Village's general fund reported a fund balance of \$890,700, an increase of \$214,443 in comparison with the prior year. Approximately 76% of this total amount (\$680,541) constitutes *unreserved fund balance*, which is available for spending at the Village's discretion. The remainder of the fund balance (\$210,159) is reserved to indicate that it is not available for new spending because it has already been committed for (1) long-term receivables (\$187,749) and (2) prepaid expenses (\$22,410).

At the end of the current fiscal year, unreserved fund balance of the general fund was \$680,541. 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 17 percent of total general fund expenditures, while total fund balance represents 23 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, 2006 and 2005, is shown below:

Summary of General Fund's condensed Balance Sheet

	Fiscal Year <u>2006</u>	Fiscal Year <u>2005</u>	<u>Change</u>
Total assets	\$ <u>1,012,384</u>	\$ <u>1,011,179</u>	<u>\$1,205.</u>
Total liabilities	<u>121,684</u>	<u>334,922</u>	<u>(213,238)</u>
Reserved fund balance	210,159	199,411	10,748
Unreserved fund balance	<u>680,541</u>	<u>476,846</u>	<u>203,695</u>
Total fund balance	<u>890,700</u>	<u>676,257</u>	<u>214,443</u>
Total liabilities and fund balance	\$ <u>1,012,384</u>	\$ <u>1,011,179</u>	<u>\$1,205</u>

Decrease in liabilities was due to decreases in due to other funds of approximately \$60,000 from the prior year and a prior period adjustment of \$90,878 to implement GASB 34 and properly record compensated absences in the government-wide statement.

Increase in unreserved fund balance was due to the results of the current year operations and the prior period adjustment for compensated absences.

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

	Fiscal Year <u>2006</u>	Fiscal Year <u>2005</u>	<u>Change</u>
Total Revenues	\$4,083,336	\$2,530,125	\$1,553,211
Total Expenditures	<u>3,920,526</u>	<u>2,824,195</u>	<u>1,096,331</u>
Excess of revenues over expenditures	162,810	(294,070)	456,880
Other financing sources	<u>(39,245)</u>	<u>(30,567)</u>	<u>(8,678)</u>
Change in fund balance	123,565	(324,637)	<u>448,202</u>
Fund Balance, Beginning	<u>767,135</u>	<u>1,000,894</u>	
Fund Balance, Ending	\$ <u>890,700</u>	\$ <u>676,257</u>	

Increases in revenues and expenditures were mainly due to clean up costs related to Hurricane Wilma.

Other Major Governmental Funds

There is one additional major fund; the Citizens Independent Transportation Fund, with a fund balance of \$136,202. The entire fund balance is reserved to indicate that it is not available for new spending because it has already been committed for capital projects.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were due to revenues and expenses associated with Hurricane Wilma. The supplemental appropriations for the fiscal year ended September 30, 2006 were required to properly reflect the additional revenues and expenses associated with Hurricane Wilma. Budget vs. actual schedules are presented on pages 26 and 27 for the general fund and page 30 for the Road Fund.

Capital Assets

As of September 30, 2006, the Village's investment in capital assets amounted to \$524,822 (net of accumulated depreciation). The total decrease in capital assets for the current fiscal year was \$92,876.

The decrease is the net effect of current year additions for equipment and infrastructure of \$66,671 net of depreciation of approximately \$159,549. Information on capital assets can be found in page 22 and 23 of the notes to the financial statements.

Long-Term Debt

The Village currently carries no long term debt other than compensated absences.

Economic Factors and Next Years Budgets and Rates

The State of Florida, by constitution, does not have a state personal income tax and therefore, the State operates primarily using sales, gasoline and corporate income taxes. Local governments (cities, counties and school boards) primarily rely on property and a limited array of permitted other taxes (sales, telecommunication, gasoline, utilities services, etc.) and fees (franchise, building permits, etc.) for their governmental activities. There are a limited number of state-shared revenues and recurring and non-recurring (one-time) grants from the county, state and federal governments.

Revenues in fiscal year 2007 adopted General Fund budget are \$3,459,317, an increase of 18 percent from the fiscal year 2006 revenues of \$2,928,886, excluding grant revenues of \$1,154,450. Property taxes, benefiting from the increases in assessed valuations and an increase in the operating millage rate to 9.2 mills in 2007 (\$1,690,145) as compared to 8.2 in 2006 (\$1,289,887), as well as increases in waste fees, \$650,803 in 2007 as compared to \$506,840 in 2006 are expected to lead to this increase. The Village will use these revenues to fund current services, the expected impact of inflation on salaries, benefits, and supplies (especially gasoline); and to build up reserves once again.

Fiscal year 2007 budgeted expenditures and transfers are expected to be \$3,393,317, or 20 percent, over fiscal year 2006 expenditures of \$2,822,161 excluding hurricane expenses of \$1,137,610. The largest increases include Public Works (\$351,351) to purchase new equipment, and to fund increases in tipping fees, fuel, insurance, and salaries; and Administration (\$60,554) to fund the addition of a Village Manager. Additional increases are being utilized to restore programs back to normal levels after the austere cuts due to financial constraints and Hurricane Wilma. If estimates are realized, the Village's budgetary general fund balance is expected to increase \$66,000. Because the deficit spending of the prior three financial years drew down approximately \$911,500 from reserves to balance these budgets, it is crucial for the Village to be fiscally responsible and stay on this path to achieve financial stability.

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.

