

**VILLAGE OF BISCAYNE PARK, FLORIDA**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**



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## INDEPENDENT AUDITORS' REPORT

Honorable Mayor, Village Commission and Village Manager  
Village of Biscayne Park, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Village of Biscayne Park, Florida (the "Village"), as of and for the year ended September 30, 2012, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Village of Biscayne Park, Florida, as of September 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2013, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Honorable Mayor, Village Commission and Village Manager  
Village of Biscayne Park, Florida

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 12 and 40 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's financial statements as a whole. The combining and individual nonmajor fund financial statements and the schedule of revenues, expenditures, and changes in fund balance budget to actual on pages 43 through 48, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of revenues, expenditures, and changes in fund balance budget to actual are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

GLSC & Company, PLLC

June 28, 2013



## Management's Discussion and Analysis

As management of the Village of Biscayne Park, we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village of Biscayne Park (the Village) for the fiscal year ended September 30, 2012. Readers are encouraged to consider the information presented here in conjunction with the auditors' reports, the basic financial statements, the notes to the financial statements, and the supplementary information.

### Financial Highlights for Fiscal Year 2012

- At September 30, 2012, the assets of the Village of Biscayne Park exceeded its liabilities by \$2,242,739 (*net position*). Of this amount, \$1,775,122 was invested in capital assets, net of related debt. Additionally, \$156,580 was restricted by law, agreements, or for capital projects. The Village had \$311,037 (*unrestricted net position*) which may be used to meet the Village's ongoing obligations to citizens and creditors.
- During the fiscal year 2012, net position increased by a net of \$34,594. The increase is attributable to current year results of operations. Of this increase, \$125,991 was in governmental activities while business-type activities decreased by \$91,397.
- At September 30, 2012, the Village of Biscayne Park's general fund reported an ending fund balance of \$537,078, a decrease of \$54,666 as compared with the prior year. Of the total fund balance, approximately \$ 478,911 or 89% of this total amount is available for spending at the government's discretion (*unassigned fund balance*). The unassigned fund balance represents 20.6% of total general fund operating expenditures.

### Overview of the Financial Statements

This discussion and analysis is 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 financial activity, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the assets and liabilities of the Village of Biscayne Park, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position 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 fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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 and recreation, code enforcement, and building, planning, and zoning. The business-type activities of the Village include Sanitation.

The government-wide financial statements can be found on pages 13-14 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 local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Village of Biscayne Park can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial 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 cash flow and 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 and the impact on short term cash flow requirements to meet basic on-going operations. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Village of Biscayne Park maintains five (5) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the general fund, CITT fund, and capital improvement fund which are all considered major funds. Data from the other two (2) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 15 to 18 of this report. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements on pages 43 to 44 of this report.

**Proprietary funds.** The Village of Biscayne Park maintains one proprietary or enterprise fund. *Enterprise Funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village uses an enterprise fund to account for its sanitation operations. *Proprietary funds* provide the same type of information as the government-wide financial statements, only in more detail

The basic proprietary fund financial statements can be found on pages 19 to 21 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 may be found on pages 22 to 39 of this report.

## **Government-wide Financial Analysis**

**Summary of net position.** As noted earlier, net position may serve over time as a useful indicator of a government's financial position. There are six basic transactions that will affect the comparability of the Statement of Net Position summary presentation as reflected below:

- 1. Net results of activities** will impact (increase/decrease) current assets and unrestricted net position.
- 2. Borrowing for capital** will increase current assets and long-term debt.
- 3. Spending borrowed proceeds on new capital** will reduce current assets and increase capital assets. There is a second impact, an increase in invested in capital assets and an increase in related net debt, will not change the invested in capital assets, net of debt.
- 4. Spending of non-borrowed current assets on new capital** will reduce current assets and increase capital assets and will reduce unrestricted net position and increase invested in capital assets, net of debt.
- 5. Principal payment on debt** will reduce current assets, reduce long-term debt, and reduce unrestricted net position and increase invested in capital assets, net of debt.
- 6. Reduction of capital assets through depreciation** will reduce capital assets and reduce invested in capital assets, net of debt.

At September 30, 2012, the Village of Biscayne Park governmental activities' assets exceeded liabilities by \$2,200,109. A portion of the Village's net position, \$1,722,569 or 78%, reflect its investment in capital assets (e.g., land and equipment). The Village 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 position, \$156,580 or 7%, represent resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net position, \$320,960 or 15%, may be used to meet the government's on-going obligations to citizens and creditors.

The Village of Biscayne Park is able to report positive balances in all three categories of net position in its governmental activities while business-type activities reported a negative unrestricted net position of \$9,923 at September 30, 2012.

	Governmental activities		Business-Type activities		Total Primary Government	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and Other assets	\$ 803,029	\$ 836,284	\$ 26,074	\$ 122,993	\$ 829,103	\$ 959,277
Capital Assets, net	<u>1,722,569</u>	<u>1,605,140</u>	<u>52,553</u>	<u>65,070</u>	<u>1,775,122</u>	<u>1,670,210</u>
<b>Total Assets</b>	<b>2,525,598</b>	<b>2,441,424</b>	<b>78,627</b>	<b>188,063</b>	<b>2,604,225</b>	<b>2,629,487</b>
Other Liabilities	176,915	207,758	30,759	48,798	207,674	256,556
Long-term Debt	<u>148,574</u>	<u>159,548</u>	<u>5,238</u>	<u>5,238</u>	<u>153,812</u>	<u>164,786</u>
<b>Total Liabilities</b>	<b>325,489</b>	<b>367,306</b>	<b>35,997</b>	<b>54,036</b>	<b>361,486</b>	<b>421,342</b>
Invested in capital assets, net of debt						
Net of related debt	1,722,569	1,578,502	52,553	65,070	1,775,122	1,643,572
Restricted	156,580	89,944	-	-	156,580	89,944
Unrestricted	<u>320,960</u>	<u>405,672</u>	<u>(9,923)</u>	<u>68,957</u>	<u>311,037</u>	<u>474,629</u>
<b>Total net position</b>	<b><u>\$ 2,200,109</u></b>	<b><u>\$ 2,074,118</u></b>	<b><u>\$ 42,630</u></b>	<b><u>\$ 134,027</u></b>	<b><u>\$ 2,242,739</u></b>	<b><u>\$ 2,208,145</u></b>

Net position invested in capital assets, net of debt increased by \$131,550 as compared with prior fiscal year, this increase resulted mainly from spending of current assets on ongoing Village Projects during the fiscal year 2012 of approximately \$263,000 and approximately \$29,000 of donated vehicles during the year. These increases were offset by depreciation during the year of approximately \$139,000.

Restricted net position increased by \$66,636 to \$156,580 from \$89,944 in fiscal year 2011 due to funds received for transportation and transit projects. The decrease in unrestricted net position of \$84,712 was attributed by current year operations and usage of current assets to finance new capital projects.

**Governmental activities.** Financial activities for the fiscal year are reported below. Key indicators, including revenues and expenditures by category are presented below:

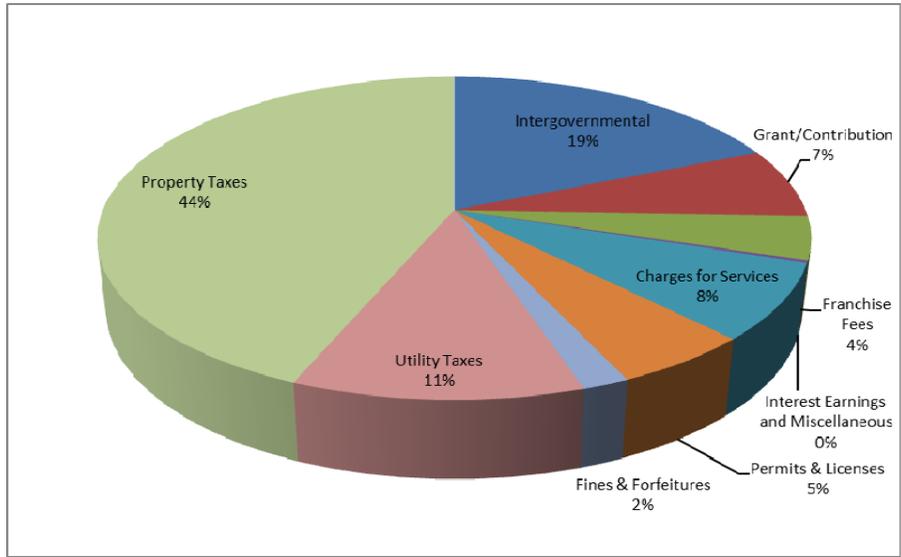
**Table 2**  
**Village of Biscayne Park**  
**Changes in Net Position**

	Governmental activities		Business-type activities		Total primary government	
	2012	2011	2012	2011	2012	2011
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$ 382,752	\$ 436,467	\$ 666,960	\$ 699,303	\$ 1,049,712	\$ 1,135,770
Operating grants & Contributions	2,535	2,252	-	-	2,535	2,252
Capital grants & Contributions	177,525	182,398	-	-	177,525	182,398
General Revenues:						
Property taxes	1,129,241	1,138,854	-	-	1,129,241	1,138,854
Utility taxes	290,045	271,317	-	-	290,045	271,317
Franchise fees	111,947	122,163	-	-	111,947	122,163
Intergovernmental (unrestricted)	480,692	243,365	-	-	480,692	243,365
Investment income	6,674	1,115	-	-	6,674	1,115
<b>Total Revenues</b>	<b>2,581,411</b>	<b>2,397,931</b>	<b>666,960</b>	<b>699,303</b>	<b>3,248,371</b>	<b>3,097,234</b>
<b>Expenses:</b>						
General government	588,779	577,793	-	-	588,779	577,793
Public safety	1,072,924	1,190,204	-	-	1,072,924	1,190,204
Building and code enforcement	164,103	141,647	-	-	164,103	141,647
Physical environment	489,362	538,098	-	-	489,362	538,098
Culture and recreation	138,429	135,283	-	-	138,429	135,283
Sanitation	-	-	758,357	670,655	758,357	670,655
Interest on long-term debt	1,823	4,723	-	-	1,823	4,723
<b>Total Expenses</b>	<b>2,455,420</b>	<b>2,587,748</b>	<b>758,357</b>	<b>670,655</b>	<b>3,213,777</b>	<b>3,258,403</b>
<b>Increase (decrease) in net position</b>	<b>125,991</b>	<b>(189,817)</b>	<b>(91,397)</b>	<b>28,648</b>	<b>34,594</b>	<b>(161,169)</b>
<b>Net position, beginning</b>	<b>2,074,118</b>	<b>2,263,935</b>	<b>134,027</b>	<b>105,379</b>	<b>2,208,145</b>	<b>2,369,314</b>
<b>Net position, ending</b>	<b>\$ 2,200,109</b>	<b>\$ 2,074,118</b>	<b>\$ 42,630</b>	<b>\$ 134,027</b>	<b>\$ 2,242,739</b>	<b>\$ 2,208,145</b>

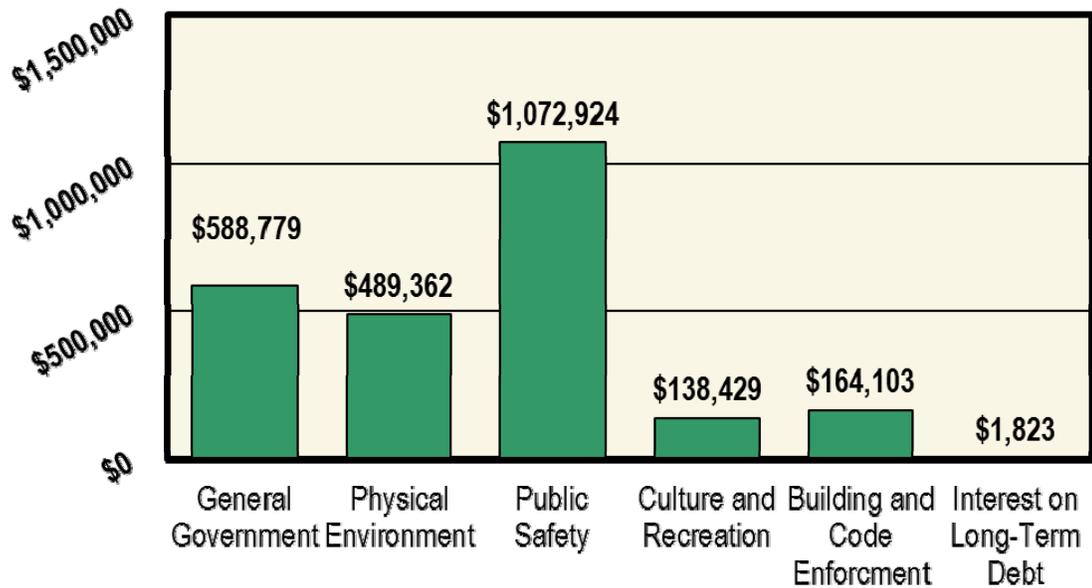
For fiscal year 2012, total revenues increased by \$183,480 or 8% as compared to prior year. The increase in revenues was mainly due to capital grants received from the Florida Department of Environmental Protection related to construction of new drainage system in the amount of \$200,000 with dollar to dollar matching contribution from the Village.