VILLAGE OF BISCAYNE PARK, FLORIDA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006

<u>ASSETS</u>	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 520,796
Restricted cash and cash equivalents	318,153
Accounts receivable - net	469,660
Prepays	22,410
Capital assets:	
Land	157,490
Building	204,211
Furniture and equipment	1,252,879
Improvements other than building	64,502
Infrastructure	<u>183,361</u>
Total capital assets	1,862,443
Less accumulated depreciation	<u>(1,337,621)</u>
Total capital assets - net	<u>524,822</u>
Total assets	<u>1,855,841</u>
<u>LIABILITIES</u>	
Accounts payable	88,567
Accrued payroll	18,227
Other liabilities	10,101
Noncurrent liabilities:	
The amount due in one year	18,438
The amount due in over one year	<u>90,878</u>
Total liabilities	<u>226,211</u>
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	511,655
Restricted for:	
Capital projects	236,089
Public safety	82,064
Unrestricted	<u>799,822</u>
Total net assets	<u>\$ 1,629,630</u>

See notes to basic financial statements

VILLAGE OF BISCAYNE PARK, FLORIDA
 STATEMENT OF ACTIVITIES
 FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<u>Functions/programs</u>				
Governmental activities:				
General government	\$ 644,968	\$ 6,372	\$ -	\$ (638,596)
Public safety	945,575	57,929	-	(887,646)
Building and code enforcement	146,332	122,988	-	(23,344)
Physical environment	2,189,251	558,007	1,181,810	(449,434)
Culture and recreation	316,284	155,696	-	(160,588)
Interest on long-term debt	2,567	-	-	(2,567)
Total governmental activities	<u>4,244,977</u>	<u>900,992</u>	<u>1,181,810</u>	<u>(2,162,175)</u>

General revenues:

Property taxes	\$ 1,289,887
Utility taxes	228,549
Franchise fees on gross receipts	122,750
Intergovernmental (unrestricted)	610,060
Investment income	62,219
Miscellaneous	11,119
Change in net assets	162,409
Net assets, October 1	1,467,221
Net assets, September 30	<u>\$ 1,629,630</u>

See notes to basic financial statements

VILLAGE OF BISCAYNE PARK, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006

	<u>Major Funds</u>			
	<u>General</u>	<u>Citizens Independent Transportation Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 531,528	\$ 119,012	\$ 188,409	\$ 838,949
Accounts receivable - net	436,162	17,190	16,308	469,660
Prepays	22,410	-	-	22,410
Due from other funds	22,284	-	21,111	43,395
Total assets	\$ 1,012,384	\$ 136,202	\$ 225,828	\$ 1,374,414
<u>LIABILITIES AND FUND BALANCES</u>				
Accounts payable	\$ 88,567	\$ -	\$ -	\$ 88,567
Accrued payroll	18,227	-	-	18,227
Accrued compensated absences	4,789	-	482	5,271
Due to other funds	-	-	43,395	43,395
Other liabilities	10,101	-	-	10,101
Total liabilities	121,684	-	43,877	165,561
<u>FUND BALANCES</u>				
Reserved for:				
Long-term waste fee receivable	187,749	-	-	187,749
Prepays	22,410	-	-	22,410
Capital projects	-	136,202	99,887	236,089
Public safety	-	-	82,064	82,064
Unreserved, reported in:				
General fund, undesignated	680,541	-	-	680,541
Total fund balances	890,700	136,202	181,951	1,208,853
Total liabilities and fund balances	\$ 1,012,384	\$ 136,202	\$ 225,828	\$ 1,374,414

See notes to basic financial statements

VILLAGE OF BISCAYNE PARK, FLORIDA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006

Fund balances - total government funds (Page 12) \$ 1,208,853

Amounts reported for governmental activities in the statement
of net assets are different as a result of:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the
governmental funds.

Governmental capital assets	1,862,443
Less accumulated depreciation	(1,337,621)

Long-term liabilities are not due and payable in the current
period and therefore are not reported in the governmental funds.

Capital leases	(13,167)
Compensated absences	<u>(90,878)</u>

Net assets of governmental activities (Page 10) \$ 1,629,630

See notes to basic financial statements

VILLAGE OF BISCAYNE PARK, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>Major Funds</u>			Total Governmental Funds
	General	Citizens Independent Transportation Fund	Other Governmental Funds	
Revenues:				
Property taxes	\$ 1,289,887	\$ -	\$ -	\$ 1,289,887
Franchise fees	122,750	-	-	122,750
Utility taxes	228,549	-	-	228,549
Charges for services	720,075	-	-	720,075
Intergovernmental	1,488,123	134,276	169,471	1,791,870
Licenses and permits	122,988	-	-	122,988
Fines and forfeitures	57,929	-	-	57,929
Interest	41,916	3,433	16,870	62,219
Miscellaneous	11,119	-	-	11,119
Total revenues	<u>4,083,336</u>	<u>137,709</u>	<u>186,341</u>	<u>4,407,386</u>
Expenditures:				
Current:				
General government	560,699	-	63,167	623,866
Public safety	912,703	-	5,000	917,703
Building and code enforcement	146,332	-	-	146,332
Physical environment	1,975,419	33,792	123,460	2,132,671
Culture and recreation	264,651	-	-	264,651
Debt service:				
Principal retirement	30,163	-	-	30,163
Interest	2,567	-	-	2,567
Capital outlay:				
Public safety	5,124	-	-	5,124
Physical environment	4,536	-	36,267	40,803
Culture and recreation	18,332	-	-	18,332
Total expenditures	<u>3,920,526</u>	<u>33,792</u>	<u>227,894</u>	<u>4,182,212</u>
Deficiency of revenues over expenditures	<u>162,810</u>	<u>103,917</u>	<u>(41,553)</u>	<u>225,174</u>
Other financing (uses) sources:				
Transfers in	-	-	154,245	154,245
Transfers out	(39,245)	(115,000)	-	(154,245)
Total other financing sources (uses)	<u>(39,245)</u>	<u>(115,000)</u>	<u>154,245</u>	<u>-</u>
Net change in fund balances	123,565	(11,083)	112,692	225,174
Fund balances - beginning (restated)	<u>767,135</u>	<u>147,285</u>	<u>69,259</u>	<u>983,679</u>
Fund balances - ending	<u>\$ 890,700</u>	<u>\$ 136,202</u>	<u>\$ 181,951</u>	<u>\$ 1,208,853</u>