Total expenses decreased \$132,328 or 5%. The decrease in the total expenses of approximately \$132,000 were contributed by various factors including (a) approximately \$40,000 in overtime reduction of the police department; and (b) about \$79,000 savings from retirement contributions due to drop in employer rates as a result of the 3% employee contributions effective July 1, 2011.

**Figure A-1**  
**Village of Biscayne Park**  
**Revenues by Source – Governmental Activities**  
**For the Fiscal Year Ended September 30, 2012**

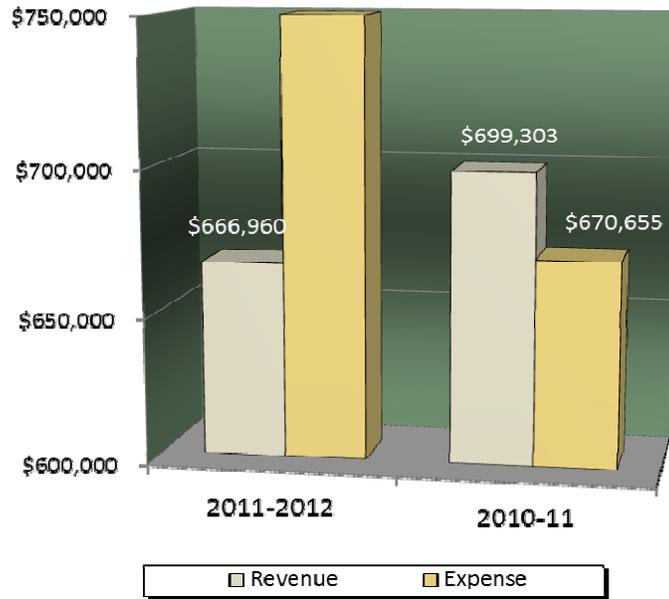


**Figure A-2**  
**Village of Biscayne Park**  
**Expenses – Governmental Activities**  
**For the Fiscal Year Ended September 30, 2012**



**Business-type activities.** The Village of Biscayne Park has one business-type activity, sanitation. This enterprise fund was established to account for the service fees and expenses related to weekly trash pickup, weekly bulk waste pickup and special bulk pick-ups. Changes in Proprietary funds are explained on page 10 of this report.

**Figure A-3  
Village of Biscayne Park  
Program Revenue and Expense – Business-type Activities  
For the Fiscal Years ended September 30, 2012 and 2011**



**Financial Analysis of the Government’s Funds**

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

**Governmental funds.** The focus of the Village of Biscayne Park’s *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the Village’s financing requirements. In particular, the *unassigned fund balance* may serve as a useful measure of the government’s net resources available for spending at the end of a fiscal year.

As of the end of the current fiscal year, the governmental funds for the Village of Biscayne Park reported combined ending fund balances of \$626,114. Of this amount, \$411,367 reflects *unassigned fund balance*, which is available for spending at the government’s discretion. The remainder of the fund balance, \$214,747 is *non-spendable, restricted or assigned fund balances* indicating that it is *not* available for new spending as those dollars have already been committed or are not in spendable form. Non-spendable fund balance of \$58,167 is comprised of inventories and prepayments (\$1,766) and long-term receivable from sanitation fees (\$56,401). Assigned fund balance represents the amount appropriated to fund projected excess in expected expenditures over expected revenues in subsequent year’s budget in CITT fund. The fund balances show a net decrease of \$2,412 as compared to the prior fiscal year. This decrease is mainly attributable to expenditures exceeding operating revenues in fiscal year 2012.

**General fund.** The general fund is the primary 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 \$537,078, a decrease of \$54,666 in comparison with the prior fiscal year. Approximately 89% of the total fund balance, \$478,911, constitutes *unassigned fund balance*, which is available for spending at the Village’s discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed for 1) long-term receivables, 56,401 and 2) inventories and prepayments, \$1,766.

At the end of the current fiscal year, unassigned fund balance of the general fund was \$478,911. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 20% of total general fund expenditures, while total fund balance represents 23% 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, 2012 and 2011 is shown below:

**Table 3**  
**Village of Biscayne Park**  
**Summary of General Fund Balance Sheet**  
**As of September 30, 2012 and 2011**

	2012	2011	Change	Percent Change
Total assets	\$ 900,732	\$ 901,722	\$ (990)	-0.11%
Total liabilities	363,654	309,978	53,676	17.32%
Nonspendable, restricted, and assigned	58,167	221,946	(163,779)	-73.79%
Unassigned fund balance	478,911	369,798	109,113	29.51%
<b>Total fund balance</b>	<b>537,078</b>	<b>591,744</b>	<b>(54,666)</b>	<b>-9.24%</b>
<b>Total liabilities and fund balance</b>	<b>\$ 900,732</b>	<b>\$ 901,722</b>	<b>\$ (990)</b>	<b>-0.11%</b>

**Table 4**  
**Village of Biscayne Park**  
**Summary of General Fund Statement of Revenues,**  
**Expenditures, and Changes in Fund Balance**  
**as of September 30, 2012 and 2011**

	2012	2011	Change	Percent Change
Total revenues	\$ 2,201,690	\$ 2,078,734	\$ 122,956	5.91%
Total expenditures	2,319,965	2,337,732	(17,767)	-0.76%
Excess of revenues over expenditures	(118,275)	(258,998)	140,723	-54.33%
Other Financing Sources	63,609	-	63,609	100.00%
Change in fund balance	(54,666)	(258,998)	204,332	-78.89%
<b>Fund balance, beginning</b>	<b>591,744</b>	<b>850,742</b>	<b>(258,998)</b>	<b>-30.44%</b>
<b>Fund balance, ending</b>	<b>\$ 537,078</b>	<b>\$ 591,744</b>	<b>\$ (54,666)</b>	<b>-9.24%</b>

The Village of Biscayne Park revenues increased by \$122,956 mainly attributable to an increase in intergovernmental revenues.

**Other Major Governmental Funds.** The Village of Biscayne Park has two other major funds, CITT Fund and the Capital Improvement Fund. The fund balance at September 30, 2012 for CITT Transportation Fund increased by \$90,227 from 2011 to 2012 representing the excess of revenues received from CITT over expenditures and transfers. The Capital Improvement fund decreased by \$51,707 from 2011 to 2012 as a result of the completion of the Stormwater Drainage Project during the year and transfers during the year to revert back the funds previously transferred by General Fund and CITT Fund in prior years to Capital Project Fund.

**Proprietary funds.** The Village’s proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Total net position of the Sanitation Fund in at the end of 2012 totaled \$42,630 compared to \$134,027 in 2011, a decrease of \$91,397 compared to the prior year. Revenues decreased by \$32,343 from \$699,303 in 2011 to \$666,960 in 2012, representing a decrease of 4.6%. Expenditures increased from \$670,655 in 2011 to \$758,357 in 2012 an increase of \$87,702 or 13%, approximately \$28,000 of this increase was mainly due to increase in landfill tipping fees.

**General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget increased appropriations by \$112,872, approximately \$78,000 of the increase was mainly due to unbudgeted workers compensation settlement claims and related legal costs.

The budgetary comparison schedules are presented for the general fund and major special revenue fund - CITT Fund on pages 40 and 41 of this report.

**Capital Assets.** The Village of Biscayne Park’s investment in capital assets for its governmental and business-type activities as of September 30, 2012 amounts to \$1,775,122 (net of accumulated depreciation). This investment in capital assets includes Village-owned buildings, land, equipment and other infrastructure (sidewalks and drainage systems). The following table summarizes the components of the Villages’ investments in capital assets.

**Table 5  
Village of Biscayne Park  
Capital Assets as of September 30, 2012 and 2011  
(net of depreciation)**

Classification	Governmental Activities		Business-Type		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 157,490	\$ 157,490	\$ -	\$ -	\$ 157,490	\$ 157,490
Construction in progress	-	169,511	-	-	-	169,511
Building	615,532	596,768	-	-	615,532	596,768
Infrastructure	847,073	541,870	-	-	847,073	541,870
Furniture and equipment	102,474	139,501	52,553	65,070	155,027	204,571
<b>Total capital assets</b>	<b>\$ 1,722,569</b>	<b>\$ 1,605,140</b>	<b>\$ 52,553</b>	<b>\$ 65,070</b>	<b>\$ 1,775,122</b>	<b>\$ 1,670,210</b>

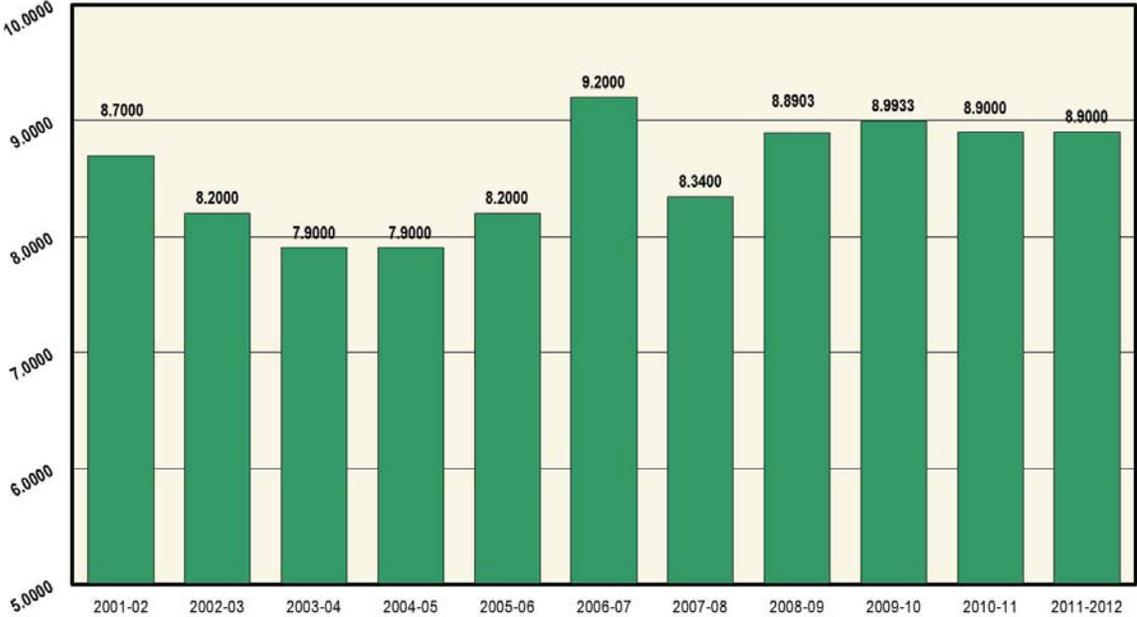
Increases in capital assets during fiscal year 2012 include the storm water drainage project and completion of construction of the new Public Works facility. Additional information on the Village of Biscayne Park’s capital assets may be found in Note 6 on pages 33 and 34 of this report.

**Long-term Liabilities.** At September 30, 2012, the Village of Biscayne Park had \$153,813 in long-term liabilities which are summarized in Table 6. The amount due within one year is \$19,038 comprised of \$18,746 for governmental activities and \$292 for business-type activities. Additional information on the Village’s long-term debt may be found in Note 7 on pages 34 of this report.



Millage rates are limited to 10 mills by state law. The graph below shows the Village of Biscayne Park millage rates from 2002 to 2012. The maximum millage rate over the ten year history was 9.2. The Village Commission has made every effort to maintain the millage rate at less than 9 mills. Therefore, the Village is reluctant to raise millage rates to increase property tax revenues.

**Table A-5**  
**Village of Biscayne Park**  
**Total Village Millage**  
**For the Fiscal Years ended September 30, 2002-2012**



The Village faces the challenge of keeping taxes and service charges as low as possible while providing residents with the level of service they have come to expect, while at the same time maintaining both their unrestricted surplus and current millage rate. In order to achieve this, the Village has reduced budgeted expenditures from \$2,337,732 in 2011 to \$2,319,965 in 2012, a reduction of \$17,767 or .76%. This was accomplished by reviewing existing contracts, limiting expenditures, and a reduction in personnel.

**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 Village’s finances. Questions concerning this report or requests for additional financial information should be directed to the Finance Department at:

**VILLAGE OF BISCAYNE PARK**  
 Finance Department  
 640 Northeast 114<sup>th</sup> Street  
 Biscayne Park, Florida 33161

VILLAGE OF BISCAYNE PARK, FLORIDA

STATEMENT OF NET POSITION

SEPTEMBER 30, 2012

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-type</b>	<b>Total</b>
	<b>Activities</b>	<b>Activities</b>	
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 515,647	\$ -	\$ 515,647
Investments	4,945	-	4,945
Restricted cash and cash equivalents	93,087	-	93,087
Accounts receivables	157,250	7	157,257
Accounts receivables - sanitation fees	56,401	-	56,401
Internal balances	(26,067)	26,067	-
Inventories	1,766	-	1,766
Capital assets:			
Non-depreciable capital assets			
Land	157,490	-	157,490
Total non-depreciable capital assets	<u>157,490</u>	<u>-</u>	<u>157,490</u>
Depreciable assets			
Leasehold improvements	896,946	-	896,946
Furniture and equipment	1,460,490	267,754	1,728,244
Infrastructure	1,150,013	-	1,150,013
Less: accumulated depreciation	<u>(1,942,370)</u>	<u>(215,201)</u>	<u>(2,157,571)</u>
Net depreciable capital assets	<u>1,565,079</u>	<u>52,553</u>	<u>1,617,632</u>
Total property and equipment	<u>1,722,569</u>	<u>52,553</u>	<u>1,775,122</u>
Total assets	<u>2,525,598</u>	<u>78,627</u>	<u>2,604,225</u>
<b><u>LIABILITIES AND NET POSITION</u></b>			
Liabilities:			
Accounts payable and other current liabilities	114,238	26,296	140,534
Accrued payroll and benefits	58,103	4,463	62,566
Other liabilities	4,574	-	4,574
Noncurrent liabilities:			
Due within one year	18,746	292	19,038
Due in more than one year	<u>129,828</u>	<u>4,946</u>	<u>134,774</u>
Total liabilities	<u>325,489</u>	<u>35,997</u>	<u>361,486</u>
Net Position:			
Invested in capital assets, net of related debt	1,722,569	52,553	1,775,122
Restricted for:			
Transporation	156,580	-	156,580
Unrestricted	<u>320,960</u>	<u>(9,923)</u>	<u>311,037</u>
Total net position	<u>\$ 2,200,109</u>	<u>\$ 42,630</u>	<u>\$ 2,242,739</u>

The accompanying notes are an integral part of the financial statements

**VILLAGE OF BISCAYNE PARK, FLORIDA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

<b>Functions/Programs</b>	<u>Program Revenues</u>				<u>Net (Expenses) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	Charges for <u>Services</u>	Operating <u>Contributions</u>	Capital <u>Contributions</u>	<u>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Business-type Activity</u>	<u>Total</u>
Governmental activities:							
General government	\$ 588,779	\$ 163,592	\$ -	\$ -	\$ (425,187)	\$ -	\$ (425,187)
Public safety	1,072,924	46,550	2,535	25,000	(998,839)	-	(998,839)
Building and code enforcement	164,103	139,516	-	-	(24,587)	-	(24,587)
Physical environment	489,362	-	-	152,525	(336,837)	-	(336,837)
Culture and recreation	138,429	33,094	-	-	(105,335)	-	(105,335)
Interest on long-term debt	<u>1,823</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,823)</u>	<u>-</u>	<u>(1,823)</u>
Total governmental activities	<u>2,455,420</u>	<u>382,752</u>	<u>2,535</u>	<u>177,525</u>	<u>(1,892,608)</u>	<u>-</u>	<u>(1,892,608)</u>
Business-type activity:							
Sanitation	<u>758,357</u>	<u>666,960</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(91,397)</u>	<u>(91,397)</u>
Total primary government	<u>\$ 3,213,777</u>	<u>\$ 1,049,712</u>	<u>\$ 2,535</u>	<u>\$ 177,525</u>	<u>(1,892,608)</u>	<u>(91,397)</u>	<u>(1,984,005)</u>
General revenues:							
Property taxes					1,129,241	-	1,129,241
Utility taxes					290,045	-	290,045
Franchise fees on gross receipts					111,947	-	111,947
Intergovernmental not restricted to specific programs					480,692	-	480,692
Investment and miscellaneous income					<u>6,674</u>	<u>-</u>	<u>6,674</u>
Total general revenues					<u>2,018,599</u>	<u>-</u>	<u>2,018,599</u>
Change in net assets					125,991	(91,397)	34,594
Net position, beginning					<u>2,074,118</u>	<u>134,027</u>	<u>2,208,145</u>
Net position, ending					<u>\$ 2,200,109</u>	<u>\$ 42,630</u>	<u>\$ 2,242,739</u>

The accompanying notes are an integral part of the financial statements

VILLAGE OF BISCAYNE PARK, FLORIDA

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2012

<u>ASSETS</u>	<u>Major Funds</u>				
	<u>General</u>	<u>CITT Fund</u>	<u>Capital Improvement Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Cash and cash equivalents	\$ 515,647	\$ 54,185	\$ -	\$ 38,902	\$ 608,734
Investments	4,945	-	-	-	4,945
Accounts receivable - net	101,954	24,622	17,800	12,874	157,250
Accounts receivable - sanitation fees	56,401	-	-	-	56,401
Inventories	1,766	-	-	-	1,766
Due from other funds	220,019	149,779	194,423	124,273	688,494
Total assets	<u>\$ 900,732</u>	<u>\$ 228,586</u>	<u>\$ 212,223</u>	<u>\$ 176,049</u>	<u>\$ 1,517,590</u>
 <b><u>LIABILITIES AND FUND BALANCE (DEFICIT)</u></b>					
Liabilities:					
Accounts payable	\$ 82,334	\$ 371	\$ 600	\$ 105	\$ 83,410
Accrued payroll and benefits	56,285	-	-	1,818	58,103
Due to other government	30,828	-	-	-	30,828
Other liabilities	4,574	-	-	-	4,574
Due to other funds	189,633	206,859	255,826	62,243	714,561
Total liabilities	<u>363,654</u>	<u>207,230</u>	<u>256,426</u>	<u>64,166</u>	<u>891,476</u>
Fund balance (deficit):					
Nonspendable:					
Inventories, prepayments and other assets	1,766	-	-	-	1,766
Long-term receivables					
Accounts receivable - sanitation fees	56,401	-	-	-	56,401
Restricted for:					
Transportation	-	21,356	-	135,224	156,580
Unassigned	478,911	-	(44,203)	(23,341)	411,367
Total fund balance (deficit)	<u>537,078</u>	<u>21,356</u>	<u>(44,203)</u>	<u>111,883</u>	<u>626,114</u>
Total liabilities and fund balances	<u>\$ 900,732</u>	<u>\$ 228,586</u>	<u>\$ 212,223</u>	<u>\$ 176,049</u>	<u>\$ 1,517,590</u>

The accompanying notes are an integral part of the financial statements

**VILLAGE OF BISCAYNE PARK, FLORIDA**  
**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2012**

Fund balance - total government funds (page 15)	\$	626,114
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Amounts reported for governmental activities in the statement of net position are different because:

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

Governmental capital assets		3,664,939
Less accumulated depreciation		(1,942,370)

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

Compensated absences		(113,859)
OPEB Liability		<u>(34,715)</u>

Net position of governmental activities (Page 13)	\$	<u><u>2,200,109</u></u>
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**VILLAGE OF BISCAYNE PARK, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES (DEFICIT) - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Major Funds</u>				<u>Total</u>
	<u>General</u>	<u>CITT Fund</u>	<u>Capital Improvement Fund</u>	<u>Nonmajor Governmental Funds</u>	
<b>REVENUES:</b>					
Property taxes	\$ 1,129,241	\$ -	\$ -	\$ -	\$ 1,129,241
Franchise fees	111,947	-	-	-	111,947
Utility taxes	290,045	-	-	-	290,045
Charges for services	219,057	-	-	-	219,057
Intergovernmental	269,980	103,670	152,525	106,577	632,752
Licenses and permits	139,516	-	-	-	139,516
Fines and forfeitures	40,648	-	-	5,902	46,550
Interest	1,256	220	-	62	1,538
Miscellaneous	-	341	-	512	853
Total revenues	<u>2,201,690</u>	<u>104,231</u>	<u>152,525</u>	<u>113,053</u>	<u>2,571,499</u>
<b>EXPENDITURES:</b>					
Current:					
General government	768,214	-	-	-	768,214
Public safety	977,769	-	-	49,689	1,027,458
Building and code enforcement	163,360	-	-	-	163,360
Physical environment	277,754	60,217	-	49,630	387,601
Culture and recreation	108,690	-	-	-	108,690
Debt service:					
Principal	22,355	-	-	-	22,355
Interest	1,823	-	-	-	1,823
Capital outlay	-	-	94,410	-	94,410
Total expenditures	<u>2,319,965</u>	<u>60,217</u>	<u>94,410</u>	<u>99,319</u>	<u>2,573,911</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(118,275)</u>	<u>44,014</u>	<u>58,115</u>	<u>13,734</u>	<u>(2,412)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	63,609	74,960	32,084	-	170,653
Transfers out	-	(28,747)	(141,906)	-	(170,653)
Total other financing sources (uses)	<u>63,609</u>	<u>46,213</u>	<u>(109,822)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(54,666)	90,227	(51,707)	13,734	(2,412)
Fund balance (deficit), beginning	<u>591,744</u>	<u>(68,871)</u>	<u>7,504</u>	<u>98,149</u>	<u>628,526</u>
Fund balance (deficit), ending	<u>\$ 537,078</u>	<u>\$ 21,356</u>	<u>\$ (44,203)</u>	<u>\$ 111,883</u>	<u>\$ 626,114</u>