See notes to basic financial statements

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
FISCAL YEAR ENDED SEPTEMBER 30, 2006

Amounts reported for governmental activities in the statement of activities are different as a result of:

Net change in fund balances - total government funds (Page 14)	\$		225,174
<p>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.</p>			
Expenditures for capital outlays	\$	66,621	
Less current year depreciation		(159,549)	(92,928)
<p>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.</p>			
Principal payments on capital leases		<u>30,163</u>	<u>30,163</u>
Change in net assets of governmental activities (Page 11)	\$		<u>162,409</u>

VILLAGE OF BISCAYNE PARK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

I. 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-Manager 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.

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. All other revenue items are considered to be measurable and available only when cash is received by the government.

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 *citizens independent transportation fund* accounts for the operating activities of the Village's use of Miami Dade County's CITT revenues.

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.

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.

e. Assets, liabilities and net assets

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 October 1 of each fiscal year. Waste fees are due when billed and are included with the property tax bills which

are collected by the County. 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.

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, 2006 was 8.20 mills (\$8.20 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:

	<u>Years</u>
Buildings	20
Improvements other than buildings	5-10
Infrastructure	5-10
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 Balance/Net Assets

In the fund financial statements, the governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. The description of each reserve indicates the purpose for which each is intended. Designations of fund balance represent tentative management plans that are subject to change.

Unreserved, undesignated fund balance is the portion of fund balance available for any lawful use.

In the government-wide financial statements, net assets represent the difference between assets and liabilities and are reported in three categories as hereafter described.

- Net assets invested in capital assets, net of related debt, represent capital assets, net of accumulated depreciation and any outstanding debt related to those assets.
- Net assets are reported as restricted when there are legal limitations imposed on their use by legislation, or external restrictions imposed by other governments, creditors, or grantors.
- Unrestricted net assets are net assets that do not meet the definitions of the classifications previously described.

9. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts of assets, liabilities, disclosure of contingent liabilities, revenues, and expenditures/expenses reported in the financial statements and accompanying notes. These estimates include assessing the collectibility of receivables and the useful lives of capital assets. Although those 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.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government unit, the Village is subject to various federal, state, and local laws and contractual regulations. The Village has no material violations of finance-related legal and contractual obligations.

Fund Accounting Requirements- 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, like any other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related requirements, and segregation for management purposes.

Revenue Restrictions- The Village has various restrictions placed over certain revenue sources from federal, state, or local requirements. The primary revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Gas Tax	Roads, sidewalks, streets
Transportation Tax	Transportation and roads
South Florida Water Management District	Grant Program Expenditures
Federal Forfeitures	Law Enforcement
Federal Emergency Management Agency	Disaster mitigation

For the year ended September 30, 2006, the Village complied, in all material respects, with these revenue restrictions.

III. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk - In the case of deposits, this is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. All of the Village's deposits are entirely insured by federal depository insurance or collateralized by the multiple financial institution collateral pool pursuant to Florida Statutes, Chapter 280, "Florida Security for Public Deposits Act." Under the Act, all qualified public depositories are required to pledge eligible collateral having a fair value equal to or greater than the average daily or monthly balance of all public deposits, multiplied by the depository's collateral pledging level. The book value of the Village's deposits on the balance sheet date was \$712,661. The bank balance of the Village's deposits as of September 30, 2006 was \$573,625.

Investments

The Village does not have a written investment policy and follows the State of Florida investment policy as set forth in State Statute 218.415. 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).

As of September 30, 2006, the Village had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
State Board of Administration	<u>\$265,324</u>	<u>1</u>
Portfolio weighted average maturity		<u>1</u>

Interest Rate Risk - The Village does not have a written policy on interest rate risk, however, the Village manages its exposure to declines in fair values by limiting the weighted average monthly maturity of its investment portfolio to less than six months (180 days). At September 30, 2006 the portfolio weighted average maturity was 1 day.

Credit Risk – The Village's investments in the State Board of Administration (SBA) Local Government Surplus Funds Investment Pool (which has the characteristics of a Money Market Fund) are not required to be categorized as these investments are not evidenced by securities that exist in physical or book entry form. Additionally, these investments are entirely collateralized and insured by the State. The Village invested throughout the year in the SBA Investment Pool. The SBA 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 Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the SBA. The Local Government Surplus Trust Fund is not a registrant with the Securities and Exchange Commission (SEC); however, the Board has adopted operating procedures consistent with the requirements for a 2A-7 fund. All SBA funds reported by the Village are reported at fair value consistent with the valuation similar to a 2A-7 pool. No credit rating is available for this investment.

Concentration of Credit Risk – There are no limits on the amount that may be invested in funds placed with the SBA. At September 30, 2006, all of the Village's investments were in the SBA.

Custodial credit risk – For an investment, this 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 investment. The Village's investments in the State Board of Administration (SBA) Local Government Surplus Funds Investment Pool (which has the characteristics of a Money Market Fund) are not required to be categorized as these investments are not evidenced by securities that exist in physical or book entry form. Additionally, these investments are entirely collateralized and insured by the State of Florida.