The accompanying notes are an integral part of the financial statements

**VILLAGE OF BISCAYNE PARK, FLORIDA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES (DEFICIT) OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Amounts reported for governmental activities in the statement of activities (page 14) are different because:

Net change in fund balances - total governmental funds (page 17) \$ (2,412)

Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capital outlays	\$ 231,051	
Less current year depreciation	<u>(138,622)</u>	\$ 92,429

The effect of various miscellaneous transaction involving capital assets (i.e. sales, trade-ins, and donations) is to increase net position 29,283

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

Principal repayment 22,355

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences		(3,478)
OPEB Liability		<u>(12,186)</u>

Change in net assets of governmental activities (page 14) \$ 125,991

VILLAGE OF BISCAYNE PARK, FLORIDA

STATEMENT OF NET POSITION

PROPRIETARY FUND

SEPTEMBER 30, 2012

	<b>BUSINESS- TYPE ACTIVITIES ENTERPRISE FUND</b>
	<b><u>SANITATION FUND</u></b>
<b>ASSETS</b>	
Current assets	
Accounts receivables	\$          7
Due from other funds	<u>175,846</u>
Total current assets	<u>175,853</u>
Noncurrent assets	
Equipment	267,754
Less: Accumulated depreciation	<u>(215,201)</u>
Total noncurrent assets	<u>52,553</u>
Total Assets	<u><u>228,406</u></u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	26,296
Accrued payroll	4,463
Due to other funds	149,779
Compensated absences	<u>292</u>
Total current liabilities	<u>180,830</u>
Noncurrent liabilities	
Compensated absences	<u>4,946</u>
Total noncurrent liabilities	<u>4,946</u>
Total Liabilities	<u>185,776</u>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	52,553
Unrestricted	<u>(9,923)</u>
Total Net Position	<u><u>\$          42,630</u></u>

The accompanying notes are an integral part of the financial statements

**VILLAGE OF BISCAYNE PARK, FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<b>BUSINESS-  TYPE ACTIVITIES-  ENTERPRISE  FUND</b> <hr/> <b>SANITATION FUND</b> <hr/>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 660,142
Miscellaneous	<u>6,818</u>
Total Operating Revenues	<u>666,960</u>
<b>OPERATING EXPENSES</b>	
Operations and maintenance	504,676
Disposal costs	241,164
Depreciation	<u>12,517</u>
Total Operating Expenses	<u>758,357</u>
Operating loss	<u>(91,397)</u>
Change in net position	(91,397)
TOTAL NET POSITION, OCTOBER 1	<u>134,027</u>
TOTAL NET POSITION, SEPTEMBER 30	<u>\$ 42,630</u>

The accompanying notes are an integral part of the financial statements

**VILLAGE OF BISCAYNE PARK, FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<b>BUSINESS- TYPE ACTIVITIES- ENTERPRISE FUND <u>                    </u> SANITATION FUND</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from customers, governments, and other funds	\$ 666,953
Cash paid to interfund services used	(116,725)
Cash paid to suppliers	(325,722)
Cash paid to employees	<u>(274,565)</u>
Net Cash (Used In) Operating Activities	<u>(50,059)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(50,059)
<b>CASH AND CASH EQUIVALENTS, OCTOBER 1</b>	<u>50,059</u>
<b>CASH AND CASH EQUIVALENTS, SEPTEMBER 30</b>	<u><u>\$ -</u></u>
<b>RECONCILIATION OF OPERATING (LOSS) TO NET</b>	
<b>CASH (USED IN) OPERATING ACTIVITIES:</b>	
Operating Loss	<u>\$ (91,397)</u>
Adjustment to reconcile operating loss to cash (used in) operating activities	
Depreciation	12,517
Change in Assets and Liabilities:	
(Increase) in accounts receivables	(7)
Decrease in due from other funds	46,867
(Decrease) in accounts payable	(11,785)
(Decrease) in accrued payroll and benefits	<u>(6,254)</u>
Total adjustments	<u>41,338</u>
<b>NET CASH (USED IN) OPERATING ACTIVITIES</b>	<u><u>\$ (50,059)</u></u>

The accompanying notes are an integral part of the financial statements

**VILLAGE OF BISCAYNE PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**a. Financial Reporting Entity**

The Village of Biscayne Park, Florida (the "Village") is a municipal corporation governed by an elected mayor and four-member commission 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 government accounting standards 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 Village'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 was one entity evaluated for inclusion in the Village's reporting entity.

**Discreetly Presented** - Biscayne Park Foundation, Inc. (the "Foundation") is a non-for-profit foundation created by the Village through passing of an Ordinance 2007-08 on April 10, 2007, as its fundraising arm. The Foundation is intended to enhance the Village's opportunities to raise monies through special events, sponsorship, donation and grants exclusively for charitable, educational, and scientific purposes which include raising the educational and social levels of its residents to foster and promote community-wide interest and concern for the history and preservation of the Village. The Foundation is a separate legal entity and is governed by a separate board consist of three to five members, nominated and appointed by the Village Commission for a term of five (5) years. Currently, the Village Commission serves as the Foundation's governing board. The Foundation has \$4,011 cash in bank at September 30, 2012 and has no significant transactions during the year 2012, as such; the Foundation has not been presented in the Village's financial statements. The Foundation does not publish individual component unit financial statements.

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

### b. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the 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 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*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### c. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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, 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 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 Village.

The Village reports the following major governmental funds:

The *general fund* is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

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

The *CITT fund* accounts for the proceeds of revenues from Citizen Independent Transportation Transit (CITT) of Miami Dade that are legally restricted for transportation and transit related activities.

The *capital improvement fund* accounts for funds used by the Village for construction of major projects and funds which are restricted for construction.

The Village reports the following major proprietary fund:

The *sanitation fund* accounts for solid waste fees charged to customers for solid waste services.

Additionally, the Village reports the following nonmajor funds:

The *special revenue funds* account for the proceeds of specific revenue sources that are restricted legally to expenditures for specified purposes other than debt service or capital project.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements with the exception of administrative expense between the General Fund and Sanitation Fund. Elimination of these charges would distort the direct costs and program revenues for various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the solid waste fund are charges to customers for services. Operating expenses of the enterprise funds include costs of services, administrative expenses, repairs and maintenance and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide financial statements and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

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

### d. Assets, liabilities and net position

#### 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.

State statutes requires all deposits of the Village, including demand deposit accounts, time deposit accounts and money market accounts be held in institutions designated by the Treasurer of the State of Florida as "qualified depositories" and accordingly, are covered by a collateral pool as required by that statute.

Investments for the Village are reported at fair value. The Village's investment in the State Board of Administration Investment Pool is divided into the Local Government Surplus Funds Trust Fund Investment Pool ("LGIP") and the Fund B Surplus Funds Trust Funds ("Fund B"). The LGIP is considered a SEC 2A-7-like fund, thus reported at its fair value of its position in the pool, which is the same as its value of the pool shares. The Fund B is accounted for as a fluctuating NAV pool. The fair value factor for September 30, 2012 was 0.94896811. The account balance in Fund B should be multiplied by the factor in order to calculate the fair value of the Village's investment in Fund B.

#### 2. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e, the current portion of interfund loans) or as "advances to/from other funds" (i.e, the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as a "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide statements as "internal balances".

All other receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible receivables are based upon historical trend and the period aging of receivables.

#### 3. Inventory and prepaid items

Inventories of governmental funds, which consist of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased (consumption method). The inventories of supplies, diesel fuel and gasoline are recorded at cost using the moving average method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

#### 4. Restricted Assets

Proceeds from police forfeiture funds, transportation tax and local option gas taxes are classified as restricted in the Special Revenue Funds since these resources are specifically earmarked for law enforcement, transportation and capital project purposes only.

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

**d. Assets, liabilities and net position (Continued)**

**5. 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, 2012, was 8.9000 mills (\$8.9000 per \$1,000 of taxable assessed valuation).

**6. Capital Assets**

Capital assets, which include land, property, equipment, and infrastructure assets (e.g., roads, sidewalks, culverts, light poles, and similar items), are reported in the applicable 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	20-25
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.

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

### d. Assets, liabilities and net position (Continued)

#### 7. Compensated Absences

It is the Village's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The liability for these compensated absences is recorded as a long-term debt in the government-wide financial statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absences that have matured (i.e. unused reimbursable leave still outstanding following an employee's resignation or retirement), while the proprietary funds report the liability as it is incurred. For governmental activities, compensated absences are generally liquidated by the General Fund.

#### 8. Long-Term Obligations

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

#### 9. Equity classifications

*Government-wide statements and proprietary funds statements*

Equity is classified as net position and displayed in three components:

- a. Invested in capital assets, net of related debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net position - consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- a. Unrestricted net position - all other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

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

c. **Assets, liabilities and net position (Continued)**

9. **Equity classifications (Continued)**

Beginning with fiscal year 2011, the Village implemented GASB Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”. This Statement more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints.

- *Nonspendable fund balance* – amounts that cannot be spent either because they are not in spendable form (such as inventory) or because they are legally or contractually required to be maintained intact.
- *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, Village Code, and higher levels of government), through constitutional provisions, or by enabling legislation.
- *Committed fund balance* – amounts constrained to specific purposes by the Village itself, using its highest level of decision-making authority (i.e., Village Commission). To be reported as committed, amounts cannot be used for any other purpose unless the Village takes the same highest level action to remove or change the constraint.
- *Assigned fund balance* – amounts the Village intends to use for a specific purpose. Intent can be expressed by the management of the Village.
- *Unassigned fund balance* – amounts that are available for any purpose in the general fund, which are not included in any other spendable classifications.

When expenditure is incurred for the purpose for which both restricted and unrestricted funds are available, the Village considers restricted funds to have been spent first. When expenditures are incurred for which committed, assigned, or unassigned fund balances are available, the Village considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Village Commission or Village Manager has provided otherwise in its commitment or assigned actions.

The Village will maintain a minimum unassigned fund balance in the General Fund, at each fiscal year end, ranging from 15% to 20% of the following year’s projected budgeted expenditures and outgoing transfers. In any fiscal year where the Village is unable to maintain a 15% minimum level of fund balance as required in this section, the Village manager shall prepare and submit in conjunction with the proposed budget a plan for expenditure reductions and/or revenue increases necessary to restore the minimum requirements. As part of the annual budget process, the Commission will review and if necessary, amend the plan submitted by the Village Manager for restoring the amounts of unassigned fund balance to the required minimum levels. Any deficit in the required minimum amount must be restored no later than the end of the second fiscal year following the occurrence.

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

e. **Assets, liabilities and net position (Continued)**

**10. Use of Estimates**

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

**2. 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. Except as reported in the schedule of findings and recommendations, 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 government, 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
Federal Forfeitures	Law Enforcement

**3. DEPOSITS AND INVESTMENTS**

**Deposits**

As of September 30, 2012, the Village's carrying amount of deposits was approximately \$534,982 including petty cash of \$300. Bank balances before reconciling items were \$574,573 at that date, the total of which is collateralized or insured with securities held by the Village or by its agent in the Village's name as discussed below.