A reconciliation of deposits and investments as shown on the balance sheet and the statement of net assets is as follows:

	<u>Per Statement of Net Assets</u>		<u>By Category</u>
Restricted- cash and cash equivalents	\$318,153	Deposits	\$573,625
Cash and cash equivalents	<u>520,796</u>	Investments	<u>265,324</u>
	<u>\$838,949</u>		<u>\$838,949</u>

IV. RECEIVABLES/PAYABLES

Receivables

Receivables at September 30, 2006, consisted of franchise fees, taxes and receivables arising from waste fee charges. The Village's receivables at September 30, 2006 were as follows:

	<u>Waste Fees</u>	<u>Franchise Fees and Taxes</u>	<u>Grants</u>	<u>Other</u>	<u>Totals</u>
General fund	\$187,749	\$106,883	\$136,737	\$ 4,793	\$436,162
Non-major governmental funds	-	-	8,250	25,248	33,498
	<u>\$187,749</u>	<u>\$106,883</u>	<u>\$144,987</u>	<u>\$30,041</u>	<u>\$469,660</u>

The \$187,749 waste fees receivable represents old receivables for which the Village continues its efforts to collect. Liens have been placed or will be placed on properties with outstanding balances and the Village expects to collect these funds, however, not during the next fiscal year. 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.

Payables

	<u>Vendors</u>
General fund	<u>\$88,567</u>

Interfund balances as of September 30, 2006, were as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$22,284	\$ -
Special Revenue Funds:		
Road Fund	21,111	22,284
Police Forfeiture Fund	-	1,544
Stormwater Fund	-	<u>19,567</u>
	<u>\$43,395</u>	<u>\$43,395</u>

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 for fiscal year ended September 30, 2006 were as follows:

	<u>Transfer in</u>	<u>Transfer out</u>
General Fund	\$ -	\$ 39,245
Special Revenue Funds:		
Road Fund	30,000	-
Capital Improvement Fund	39,245	-
Stormwater Fund	85,000	-
Citizen Independent Transportation Fund	-	<u>115,000</u>
	<u>\$154,245</u>	<u>\$154,245</u>

- The transfer from the General Fund to the Capital Improvement Fund was used to cover expenditures for a master plan, engineering and architectural fees for the new Village Hall.
- The transfer from the Citizen Independent Transportation Fund to the Stormwater Fund and the Road Fund were used for road maintenance and repairs.

V. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2006 was as follows:

	<u>Balance</u> <u>October 1,</u> <u>2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>September 30,</u> <u>2006</u>
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 157,490	\$ -	\$ -	\$ 157,490
Total capital assets not being depreciated	<u>157,490</u>	<u>-</u>	<u>-</u>	<u>157,490</u>
Capital assets being depreciated:				
Building	204,211	-	-	204,211
Infrastructure	153,346	30,015	-	183,361
Improvements other than buildings	64,502	-	-	64,502
Furniture and equipment	<u>1,216,222</u>	<u>36,657</u>	-	<u>1,252,879</u>
Total capital assets being depreciated	1,638,281	66,671	-	1,704,953
Less accumulated depreciation for:				
Building	(204,211)	-	-	(204,211)
Infrastructure	(10,611)	(7,486)	-	(18,096)
Improvements other than buildings	(25,800)	(12,900)	-	(38,700)
Furniture and equipment	<u>(937,451)</u>	<u>(139,163)</u>	-	<u>(1,076,614)</u>
Total accumulated depreciation	<u>(1,178,073)</u>	<u>(159,549)</u>	-	<u>(1,337,621)</u>
Total capital assets being depreciated, net	<u>460,207</u>	<u>(92,876)</u>	-	<u>367,332</u>
Governmental activities capital assets, net	<u>\$ 617,698</u>	<u>\$ (92,876)</u>	<u>\$ -</u>	<u>\$ 524,822</u>

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

General government	\$ 23,464
Public Safety	27,872
Physical Environment	56,580
Culture and Recreation	<u>51,633</u>
Total depreciation expense – governmental activities	<u>\$159,549</u>

VI. CAPITAL LEASES

The Village entered into three lease agreements for the purchase of police vehicles and a garbage truck totaling approximately \$95,643. 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, 2006 are as follows:

Year ending September 30, 2007	<u>\$13,167</u>
-----------------------------------	-----------------

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

	Balance September 30, <u>2005</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2006</u>	Due Within <u>One year</u>
Compensated absences	\$ 147,255	\$ -	\$51,106	\$96,149	\$5,271
Capital leases	<u>43,330</u>	-	<u>30,163</u>	<u>13,167</u>	<u>13,167</u>
	<u>\$190,585</u>	<u>\$ -</u>	<u>\$81,269</u>	<u>\$109,316</u>	<u>\$18,438</u>

VII. 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 for regular members after six years of creditable service and age 62, or the age after 62 that the member becomes vested, or 30 years of service regardless of service. For the Special Risk Class (police officers) the FRS provides vesting after six years of special risk service and age 55; or the age after 55 that the members becomes vested, or 25 years of special risk service or 30 years of any service regardless of age. Early retirement may be taken after a member has vested and is within 20 years of his/hers normal retirement age, but there is a five percent benefit reduction for each year prior to normal retirement.

Funding Policy. Plan members do not contribute. The Village contribution rates ranged from 7.83% 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>
2006	\$ 173,337	7.83% - 18.53%
2005	\$ 143,476	7.39% - 18.53%
2004	\$ 128,846	7.39% - 18.53%

The most recent actuarial report was prepared as of July 1, 2006. 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.

VIII. 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.

The Village participates in Miami Dade County's self insured workmen's compensation program. Premiums are billed annually and are based on the Village's claim history.

IX. 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.

X. PRIOR PERIOD ADJUSTMENTS

As part of a comprehensive review of the account activity within the Village, management has determined that certain prior year transactions be restated in the current year ended September 30, 2006.

The following restatements resulted in adjustments to September 30, 2005 net assets, as follows:

Balance at September 30, 2005 (as reported)	<u>General</u> \$676,257
Adjustments to Fund Balance:	
To adjust compensated absences in accordance with GASB 34	90,878
Restated Balance at September 30, 2005	<u>\$767,135</u>

XI. FINANCIAL CONDITION

The Village performed a financial condition assessment pursuant to Rule 10.566(8) of the Rules of the State of Florida Auditor General. This assessment is required to be performed by the Village in order to assess its financial condition on an ongoing basis and if applicable, identify trends that could result in the Village being in a Technical State of Financial Emergency. The results of performing the financial condition assessment disclosed that approximately 23% of the financial indicators had unfavorable results, 31% had inconclusive results, and 46% had favorable results. In addition, the three critical indicators were rated as "inconclusive".

These results are all improvements from the 2005 financial condition assessment which reported 46% as unfavorable, 38% as inconclusive and only 15% as favorable. Also, the three critical indicators were rated unfavorable in 2005.

During 2006, the Village implemented several cost containment measures, which together with rising property values and higher than anticipated revenues resulted in an improved financial condition for 2006 compared to 2005. The general fund reported an excess of revenues over expenditures of approximately \$123,565 and overall all governmental funds reported an excess of revenues of \$225,174 for the current year.

Management will continue to search for ways to contain costs while providing the same level of services to the residents of the Village. For 2006-07, the Village Council voted to increase the Millage Rate to 9.2 and we have budgeted surpluses in the General Fund of \$66,000.

VILLAGE OF BISCAWAYNE PARK, FLORIDA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive/(Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes	\$ 1,229,050	\$ 1,229,050	\$ 1,289,887	\$ 60,837
Franchise fees	137,007	137,007	122,750	(14,257)
Utility taxes	213,296	213,296	228,549	15,253
Charges for services	735,710	735,710	720,075	(15,635)
Intergovernmental	333,100	1,339,600	1,488,123	148,523
Licenses and permits	114,600	117,300	122,988	5,688
Fines and forfeitures	62,000	62,000	57,929	(4,071)
Interest	30,000	30,000	41,916	11,916
Miscellaneous	7,500	7,500	11,119	3,619
Total revenues	<u>2,862,263</u>	<u>3,871,463</u>	<u>4,083,336</u>	<u>211,873</u>
Expenditures:				
Current:				
General government				
Executive	29,777	29,777	29,518	259
Village clerk	152,549	152,549	143,969	8,580
Finance	110,691	110,691	107,045	3,646
Non-departmental	326,680	286,680	280,167	6,513
Public safety	888,225	951,125	942,204	8,921
Building and code enforcement	164,122	166,822	146,332	20,490
Physical environment	956,842	2,026,242	1,988,307	37,935
Culture and recreation	325,981	325,981	282,984	42,997
Total expenditures	<u>2,954,867</u>	<u>4,049,867</u>	<u>3,920,526</u>	<u>129,341</u>
(Deficiency) Excess of revenues under expenditures	<u>(92,604)</u>	<u>(178,404)</u>	<u>162,810</u>	<u>341,214</u>
Other financing sources (uses):				
Appropriation of prior year fund balance	92,604	218,404	-	(218,404)
Transfers out	-	(40,000)	(39,245)	755
Total other financing sources (uses)	<u>92,604</u>	<u>178,404</u>	<u>(39,245)</u>	<u>(217,649)</u>
Net change in fund balance	-	-	123,565	<u>123,565</u>
Fund balances - beginning (restated)	<u>767,135</u>	<u>767,135</u>	<u>767,135</u>	
Fund balances - ending	<u>\$ 767,135</u>	<u>\$ 767,135</u>	<u>\$ 890,700</u>	

VILLAGE OF BISCAYNE PARK, FLORIDA
NOTES TO BUDGETARY COMPARISON SCHEDULE
FISCAL YEAR ENDED SEPTEMBER 30, 2006

Notes to Budgetary Comparison Schedule

Annual budgets are adopted for the General Fund and Road Fund 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 submitted 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 recommend 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 supplemental appropriations for the fiscal year ended September 30, 2006 totaling \$1,095,000, mostly for Hurricane Wilma cleanup and reimbursement from the Federal Emergency Management Agency.

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.

VILLAGE OF BISCAYNE PARK, FLORIDA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2006

	Road Fund	Municipal Building Fund	Capital Improvement Fund	Police Forfeiture Fund	Stormwater Fund	Total Nonmajor Governmental Funds
\$	-	\$	234	\$ 83,608	\$ 104,567	\$ 188,409
	16,308	-	-	-	-	16,308
	21,111	-	-	-	-	21,111
	<u>37,419</u>	<u>-</u>	<u>234</u>	<u>83,608</u>	<u>104,567</u>	<u>225,828</u>
\$	22,284	\$	-	\$ 1,544	\$ 19,567	\$ 43,395
	482	-	-	-	-	482
	<u>22,766</u>	<u>-</u>	<u>-</u>	<u>1,544</u>	<u>19,567</u>	<u>43,877</u>
	14,653	-	234	82,064	85,000	181,951
	<u>14,653</u>	<u>-</u>	<u>234</u>	<u>82,064</u>	<u>85,000</u>	<u>181,951</u>
\$	37,419	\$	234	\$ 83,608	\$ 104,567	\$ 225,828