*Custodial Credit Risk.* Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. 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 Deposit Act". Under this 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.

### 3. DEPOSITS AND INVESTMENTS (CONTINUED)

#### Investments

In fiscal year 2011, the Village adopted a written investment policy allowing the following investments: U.S. Government obligations, U.S. agency obligation, U.S. instrumentality obligations, Certificate of Deposits, Savings and Loan Association Deposits, Investment-grade obligation of State, provincial and local governments and public authorities, money market mutual funds regulated by Securities and Exchange Commission and whose portfolios consist only of domestic securities, and Local Government Surplus Funds Trust Fund, or any intergovernmental, investment pool authorized through the Florida Interlocal Cooperation Act.

As of September 30, 2012, the Village had the following

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Weighted Average Life(Years)</u>
Money market funds	\$ 73,752	1	N/A
State Board of Administration —Fund B	<u>4,945</u>	N/A	4.08
	<u>\$ 78,697</u>		

The State Board of Administration's Local Government Surplus Fund Trust Fund currently known as the Florida PRIME is governed by Chapter 19-7 of the Florida Administrative Code, which identifies the Rules of the State Board Administration (SBA). These rules provide guidance and establish the general operating procedures for the administration of the Florida PRIME. Additionally, the Office of the Florida Auditor General performs the operational audit of the activities and investments of the State Board of Administration.

On November 29, 2007, the State Board of Administration implemented a temporary freeze on the assets held in the Pool due to an unprecedented amount of withdrawals from the Fund coupled with the absence of market liquidity for certain securities within the Pool. On December 4, 2007, based on recommendations from an outside financial advisor, the State Board of Administration restructured the Pool into two separate pools. Pool A, currently referred to as the Florida PRIME, consisted of all money market appropriate assets, which totaled approximately \$12 Billion or 86% of Pool assets. Pool B, currently referred to as Fund B Surplus Trust Fund (Fund B), consisted of assets that either defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk. Fund B assets totaled approximately \$2 billion or 14% of Pool assets.

On August 3, 2009, the SBA announced the rebranding of the Local Government Surplus Funds Trust Fund (formerly Pool A) as the "Florida PRIME", reflecting the improvements and added benefits for participants that had been developed. The Florida Prime is considered a SEC 27-a like fund, therefore, account balances are considered to be fair value of the investment. Fund B, is accounted for as a fluctuating Net Asset Value (NAV) pool. The fair value factor for Fund B as of September 30, 2012 is 0.94896811, and the fair value is calculated by multiplying the factor by the account balance. The SBA accounts are not subject to custodial credit risk as these investments are not evidenced by securities that exist in physical or bank entry form.

### 3. DEPOSITS AND INVESTMENTS (CONTINUED)

*Interest Rate Risk* — The risk that changes in interest rates will adversely affect the fair value of an investment. 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 1 day. At September 30, 2012, the portfolio weighted average maturity was 1 day for money market funds and 4.082 years for SBA – Fund B.

*Credit Risk* — The risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Village's investments in the Florida 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. The State Pool is administered by the SBA, who provides regulatory oversight. During the year, the SBA reported that State Pool was exposed to potential risks due to indirect exposure in the sub-prime mortgage financial markets. Consequently, the SBA placed some restrictions on how participants could access portions of their surplus fund and ultimately restructured the State Pool into two separate pools ("LGIP" and "Fund B"). The Fund B is not rated by nationally recognized statistical rating agency.

*Concentration of Credit Risk* — There are no limits on the amount that may be invested in money market funds or with 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 money market funds and 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.

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

	<u>Per Statement of Net position</u>		<u>By Category</u>
Cash and cash equivalents	\$ 515,647		
Restricted- cash and cash equivalents	93,087	Deposits	\$ 534,982
Investments	<u>4,945</u>	Investments	<u>78,697</u>
	<u>\$ 613,679</u>		<u>\$ 613,679</u>

#### 4. RECEIVABLES/PAYABLES

##### Receivables

Receivables at September 30, 2012, consisted of sanitation fees, franchise fees, other and grant receivables. The Village's receivables at September 30, 2012, were as follows:

	Sanitation Fees	Franchise Fees and Taxes	Other	Grants	Totals
<b>Governmental Funds</b>					
General fund	\$ 56,401	\$101,954	\$ -	\$ -	\$ 158,355
CITT fund	-	24,622	-	-	24,622
Capital Improvement fund	-	-	-	17,800	17,800
Sanitation fund	-	-	7	-	7
Non-major governmental funds	-	12,874	-	-	12,874
	<u>\$ 56,401</u>	<u>\$ 139,450</u>	<u>\$ 7</u>	<u>\$ 17,800</u>	<u>\$ 213,658</u>

The \$56,401 in sanitation fees receivable in the General fund represents old receivables outstanding from prior years before the Village contracted Miami Dade County Office of the Property Appraiser to include the solid waste fees to the property tax billings. The sanitation fees receivable is net of \$27,811 estimated allowance to cover plea bargaining arrangements upon settlement of the accounts with the Village. During 2012, approximately \$9,000 was collected from the old sanitation fees receivable and the Village continues its efforts to collect these accounts. Liens have been placed or will be placed on properties with outstanding balances and the Village expects to collect portion of these funds. All franchise fees and taxes receivable are considered fully collectible.

##### Payables

	Vendor	Due to Other Government	Others	Total
<b>Governmental Funds</b>				
General Fund	\$ 81,539	\$ 30,828	\$ 5,369	\$ 117,736
CITT fund	371	-	-	371
Capital Improvement fund	600	-	-	600
Non-major-governmental funds	105	-	-	105
	<u>82,615</u>	<u>30,828</u>	<u>5,369</u>	<u>118,812</u>
<b>Proprietary Funds</b>				
Sanitation fund	25,574	-	722	26,296
	<u>\$ 108,189</u>	<u>\$ 30,828</u>	<u>\$ 6,091</u>	<u>\$ 145,108</u>

#### 5. INTERFUND RECEIVABLES/PAYABLES/TRANSFERS

Interfund balances as of September 30, 2012, were as follows:

	Payable Fund					Total
	General Fund	CITT Fund	Capital Improvement Fund	Sanitation Fund	Nonmajor Fund	
General fund	\$ -	\$ -	\$ -	\$ 157,832	\$ 31,801	\$ 189,633
CITT Fund	12,436	-	194,423	-	-	206,859
Capital Improvement fund	145,340	-	-	18,014	92,472	255,826
Non-major governmental funds	62,243	-	-	-	-	62,243
Sanitation fund	-	149,779	-	-	-	149,779
	<u>\$ 220,019</u>	<u>\$ 149,779</u>	<u>\$ 194,423</u>	<u>\$ 175,846</u>	<u>\$ 124,273</u>	<u>\$ 864,340</u>

## 5. INTERFUND RECEIVABLES/PAYABLES/TRANSFERS (CONTINUED)

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

Interfund transfers for fiscal year ended September 30, 2012 were as follows:

	<u>Transfer in</u>	<u>Transfer out</u>
CITT fund	\$ 74,960	\$ 28,747
General fund	63,609	-
Capital Improvement fund	<u>32,084</u>	<u>141,906</u>
	<u>\$ 170,653</u>	<u>\$ 170,653</u>

- The transfer of \$141,906 from Capital Improvement Fund to the CITT Fund and General Fund was to return the unobligated funds that were previously transferred to Capital Improvement Fund from prior years.
- The transfer of \$28,747 from CITT Fund to Capital Improvement Fund was to finance the completion of the Stormwater drainage project.

## 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2012 was as follows:

	<u>Balance September 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance September 30, 2012</u>
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Land	\$ 157,490	\$ -	\$ -	\$ 157,490
Construction in progress	<u>169,511</u>	<u>231,051</u>	<u>(400,562)</u>	<u>-</u>
Total capital assets not being depreciated	<u>327,001</u>	<u>231,051</u>	<u>(400,562)</u>	<u>157,490</u>
Capital assets being depreciated:				
Building	842,615	54,331	-	896,946
Infrastructure	803,782	346,231	-	1,150,013
Furniture and equipment	<u>1,478,345</u>	<u>25,000</u>	<u>(42,855)</u>	<u>1,460,490</u>
Total capital assets being depreciated	<u>3,124,742</u>	<u>425,562</u>	<u>(42,855)</u>	<u>3,507,449</u>
Less accumulated depreciation for:				
Building	(245,847)	(35,567)	-	(281,414)
Infrastructure	(261,912)	(41,028)	-	(302,940)
Furniture and equipment	<u>(1,338,844)</u>	<u>(62,027)</u>	<u>42,855</u>	<u>(1,358,016)</u>
Total accumulated depreciation	<u>(1,846,603)</u>	<u>(138,622)</u>	<u>42,855</u>	<u>(1,942,370)</u>
Total capital assets being depreciated, net	<u>1,278,139</u>	<u>286,940</u>	<u>-</u>	<u>1,565,079</u>
Governmental activities capital assets, net	<u>\$ 1,605,140</u>	<u>\$ 517,991</u>	<u>\$ (400,562)</u>	<u>\$ 1,722,569</u>

## 6. CAPITAL ASSETS (CONTINUED)

	Balance September 30, 2011	<u>Additions</u>	<u>Deletions</u>	Balance September 30, 2012
<b>Business-type activities</b>				
Capital assets being depreciated:				
Equipment	\$ 267,754	\$ -	\$ -	\$ 267,754
Total capital assets being depreciated	<u>267,754</u>	<u>-</u>	<u>-</u>	<u>267,754</u>
Less accumulated depreciation for:				
Equipment	(202,684)	(12,517)	-	(215,201)
Total accumulated depreciation	<u>(202,684)</u>	<u>(12,517)</u>	<u>-</u>	<u>(215,201)</u>
Total capital assets being depreciated, net	<u>65,070</u>	<u>(12,517)</u>	<u>-</u>	<u>52,553</u>
Business-type activities capital assets, net	<u>\$ 65,070</u>	<u>\$ (12,517)</u>	<u>\$ -</u>	<u>\$ 52,553</u>

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

General government	\$ 7,170
Public Safety	36,593
Physical Environment	65,989
Culture and Recreation	<u>28,870</u>
Total depreciation expense - governmental activities	<u>\$ 138,622</u>

## 7. CAPITAL LEASES/LONG-TERM DEBT

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

	Balance October 1, 2011	<u>Additions</u>	<u>Deletions</u>	Balance September 30, 2012	Due Within One year
<i>Governmental activities</i>					
Compensated absences	\$ 110,381	\$ 119,583	\$ 116,105	\$113,859	\$ 18,746
OPEB liability	22,529	12,187	-	34,716	-
Capital leases	<u>26,638</u>	<u>-</u>	<u>26,638</u>	<u>-</u>	<u>-</u>
	<u>159,548</u>	<u>131,770</u>	<u>142,743</u>	<u>148,575</u>	<u>18,746</u>
<i>Business-type activities</i>					
Compensated absences	<u>5,238</u>	<u>14,482</u>	<u>14,482</u>	<u>5,238</u>	<u>292</u>
	<u>5,238</u>	<u>14,482</u>	<u>14,482</u>	<u>5,238</u>	<u>292</u>
Total Primary Government	<u>\$ 164,786</u>	<u>\$ 146,252</u>	<u>\$ 157,225</u>	<u>\$ 153,813</u>	<u>\$ 19,038</u>

**8. RESTRICTED ASSETS**

The balances of the restricted cash and cash equivalents account in the governmental activities at September 30, 2012 pertain to the following:

<u>Fund</u>	<u>Restricted for</u>	<u>Amount</u>
CITT Fund	Transportation and transit	\$ 54,185
Police Forfeitures Fund	Public safety	<u>38,902</u>
		<u>\$ 93,087</u>

**9. FLORIDA RETIREMENT SYSTEM**

Employees of the Village who are employed in a full-time or part-time regularly established position participate in the statewide Florida Retirement System (FRS), a multiple-employer, cost-sharing defined benefit plan. All rates, benefits and amendments are established by the State of Florida through its legislative body.

The FRS has various classes of memberships. Village employees fall under three of the classes, which are as follows:

Special Risk Class – All law enforcement officers of the Village are covered by this class.

Senior Management Service Class – The Village Manager is included in this class.

Regular Class – This class covers all Village employees who do not qualify for membership in the special risk service classes.

All members of the FRS Pension Plan actively employed on July 1, 2011, are vested upon completing six years of creditable service (including military leaves of absence), regardless of their membership class.

All members of the FRS Pension Plan initially enrolled on or after July 1, 2011, are vested upon completing eight years of creditable service (including military leaves of absence), regardless of their membership class.

Normal retirement requirements for members of the FRS Pension Plan are as follows:

Regular Class and Senior Management Service Class - For members initially enrolled before July 1, 2011, vested and age 62 or after 30 years of creditable service regardless of age. For members initially enrolled on or after July 1, 2011, vested and age 65 or after 33 years of creditable service regardless of age.

Special Risk Class – For members initially enrolled before July 1, 2011, six years of special risk service and age 55; or 25 total years of special risk service and age 52 (may include credits of up to four years of military service); or 25 years of special risk service regardless of age; or 30 years of any creditable service (may include credit for up to four years of military service). For members initially enrolled on or after July 1, 2011, eight years of special risk service and age 60; or after 30 total years of special risk service regardless of age; or after 33 years of any creditable service (may include optional service credit and service in other membership cases).

## 9. FLORIDA RETIREMENT SYSTEM (CONTINUED)

The monthly benefit a member will receive at retirement depends on his/her years of creditable service, percentage value for each year of creditable service, and average final compensation. *Years of creditable service* is the total years and parts of years a member works in positions covered by the FRS. *Average final compensation* for members initially enrolled before July 1, 2011 is the average of the five highest years of salary an employee earns during covered employment. For members initially enrolled on or after July 1, 2011, average final compensation is the average of the eight highest years of salary an employee earns during covered employment. *Percentage value* is the value a member receives for each year of creditable service.

The following are the percentage values for the FRS:

Special Risk Class	
Service from 12/1/70 through 9/30/74	2.00%
Service from 10/1/74 through 9/30/78	3.00%
Service on or after 10/1/78	3.00%
Past service with Village or special district purchased as special risk service	2.00%
Senior Management Service Class	
Service on and after 2/1/87	2.00%
Regular Class (members initially enrolled before July 1, 2011):	
Retirement up to age 62 or 30 years of service	1.60%
Retirement at age 63 or 31 years of service	1.63%
Retirement at age 64 or 32 years of service	1.65%
Retirement at age 65 or 33 years of service	1.68%
Regular Class (members initially enrolled on or after July 1, 2011):	
Retirement up to age 65 or 33 years of service	1.60%
Retirement at age 66 or 34 years of service	1.63%
Retirement at age 67 or 35 years of service	1.65%
Retirement at age 68 or 36 years of service	1.68%

Contributions to the FRS are calculated as a percentage of covered payrolls. Prior to July 1, 2011, such contributions were totally at the Village's expense. Effective July 1, 2011, however, members of the FRS are now required to make 3 percent pre-tax employee contributions. At year-end, the Village had 33 employees participating in the FRS.

The required contribution rates in effect at year end were:

	Employee Contribution Rate	Employer Contribution Rate	Total Contribution Rate
Special Risk Class	3%	14.10%	17.10%
Senior Management Service Class	3%	6.27%	9.27%
Regular Class	3%	4.91%	7.91%

**9. FLORIDA RETIREMENT SYSTEM (CONTINUED)**

The contribution requirements of covered payroll and actual contributions made for fiscal year 2012 and the two preceding years were as follows:

	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2010</u>
Contributions requirements:			
Employer	\$ 113,405	\$ 192,002	\$ 198,021
Employee	<u>37,819</u>	<u>9,832</u>	<u>-</u>
	<u>\$ 151,224</u>	<u>\$ 201,834</u>	<u>\$ 198,021</u>
Contributions made (100%)	\$ 151,224	\$ 201,834	\$ 198,021
Total covered payroll	\$ 1,181,849	\$ 1,343,104	\$ 1,297,497
Percent of contributions to total covered payroll	<u>12.8%</u>	<u>15.0%</u>	<u>15.3%</u>

The FRS issues an annual report including a statement of financial condition, historical and statistical information and an actuarial report. A copy can be obtained from the State of Florida, Division of Retirement, P.O. Box 9000, Tallahassee, Florida 32315-9000.

**10. OTHER POST EMPLOYMENT BENEFITS (OPEB)**

*Plan Description.* The Village of Biscayne Park provides health insurance benefits to its retired employees through a single-employer plan administered by the Village. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the Village or its major component unit and eligible dependents, may continue to participate in the Village's fully-insured benefit plan for medical and prescription drug insurance coverage. The Village subsidizes the premium rates paid by retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The benefits provided under this defined benefit plan are provided for a retiree's lifetime (or until such time at which retiree discontinues coverage under the Village sponsored plans, if earlier).

*Funding Policy.* Currently, the Village's Other Post Employment Benefits are unfunded. That is, the Village has not determined if a separate Trust Fund or equivalent arrangement will be established into which the Village would make contributions to advance-fund the obligation. For the fiscal year 2011, no retirees received other postemployment benefits and, consequently, the Village did not provide any pay-as-you-go contributions toward the annual OPEB cost. Retirees are required to pay 100% of the blended premium in order to stay covered under the Village's group health insurance program.

*Annual OPEB Cost and Net OPEB Obligation.* The Village has elected to calculate the annual required contribution of the employer (ARC) and related information using the Alternative Measurement Method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The Village's annual other postemployment benefit cost (expense) is calculated based on the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. Changes in the Village's net OPEB obligation to the retirees as of September 30, 2012 are as follows:

## 10. OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Annual required contribution	\$ 12,046
Interest on net OPEB obligation	844
Adjustment to annual required contribution	<u>(703)</u>
Annual OPEB cost	12,187
Employer contribution	-
Interest on employer contribution	<u>-</u>
Increase in net OPEB obligation	12,187
Net OPEB obligation, beginning of year	<u>22,529</u>
Net OPEB obligation, end of year	<u>\$ 34,716</u>

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 was:

Annual OPEB cost	\$ 12,046
Percentage of OPEB cost contributed	0%
Net OPEB obligation	\$ 34,716

*Funded Status and Funding Progress.* As of the reporting date the plan assets were \$0, the actuarial accrued liability for benefits was \$57,840, the total unfunded actuarial liability is \$57,840, and the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio) is 0%. The covered payroll (annual payroll of active employees covered by the plan) was \$1,147,141, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 5%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Based on the historical and expected returns of the Village's short-term investment portfolio, a discount rate of 4.00% was used. An inflation rate of 3.00% was assumed. In addition, the Entry Age Normal actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at September 30, 2012 was 30 years. Health insurance trends start at 8.00% for the fiscal year ending in 2011 and 9.00% for 2012, grading down to 5.00% at the ultimate trend rate by 2020.

**10. OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability AAL Entry Age (b)	Unfunded (AAL) (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll (b-a)/c
9/30/10	\$ -	\$ 57,840	\$ 57,840	0%	\$1,147,141	5%

**11. 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.

**12. 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.

**13. DEFICIT FUND BALANCE**

At September 30, 2012, the Village's Capital Improvement Fund and Police Forfeiture Fund reported deficit fund balances of \$44,203 and \$23,241, respectively, which will be funded by the General Fund in the next fiscal year.

**VILLAGE OF BISCAYNE PARK, FLORIDA**

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>REVENUES:</b>				
Property taxes	\$ 1,092,668	\$ 1,119,038	\$ 1,129,241	\$ 10,203
Franchise fees	126,800	111,565	111,947	382
Utility taxes	284,657	290,019	290,045	26
Charges for services	218,407	216,055	219,057	3,002
Intergovernmental	276,485	265,467	269,980	4,513
Licenses and permits	121,250	142,048	139,516	(2,532)
Fines and forfeitures	20,000	44,881	40,648	(4,233)
Interest	3,000	1,255	1,256	1
Miscellaneous	<u>65,712</u>	<u>71,736</u>	<u>-</u>	<u>(71,736)</u>
Total revenues	<u>2,208,979</u>	<u>2,262,064</u>	<u>2,201,690</u>	<u>(60,374)</u>
<b>EXPENDITURES:</b>				
Current:				
General government	724,680	761,427	768,214	(6,787)
Public safety	952,337	1,004,346	1,001,947	2,399
Building and code enforcement	145,135	163,375	163,360	15
Physical environment	265,970	277,852	277,754	98
Culture and recreation	<u>120,857</u>	<u>108,695</u>	<u>108,690</u>	<u>5</u>
Total expenditures	<u>2,208,979</u>	<u>2,315,695</u>	<u>2,319,965</u>	<u>2,517</u>
Excess (Deficiency) of revenues over expenditures	<u>-</u>	<u>(53,631)</u>	<u>(118,275)</u>	<u>(57,857)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Appropriation of prior year fund balance	<u>-</u>	<u>53,631</u>	<u>-</u>	<u>-</u>
Transfers in	<u>-</u>	<u>-</u>	<u>63,609</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>53,631</u>	<u>63,609</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(54,666)</u>	<u>\$ (57,857)</u>
Fund balance, beginning			<u>591,744</u>	
Fund balance, ending			<u>\$ 537,078</u>	

**VILLAGE OF BISCAYNE PARK, FLORIDA**

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

CITT FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>REVENUES:</b>				
Intergovernmental	\$ 95,233	\$ 111,596	\$ 103,670	\$ (7,926)
Interest	300	227	220	(7)
Miscellaneous	113,531	113,531	341	(113,190)
Total revenues	<u>209,064</u>	<u>225,354</u>	<u>104,231</u>	<u>(121,123)</u>
<b>EXPENDITURES:</b>				
Current:				
Physical environment	<u>209,064</u>	<u>225,354</u>	<u>60,217</u>	<u>165,137</u>
Total expenditures	<u>209,064</u>	<u>225,354</u>	<u>60,217</u>	<u>165,137</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>44,014</u>	<u>44,014</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	74,960	74,960
Transfers out	-	-	(28,747)	(28,747)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>46,213</u>	<u>46,213</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	90,227	<u>\$ 90,227</u>
Fund balance, beginning			<u>(68,871)</u>	
Fund balance (deficit), ending			<u>\$ 21,356</u>	

**VILLAGE OF BISCAYNE PARK, FLORIDA**  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO BUDGETARY COMPARISON SCHEDULE  
FISCAL YEAR ENDED SEPTEMBER 30, 2012

1. Annual budgets are adopted for all of the Village's governmental funds and the enterprise fund on a basis consistent with generally accepted accounting principles. Annual appropriations lapse at fiscal year end.
2. The Village follows the State of Florida Statutes and its charter in establishing the budgetary data reflected in the financial statements. The budget process is as follows:
  - a. The Village Manager prepares a budget showing the cost of each department for each budget year. Prior to the Commission's first public hearing on the proposed budget required by state law, the Village Manager issues a budget summary setting forth the proposed cost of each individual department and reflecting the personnel for each department, the purposes therefore, and the amount of any contingency and carryover funds. The Commission shall by ordinance adopt the annual budget on or before the last day of September.
  - b. *Supplemental appropriations.* If, during any fiscal year, revenues in excess of those estimated in the annual budget are available for appropriation, the Commission may by ordinance make supplemental appropriations for the fiscal year up to the amount of such excess.
  - c. *Reduction of appropriations.* If, at any time during the fiscal year, it appears probable to the Village Manager that the revenues available will be insufficient to meet the amounts appropriated, she/he shall report to the Commission in writing without delay, indicating the estimated amount of the deficit, and his/her recommendations as to the remedial action to be taken. The Village Commission shall then take such action, as it deems appropriate, to prevent any deficit spending not covered by adequate unappropriated financial resources including reserves.
  - d. The Village's department heads recommend transfers of appropriations within a department with approval of the Village Manager and Finance Director.
  - e. Transfers of appropriations between departments require the additional approval of the Commission. The legal level of budgetary control (i.e. the level at which expenditures may not exceed appropriations) is the department level for the general fund and the fund level for all other funds.
3. During the fiscal year, the Village Commission approved by ordinance several budget changes on the department level.
4. For the year ended September 30, 2012, the general government's expenditures exceeded their appropriations in the amount of \$6,787. This excess of expenditures was funded by appropriation from excess fund balance of the prior year.