ASSETS

Cash and cash equivalents
 Accounts receivable - net
 Due from other funds
 Total assets

LIABILITIES

Due to other funds
 Compensated absences
 Total liabilities

FUND BALANCES

Unreserved:
 Undesignated
 Total fund balances
 Total liabilities and fund balances

VILLAGE OF BISCAYNE PARK, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Road Fund	Municipal Building Fund	Capital Improvement Fund	Police Forfeiture Fund	Stormwater Fund	Total Nonmajor Governmental Funds
Revenues:						
Intergovernmental	\$ 126,491	\$ -	\$ 23,380	\$ -	\$ 19,600	\$ 169,471
Fines and forfeitures	-	-	-	-	-	-
Interest	14,044	-	306	2,147	373	16,870
Total revenues	140,535	-	23,686	2,147	19,973	186,341
Expenditures:						
Current:						
General government	-	470	62,697	-	-	63,167
Public safety	-	-	-	5,000	-	5,000
Physical environment	102,882	-	-	-	20,578	123,460
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Physical environment	17,348	-	-	-	18,919	36,267
Total expenditures	120,230	470	62,697	5,000	39,497	227,894
Excess (deficiency) of revenues over expenditures	20,305	(470)	(39,011)	(2,853)	(19,524)	(41,553)
Other financing (uses) sources						
Transfers in (out)	30,000	-	39,245	-	85,000	154,245
Total other financing (uses) sources	30,000	-	39,245	-	85,000	154,245
Net change in fund balance	50,305	(470)	234	(2,853)	65,476	112,692
Fund balances, October 1	(35,652)	470	-	84,917	19,524	69,259
Fund balances, September 30	\$ 14,653	\$ -	\$ 234	\$ 82,064	\$ 85,000	\$ 181,951

VILLAGE OF BISCAYNE PARK, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE-BUDGET AND ACTUAL NONMAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Special Revenue Funds			Variance with Final Budget Positive (Negative)
	Road Fund			
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues:				
Intergovernmental	\$ 97,756	\$ 126,756	\$ 126,491	\$ (265)
Interest	1,200	1,200	14,044	12,844
Miscellaneous	-	13,400	-	(13,400)
Total revenues	98,956	141,356	140,535	(821)
Expenditures:				
Current:				
Physical environment	171,359	171,359	120,230	51,129
Excess (deficiency) of revenues over expenditures	(72,403)	(30,003)	20,305	50,308
Other financing sources				
Appropriation of prior year fund balance	42,403	3	-	(3)
Transfers in	30,000	30,000	30,000	-
Total other financing sources	72,403	30,003	30,000	(3)
Net change in fund balance	-	-	50,305	50,305
Fund balances, October 1	(35,652)	(35,652)	(35,652)	
Fund balances, September 30	\$ (35,652)	\$ (35,652)	\$ 14,653	



CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

4649 PUNCE DE LEON BLVD.
SUITE 404
DURAL GABLES, FL 33146 - 2118
TEL: 305-662-7272
FAX: 305-662-4266
ACC-CPA.COM

**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 and Members of the Village Council
Village of Biscayne Park, Florida

We have audited the 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, 2006, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated December 21, 2006. 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 of Biscayne Park, Florida's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion 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 or 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 described in the accompanying schedule of findings and recommendations as items No. 2006-1, 2006-2, 2005-1, 2000-07, 2000-08 and 2000-09.

A material weakness is a reportable 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 general-purpose 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, we believe that none of the reportable conditions described above are material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Biscayne Park, Florida's basic 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and recommendations as item No. 2006-02 and 2000-09.

Honorable Mayor and Members of the Village Council
Village of Biscayne Park, Florida

This report is intended solely for the information and use of the council, management, and federal awarding agencies and pass-through entities, and the State of Florida Office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Alberni, Caballero & Castellanos, LLP.

December 21, 2006
Coral Gables, Florida



CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

4649 PONCE DE LEON BLVD.
SUITE 404
CORAL GABLES, FL 33146 - 2118
TEL: 305-662-7272
FAX: 305-662-4266
ACC-CPA.COM

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and Members of the Village Council
Village of Biscayne Park, Florida

Compliance

We have audited the compliance of the Village of Biscayne Park, Florida (the "Village") with the types of compliance requirements described in the U.S. *Office of Management and Budget OMB Circular A-133 Compliance Supplement* that are applicable to each its major federal program for the fiscal year ended September 30, 2006. The Village's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

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

In our opinion the Village complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended September 30 2006.

Internal Control Over Compliance

The management of the Village is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Honorable Mayor and Members of the Village Council
Village of Biscayne Park, Florida

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Village's Council and management, others within the Village and the U.S. Department of Homeland Security and is not intended to be and should not be used by anyone other than these specified parties.

Alberni, Caballero & Castellanos, LLP.

December 21, 2006
Coral Gables, FL

VILLAGE OF BISCAYNE PARK, FLORIDA
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
MAJOR PROGRAMS		
U.S. Department of Homeland Security		
Public Assistance Grant- Hurricane Wilma	97.036	<u>\$ 878,972</u>
Total Expenditures of Major Federal Awards		<u>\$ 878,972</u>

The accompanying notes are an integral part of this schedule

VILLAGE OF BISCAYNE PARK, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS PROGRAMS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

NOTE A - BASIS OF PRESENTATION

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

NOTE B - SCOPE OF AUDIT PURSUANT TO OMB CIRCULAR A-133

All Federal grant operations of the Village are included in the scope of the Office of Management and Budget (OMB) Circular A-133 audit (the Single Audit). The Single Audit was performed in accordance with the provisions of the OMB *Circular A-133 Compliance Supplement*, revised. Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the grant program noted below. The program represents all of the Federal award programs with fiscal 2006 cash and noncash expenditures.