**VILLAGE OF BISCAYNE PARK, FLORIDA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2012**

	<b>Special Revenue Funds</b>		
	<b>Road Fund</b>	<b>Police Forfeiture Fund</b>	<b>Total</b>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ -	\$ 38,902	\$ 38,902
Accounts receivable - net	12,874	-	12,874
Due from other funds	124,273	-	124,273
Total assets	\$ 137,147	\$ 38,902	\$ 176,049
<b><u>LIABILITIES AND FUND BALANCE</u></b>			
Liabilities:			
Accounts payable	\$ 105	\$ -	\$ 105
Accrued payroll and benefits	1,818	-	1,818
Due to other funds	-	62,243	62,243
Total liabilities	1,923	62,243	64,166
Fund balance:			
Restricted for:			
Transportation	135,224	-	135,224
Unassigned	-	(23,341)	(23,341)
Total fund balance	135,224	(23,341)	111,883
Total liabilities and fund balances	\$ 137,147	\$ 38,902	\$ 176,049

**VILLAGE OF BISCAYNE PARK, FLORIDA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<b>Special Revenue Funds</b>		
	<b><u>Road Fund</u></b>	<b><u>Police Forfeiture Fund</u></b>	<b><u>Total</u></b>
<b>REVENUES:</b>			
Intergovernmental	\$ 106,577	\$ -	\$ 106,577
Fines and forfeitures	-	5,902	5,902
Interest	-	62	62
Miscellaneous	512	-	512
Total revenues	107,089	5,964	113,053
<b>EXPENDITURES:</b>			
Current:			
Public safety	-	49,689	49,689
Physical environment	49,630	-	49,630
Total expenditures	49,630	49,689	99,319
Excess (deficit) of revenues over expenditures	57,459	(43,725)	13,734
Net change in fund balances	57,459	(43,725)	13,734
Fund balance, beginning	77,765	20,384	98,149
Fund balance (deficit), ending	\$ 135,224	\$ (23,341)	\$ 111,883

**VILLAGE OF BISCAYNE PARK, FLORIDA**  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUND  
 ROAD FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>REVENUES:</b>				
Intergovernmental	\$ 117,060	\$ 117,060	\$ 106,577	\$ (10,483)
Miscellaneous	-	-	512	512
Total revenues	117,060	117,060	107,089	(9,971)
<b>EXPENDITURES:</b>				
Current:				
Physical environment	117,060	117,060	49,630	67,430
Total expenditures	117,060	117,060	49,630	67,430
Excess (deficiency) of revenues over expenditures	-	-	57,459	57,459
Net change in fund balances	\$ -	\$ -	57,459	\$ 57,459
Fund balance, beginning			77,765	
Fund balance, ending			\$ 135,224	

**VILLAGE OF BISCAYNE PARK, FLORIDA**  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUND  
 POLICE FORFEITURE FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>REVENUES:</b>				
Fines and forfeitures	\$ 12,000	\$ 12,050	\$ 5,902	\$ (6,148)
Interest	50	-	62	62
Total revenues	12,050	12,050	5,964	(6,086)
<b>EXPENDITURES:</b>				
Current:				
Public safety	12,050	12,050	49,689	(37,639)
Total expenditures	12,050	12,050	49,689	(37,639)
Excess (deficiency) of revenues over expenditures	-	-	(43,725)	(43,725)
Net change in fund balances	\$ -	\$ -	(43,725)	\$ (43,725)
Fund balance, beginning			20,384	
Fund balance (deficit), ending			\$ (23,341)	

**VILLAGE OF BISCAYNE PARK, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL - CAPITAL IMPROVEMENT FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>REVENUES:</b>				
Intergovernmental	\$ 227,488	\$ 456,488	\$ 152,525	\$ (303,963)
Total revenues	<u>227,488</u>	<u>456,488</u>	<u>152,525</u>	<u>(303,963)</u>
<b>EXPENDITURES:</b>				
Current:				
Physical environment	<u>227,488</u>	<u>456,488</u>	<u>94,410</u>	<u>362,078</u>
Total expenditures	<u>227,488</u>	<u>456,488</u>	<u>94,410</u>	<u>362,078</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>58,115</u>	<u>58,115</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	-	-	32,084	32,084
Transfers out	<u>-</u>	<u>-</u>	<u>(141,906)</u>	<u>(141,906)</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>(109,822)</u>	<u>(109,822)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(51,707)</u>	<u>\$ (51,707)</u>
Fund balance, beginning			<u>7,504</u>	
Fund balance, ending			<u>\$ (44,203)</u>	

**VILLAGE OF BISCAYNE PARK, FLORIDA**  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
BUDGET AND ACTUAL - PROPRIETARY FUNDS  
SANITATION FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				<u>Positive (Negative)</u>
Operating revenues:				
Charges for services	\$ 712,079	\$ 712,079	\$ 666,960	\$ (45,119)
Total revenues	<u>712,079</u>	<u>712,079</u>	<u>666,960</u>	<u>(45,119)</u>
Operating expenses:				
Personal services	227,684	218,899	268,311	(49,412)
Material, supplies and services	471,795	483,180	477,529	5,651
Depreciation	<u>12,600</u>	<u>10,000</u>	<u>12,517</u>	<u>(2,517)</u>
Total expenditures	<u>712,079</u>	<u>712,079</u>	<u>758,357</u>	<u>(46,278)</u>
Operating income	<u>-</u>	<u>-</u>	<u>(91,397)</u>	<u>(91,397)</u>
Net change in net assets	<u>\$ -</u>	<u>\$ -</u>	<u>(91,397)</u>	<u>\$ (91,397)</u>
Net assets, beginning			<u>134,027</u>	
Net assets (deficit), ending			<u>\$ 42,630</u>	



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

Honorable Mayor, Village Commission and Village Manager  
Village of Biscayne Park, Florida

We have audited the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Village of Biscayne Park, Florida (the "Village"), as of and for the year ended September 30, 2012, which collectively comprise the Village's basic financial statements and have issued our report thereon dated June 28, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Letter to Management, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies described in the accompanying Letter to Management to be material weaknesses as items 2011-03 and 2010-2.

Honorable Mayor, Village Commission and Village Manager  
Village of Biscayne Park, Florida

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompanying Letter to Management as significant deficiencies as items 2011-01, 2011-04, and 2010-5.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Letter to Management as items 2011-02, and 2009-1.

We noted certain other matters described in the accompanying Letter to Management as item 2012-01.

The Village's responses to the findings identified in our audit are described in the accompanying Letter to Management. We did not audit the Village's response and, accordingly, we express no opinion on it.

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

GLSC & Company, PLLC

June 28, 2013





**MANAGEMENT LETTER PURSUANT TO THE RULES OF  
THE AUDITOR GENERAL FOR THE STATE OF FLORIDA**

Honorable Mayor, Village Commission and Village Manager  
Village of Biscayne Park, Florida

We have audited the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Village of Biscayne Park, Florida (the "Village"), as of and for the year ended September 30, 2012, which collectively comprise the Village's basic financial statements and have issued our report thereon dated June 28, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's 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. Disclosures on that report, which is dated June 28, 2013, should be considered in conjunction with this management letter.

The purpose of this letter is to comment on those matters described in Rule 10.554(1)(i) as required by the Rules of the Auditor General for the State of Florida. Accordingly, in connection with our audit of the basic financial statements of the Village of Biscayne Park, Florida, as described in the first paragraph, we report the following:

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

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America requires us to indicate that this letter is intended solely for the information and use of management, and the Florida 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.

*GLSC & Company, PLLC*

June 28, 2013

## LETTER TO MANAGEMENT

### I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

#### 2012-01 Sub-Contractors

**Condition:** Our audit disclosed that the Village currently has no written formal contracts with any of its subcontractors performing permit inspections.

**Cause:** It has been long standing practice of the Village that inspectors are subcontracted based on mutual agreement of both parties and did not require formal written contract.

**Effect:** The Village may face potential exposure to liability for which sub-contractors may be deemed as employees in absence of a written agreement. The Village may also be named as a party to a lawsuit due to ambiguity of its relationship of the Village with its subcontractors or other potential issues related to unemployment compensation and payroll taxes.

**Recommendation:** We recommend that the Village develop and enter into a formal contract with all its subcontractors detailing responsibilities of each party, compensation, and other key elements of a contract.

**Management's Response:** The Village will ensure that it has formal contracts with its subcontractors that perform permit inspections.

**LETTER TO MANAGEMENT  
(CONTINUED)**

**II. PRIOR YEARS' FINDINGS AND RECOMMENDATIONS**

**2011-01          Journal Entries**

- Condition:**                      Our review of journal entries disclosed that the Village does not print, file and attach supporting documents of all journal entries posted in the general ledger.
- Cause:**                              Documents supporting the journal entries posted in the general ledger are filed separately by the Finance Director depending on the type of the transaction (i.e. state remittances, etc.).
- Effect:**                              Lack of systematic filing of journal entries and supporting documents creates confusion during the management review process resulting into numerous unnecessary adjusting entries correcting the previously entered journal entries.
- Recommendation:**              We recommend that the Village create a journal entry binder to sequentially file all journal entries and supporting documents to facilitate efficient and effective review of the accounts. This binder will also provide document trail that will minimize confusion and mitigate double booking of transaction requiring reversal entries of previously posted entries in the general ledger.
- Current Year Status:**              Similar instances were still noted during the fiscal year 2012 audit. **This comment will be repeated.**
- Corrective Action Plan:**              The Finance Department will keep a binder of all journal entries made along with the supporting documentation.

**LETTER TO MANAGEMENT  
(CONTINUED)**

**II. PRIOR YEARS' FINDINGS AND RECOMMENDATIONS (CONTINUED)**

**2011-02 Report Submission**

**Condition:** Our test of compliance disclosed several instances of non-compliance with reporting requirements as follows:

<u>Agency/Report</u>	<u>Due Date</u>
Miami-Dade Building Better Communities GOB Project	
Audit report	Six (6) after fiscal year-end
Project Status Report	Monthly
Project Close-Out Report	45-days after project completion
Florida Department of Financial Services	
Qualified Public Depository Annual Report to the CFO	On or before November 30 <sup>th</sup>
Annual Financial Report for FY2011	No later than June 30 <sup>th</sup>
Florida Auditor General	
Audited financial statement for FY2011	No later than June 30 <sup>th</sup>
Florida Department of Revenues	
Application for Revenue Sharing FY2011	No later than June 30 <sup>th</sup>

**Cause:** The Village has no effective internal control to track the submission of the required reports to ensure that reports are filed on a timely basis.