<u>Major Federal Award Programs Description</u>	<u>Fiscal 2006 Expenses</u>
Public Assistance Grants- Hurricane Wilma	<u>\$878,972</u>

NOTE C - AUDITS PERFORMED BY OTHER ORGANIZATIONS

There were no audits performed by Federal grantor agencies of the Village's administration of Federal financial assistance programs in 2006.



4649 PONCE DE LEON BLVD.
SUITE 404
CORAL GABLES, FL 33146 - 2118
TEL: 305-662-7272
FAX: 305-662-4266
ACC-CPA.COM

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

**MANAGEMENT LETTER REQUIRED BY SECTION 10.550 OF THE RULES OF THE AUDITOR
GENERAL OF THE STATE OF FLORIDA**

Honorable Mayor and Members of the Village Council
Village of Biscayne Park, Florida

We have audited the financial statements of the Village of Biscayne Park, Florida, as of and for the fiscal year ended September 30, 2006, and have issued our report thereon dated December 21, 2006.

We conducted our audit in accordance with United States generally accepted auditing standards, and *Government Auditing Standards* issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over financial reporting and on Compliance and Other Matters. Disclosures in that report, which are dated December 21, 2006, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

The Rules of the Auditor General (Section 10.554(1)(h) 1.) require that we address in the management letter, if not already addressed in the auditor's reports on compliance and internal controls, whether or not recommendations made in the preceding annual financial audit report have been followed. The recommendations made in the preceding annual financial audit report have been corrected except as noted below under the heading Status of Prior Year Findings and Recommendations.

As required by the Rules of the Auditor General (Section 10.554(1)(h) 2.), the scope of our audit included 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 of Biscayne Park, Florida complied with Section 218.415, Florida Statutes.

The Rules of the Auditor General (Section 10.554(1)(h) 3.) require that we address in the management letter any findings and recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we have reported our findings and recommendations below under the heading Current Year Findings and Recommendations.

The Rules of the Auditor General (Section 10.554(1)(h) 4.) require disclosure in the management letter of the following matters if not already addressed in the auditor's reports on compliance and internal controls or schedule of findings and questioned costs and are not clearly in consequential: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (e. g., the omission of required disclosures from the financial statements); (4) failures to properly record financial transactions; and (5) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. Our audit disclosed the following matters required to be disclosed by Rules of Auditor General (Section 10.554(1)(h)4.):

- ❖ Section II. Current Year Findings and Recommendations: No. 2006-01 and 2006-02
- ❖ Section III. Status of Prior Year Findings and Recommendations: No. 2005-01, 2005-02, 2000-07, 2000-08 and 2000-09

The Rules of the Auditor General (Section 10.554(1)(h) 5.) also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The Village was incorporated in accordance with the laws of the State of Florida 16319 of 1933. There are no component units related to the Village.

Honorable Mayor and Members of the Village Council
Village of Biscayne Park, Florida

As required by the Rules of the Auditor General (Section 10.554(1)(h)6.a.), a statement must be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes. In connection with our audit, we determined that the Village of Biscayne Park, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

As required by the Rules of the Auditor General (Section 10.554(1)(h) 6.b.), we determined that the annual financial report for the Village of Biscayne Park, Florida for the fiscal year ended September 30, 2006, filed with the Florida Department of Financial Services pursuant to Section 21 8.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2006.

As required by the Rules of the Auditor General (Sections 10.554(h) 6.c. and 10.556(7), we applied financial assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. The accompanying schedule of findings and recommendations and Note XI of the financial statements present the current year's reporting of the financial condition assessment.

This management letter is intended solely for the information of the Village of Biscayne Park, Florida and management, and the State of Florida Office of the Auditor General, 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.

Alberni, Caballero & Castellanos, LLP.

December 21, 2006
Coral Gables, Florida

VILLAGE OF BISCAYNE PARK, FLORIDA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FISCAL YEAR ENDED SEPTEMBER 30, 2006

SECTION I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Reportable condition(s) identified that are not considered to be material weakness(es)?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Reportable condition(s) identified that are not considered to be material weakness(es)?	None reported

Type of auditor's report issued on compliance for major programs:	Unqualified
--	-------------

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 Section .510(a)?	No
--	----

Identification of major programs:		
<u>CFDA Number</u>		<u>Federal Program or Cluster</u>
97.036		Public Assistance Grants

Dollar threshold used to distinguish between type A and type B programs:	<u>\$300,000</u>
---	------------------

Auditee qualified as low-risk auditee?	No
--	----

**VILLAGE OF BISCAYNE PARK, FLORIDA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FISCAL YEAR ENDED SEPTEMBER 30, 2006**

II. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

REPORTABLE CONDITIONS

2006-1 Bank Reconciliations and General Journal Entries (segregation of duties)

Condition:

During our testing of bank reconciliations and general journal entries, we noted that the bank reconciliations and journal entries are prepared and approved by the acting finance director.

Effect:

There is a lack of segregation of duties between preparer and reviewer for preparation of bank reconciliations and general journal entries.

Recommendation:

We recommend that the Village prepare bank reconciliations which include a preparer and reviewer sign-off. The preparer could be the acting finance director, but a Village official, such as the Village Manager should review and approve the bank reconciliations. Also, the Village currently has a general journal entry form that includes a reference for the preparer and reviewer. We recommend that the acting finance director propose the entries and that the Village Manager document the approval on the forms.

Management's Response:

We agree with the auditors' recommendation and they have been implemented immediately.

No. 2006-2 –Budgeting

CONDITION:

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, therefore, is not in compliance with the above mentioned Florida Statute. Also, see Finding No. 00-9 regarding over expenditures.

CAUSE:

The Village did not adopt a budget for all of the special revenue.

EFFECT:

The Village is not in compliance with State Statues that require budgeting of all Village expenditures.

RECOMMENDATION:

We recommend that the Village prepare budgets for all governmental funds.

MANAGEMENT RESPONSE:

The Village has adopted budgets for all special revenue funds for fiscal year 2007.

VILLAGE OF BISCAYNE PARK, FLORIDA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FISCAL YEAR ENDED SEPTEMBER 30, 2006

III. STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

No. 2000-07 Capital Assets

During prior audits, a number of issues associated with internal controls over capital assets were noted. The following summarizes issues identified as a result of those 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 capital 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 capital assets held by the Village.
4. The Village's capital 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 capital assets is essential in helping the Village ensure that its capital 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:

The prior auditors recommended that the Village develop and adopt written policies and procedures, which ensure capital 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:

All of the recommendations above have been implemented, except for #4. **This comment will be repeated.**

Management's Response:

The Village plans on developing and establishing policies and procedures to be in place for 2007 and taking a physical inventory of its capital assets.

No. 2000-08 Personnel Policies and Procedures

During prior audits over payroll and analysis of internal controls over payroll, it was noted that the Village has not developed a written personnel policies and procedures manual. As a result, it was 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:

It was recommended that 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.

Current Year Status:

As of September 30, 2006, the Village had not established a written personnel manual. **Comment will be repeated.**

Management's Response:

The Village is in the process of developing and establishing policies and procedures to be in place for 2007-2008. It has currently issued memos to Village staff communicating what the policies are and policies are also included in the union contracts.

VILLAGE OF BISCAYNE PARK, FLORIDA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FISCAL YEAR ENDED SEPTEMBER 30, 2006

III. STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS - (CONTINUED)

No. 2000-09 Compliance with Laws and Regulations

During the performance of prior audits, it was noted numerous violations with the Village's compliance with applicable laws and regulations. The following summarizes those findings:

1. There was no documentary evidence to support budget amendments or reappropriations for fiscal year 2000.
2. In addition, expenditures exceed appropriations for Building Code Enforcement Capital Outlay and Debt Services (Leases).
3. 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 the attention of the prior auditors 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:

It was recommended that the Village take immediate action in curing its existing violations of 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.

Current Year Status:

The Village had no expenditures in excess of appropriations during 2006 and there were no findings relating to support for budget amendments. However, the Village has not established written policies to ensure compliance with laws and regulations. **Comment #1 and #2 above, will not be repeated, but Comment #3 will be repeated.**

Management's Response:

The Village plans on developing and establishing policies and procedures to be in place for 2007.

REPORTABLE CONDITION

No. 2005-01 Financial Condition Assessment

Condition:

In connection with our audit of the Village, we applied financial condition assessment procedures pursuant to Section 10.556(8), Rules of the Auditor General, to determine if deteriorating financial conditions exist that may cause a financial emergency to occur if actions are not taken to address such conditions. The results of our assessment indicated that the Entity's overall financial condition is deteriorating.

The Village's total unreserved fund balance has been declining over the past three years due to recurring losses in its General Fund. Recurring losses indicate that revenues are not sufficient to cover expenditures or that expenditures are excessive.

Effect:

By not taking the steps necessary to reverse these losses, the Village will continue to deplete its unreserved fund balance until the point that it reaches a State of Financial Emergency.

Recommendation:

We recommend that the Village research all possible venues to reduce costs or increased revenues or both to stop the recurring deficits and declining unreserved fund balance in the General Fund.

VILLAGE OF BISCAYNE PARK, FLORIDA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FISCAL YEAR ENDED SEPTEMBER 30, 2006

III. STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS - (CONTINUED)

Current Year Status:

See Note XI in the Footnote to the basic financial statements. The Village's financial condition assessment improved from an unfavorable to an inconclusive. **However, comment will be repeated for follow-up during the 2006-07 fiscal year.**

Management's Response:

During 2006, the Village implemented several cost containment measures, which together with rising property values and higher than anticipated revenues resulted in an improved financial condition for 2006 compared to 2005. The general fund reported an excess of revenues over expenditures of approximately \$123,565 and overall all governmental funds reported an excess of revenues of \$225,174 for the current year.

Management will continue to search for ways to contain costs while providing the same level of services to the residents of the Village. For 2006-07, the Village Council voted to increase the Millage Rate to 9.2 and we have budgeted surpluses in the General Fund of \$66,000.

OTHER MATTERS

No. 2005-02 Develop and Document a Disaster Recovery Plan

During our testing of the Village's policies and procedures, we noted that the Village does not have a plan of action in case its offices should be destroyed by a fire, natural disaster such as a flood or hurricane, or a terrorist act. Such a disaster could strike at any time, perhaps without warning. In that case, the Village would have to act quickly to determine and preserve employees' safety and to take steps critical to assessing and recovering from loss of, or damage to, its personnel; premises; furniture and equipment; electronic files; and communications with employees, vendors, and customers.

Recommendation:

We recommend that the Village establish a written disaster recovery plan as part of its policies and procedures manual.

Current Year Status:

A written disaster recovery plan has not been prepared. The Village is currently finalizing a disaster recovery plan for the police department. **This comment will be repeated.**

Management's Response:

We agree with the auditors' recommendation and will include a disaster recovery plan as part of our policies and procedures manual.