**Effect:** The Village may be penalized for submitting the reports late and could jeopardized future funding from these agencies.

**Recommendation:** We recommend that the Village develop a tracking system in order to comply with the reporting requirements and their due dates and designate a responsible employee to monitor timely submission of the reports.

**Current Year Status:** Final audit report for the Miami-Dade Building Better Communities GOB Project was due on March 31, 2013; however, Miami-Dade County extended the deadline until June 30, 2013. Management believes that the Village will be in compliance with all its reportorial requirements for fiscal year 2012. The Annual Financial Report was not submitted by the June 30, 2013 deadline. The Village did not submit the Florida Department of Revenue Employer Quarterly Reports on time resulting in penalties and fees.

**Corrective Action Plan:** The Village is implementing adequate internal controls to ensure all reports are submitted on a timely basis.



**LETTER TO MANAGEMENT  
(CONTINUED)**

**II. PRIOR YEARS' FINDINGS AND RECOMMENDATIONS (CONTINUED)**

**2011-04          Fixed Assets**

**Condition:**                      During the audit, we noted that the fixed assets register was not updated and there were several capital expenditures incurred during the fiscal year 2011 that met the Village's capitalization policy. We also noted that there were projects completed during the fiscal year but were still classified as "Construction in Progress" in the fixed assets register.

**Cause:**                              Lack of year-end review process and procedures.

**Effect:**                              Misclassification of capital expenses and construction in progress accounts, and understatement of fixed assets.

**Recommendation:**              We recommend that the Village include the review of capital expenditures account in its year-end procedures in determining disbursements that meet the Village's capitalization threshold and properly account for its fixed assets.

**Current Year Status:**              Similar instances were still noted during the fiscal year 2012 where detailed fixed assets register was not updated for the current year's additions and deletions. In addition, the Village conducted physical inventory count in January 2013, however, was not able to reconcile the result with the fixed assets register since no detailed records were kept on file. These comments will be repeated.

**Corrective Action Plan:**              The Village intends to implement a new financial accounting system which includes a fixed asset module. This will allow the Village to properly track all fixed asset activity and ensure that the fixed asset register is current and up to date.

**LETTER TO MANAGEMENT  
(CONTINUED)**

**II. PRIOR YEARS' FINDINGS AND RECOMMENDATIONS (CONTINUED)**

**2010-1- Bank Reconciliations**

- Condition:** The Village had not timely completed its bank reconciliations for the fiscal year ended September 30, 2010 and 2011. Not reconciling the bank accounts on a monthly basis could result in errors or other problems that might not be recognized and resolved on a timely basis.
- Cause:** The Village experienced high turnover of personnel in the finance department during the fiscal years 2010 and 2011, including several months without a Finance Director.
- Effect:** The Village did not complete its bank reconciliations timely for the fiscal years 2010 and 2011, resulting into significant year-end adjustments and delays in the year-end closing process due to numerous outstanding and/or unresolved reconciling items in the bank reconciliations. Timely preparation of complete and accurate bank reconciliations is a key to maintaining adequate control over both cash receipts and disbursements.
- Recommendation:** The Village should prioritize the timely preparation of all bank reconciliations and, properly investigate and record all significant outstanding items in a timely manner.
- Current Year Status:** The Village is now up to date on its bank reconciliations and has minimal reconciling items. **This comment will not be repeated.**

**2010-2 – Mispostings of Revenue and Expenditure Transactions**

- Condition:** Several mispostings of transactions related to revenue and expenditure were noted upon review of the accounts. These mispostings caused reclassifications between revenue and expenditure accounts as well as between departments and funds. Many of the mispostings were recorded in the miscellaneous revenue account in the General fund.
- Cause:** The Village experienced high turnover of personnel in the finance department during the fiscal year 2010 and 2011, including several months without a Finance Director.
- Effect:** Overstatement or understatement of revenues and expenditures, and possible non-compliance with budgetary appropriations.
- Recommendation:** We recommend detailed monthly analysis of all cash receipts and disbursements transactions to ensure accuracy of the accounts used. We also recommend monthly preparation and review of financial statements in comparison with budget, and investigate any unexpected variances which possibly could have resulted from incorrect postings of revenues and expenditures.

**LETTER TO MANAGEMENT  
(CONTINUED)**

**II. PRIOR YEARS' FINDINGS AND RECOMMENDATIONS (CONTINUED)**

**2010-2 - Mispostings of Revenue and Expenditure Transactions (Continued)**

**Current Year Status:** Similar instances were still noted during the fiscal year 2012 where double booking of revenues and expenditures were recorded in the general ledger requiring additional journal entries to correct the Village's accounting records. **This comment will be repeated.**

**Corrective Action Plan:** The Village hired a consultant in January 2013 to assume responsibilities of the Finance Director position. The consultant has experience in governmental accounting and has already implemented appropriate internal controls and procedures to ensure the proper posting of revenues and expenditures.

**2010-5 - Develop Instructions for Year-end Closing Procedures and Budgeting Process**

**Condition:** To ensure effective completion of the annual year-end closing procedures and to ensure that the overall reporting timetable to management, legislative bodies and the Government Finance Officers Association are met, we recommend that formal closing instructions and related accounting practices be developed and, perhaps, included in the Village's accounting policies and procedures manual.

These instructions should include the following:

- The purpose of all closing procedures.
- Timetables outlining appropriate due dates.
- Sample formats.
- Instructions for schedules to be prepared.

**Recommendation:** We recommend that the timetable cover the period beginning with the preparation for pre-audit meetings and physical inventories through the completion of the data required for the financial statements. The procedures should also include a chronological listing of the original due dates for the item required and space for notation of actual dates completed. The Village Manager should assign an individual, such as the Finance Director, the overall responsibility for monitoring each employee's compliance with assigned year-end tasks.

**Current Year Status:** Recommendation was not implemented in fiscal year 2012, similar audit difficulties were encountered. **This comment will be repeated.**

**LETTER TO MANAGEMENT  
(CONTINUED)**

**II. PRIOR YEARS' FINDINGS AND RECOMMENDATIONS (CONTINUED)**

**2010-5 - Develop Instructions for Year-end Closing Procedures and Budgeting Process  
(Continued)**

**Corrective Action Plan:** The Village developed a calendar for the budgeting process to ensure compliance on a timely basis. A checklist is currently being developed for year-end closing procedures.

**2009-1 —Budgeting**

**Condition:** Section 166.241 (4) of the Florida Statutes states that:

The governing body at any time within the fiscal year or within up to 60 days following the end of the fiscal year may amend a budget for that year as follows:

- (a) Appropriations for expenditures within a fund may be decreased or increased by motion recorded in the minutes, provided that the total of the appropriations of the fund is not changed.
- (b) The governing body may establish procedures by which the designated budget officer may authorize certain budget amendments within a department, provided that the total of the appropriations of the department is not changed.
- (c) If a budget amendment is required for a purpose not specifically authorized in paragraph (a) or paragraph (b), the budget amendment must be adopted in the same manner as the original budget unless otherwise specified in the charter of the respective municipality.

The Village amended the budget for fiscal year ended September 30, 2010 on January 5, 2010, passed the 60 day period allowed under FS 166.241 (4).

Also, Section 2-136 (d) of the Village's Code of Ordinance states that "Exceeding budget appropriation. The director of finance may not purchase or contract for any item or service which exceeds any budget appropriation until such a time as the Village Commission amends the budget to increase the appropriation to the applicable level." The Village passed the budget amendments on January 5, 2010; therefore, purchases were made before the budget increases were approved.

**LETTER TO MANAGEMENT  
(CONTINUED)**

**II. PRIOR YEARS' FINDINGS AND RECOMMENDATIONS (CONTINUED)**

**2009-1 —Budgeting (Continued)**

**Cause:** The Village amended the budget after the 60 day period allowed by FS Section 166.241 (4). Also, purchases were made before the budget increases were approved as required by Section 2-136 (d) of the Village's Code of Ordinance.

**Effect:** The Village did not comply with FS Section 166.241(4) relating to budgeting or Section 2-136 (d) of the Village's Code of Ordinance.

**Recommendation:** We recommend that the Village establish procedures that ensure timely budget amendments. In order to comply with FS Section 166.241(4) and Section 2-136 of the Code, the Village will have to closely monitor its expenditures and pass budget amendments early in the fourth quarter of the fiscal year. However, unforeseen expenditures and year end accruals could continue to cause violations of Section 2-136 of the Code.

We also recommend that the Village review its current budget process and adopt a formal document that incorporates all the requirements established by the State, Charter and Village Ordinances. The document can be included with the written policies recommended in item 2000-9, to ensure compliance with laws and regulations.

**Current Year Status:** The final amended budget was passed by the Village Commission beyond the 60 days requirement of the Florida Statute, this comment will be repeated.

**Corrective Action Plan:** The Village developed a calendar for the budgeting process to ensure compliance on a timely basis.

**LETTER TO MANAGEMENT  
(CONTINUED)**

**II. PRIOR YEARS' FINDINGS AND RECOMMENDATIONS (CONTINUED)**

**2008-3 —Internal Controls Over Recreation Center- Concession**

**Condition:** During our audit of internal controls over the concession sales at the Village's recreation center we noted the following deficiencies:

1. There are no formal policies and procedures over the collection and reporting of concession revenues
2. Concession revenues are not reconciled and submitted to the Village on a daily basis.
3. A cash register has not been properly programmed and is not being used properly.
4. There are no controls over inventory or reconciliation of cash receipts to items sold.
5. We also noted that the Recreation Department allows participants to pre-pay for purchases and balances credited throughout the week. Balances are maintained in manual logs.

**Recommendations:**

1. Establish formal policies and procedures for internal controls over concession sales at the recreation center.
2. Program the cash register for sales and begin using the cash register.
3. Establish controls over concession inventory. Daily inventory counts should be taken. One at the beginning of the day and one at the end of the day.
4. Maintain segregation of duties over cash receipts. Employee who handles the cash register should not be the same employee who takes inventory and reconciles the cash register at the end of the day.
5. Sales register from the cash register should be reconciled to cash in drawers and to inventory count at the end of the day.
6. Daily cash register reports including reconciliation to cash and inventory should be provided to the Finance Department for deposit.
7. Surprise inventory counts should be performed by Finance Department.
8. Discontinue practice of allowing pre-payment for purchases.

**LETTER TO MANAGEMENT  
(CONTINUED)**

**II. PRIOR YEARS' FINDINGS AND RECOMMENDATIONS (CONTINUED)**

**2008-3 —Internal Controls Over Recreation Center- Concession (Continued)**

**Current Year Status:** The Village developed and implemented policies and procedures on cash collection and cash handling, including concession at the recreation center, however, the Finance Manual did not cover specific procedures on accounting for concession inventories and daily reconciliations of sales with cash register. **This comment will not be repeated.**

**2005-2 Develop and Document a Disaster Recovery Plan**

**Condition:** 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:** The Village finalized its disaster recovery plan during the fiscal year 2012; this comment will not be repeated.

**LETTER TO MANAGEMENT  
(CONTINUED)**

**III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

1. Unless otherwise required to be reported in the auditors' report on internal control over financial reporting and on compliance and other matters, the management letter shall include, but not be limited to a statement as to whether or not corrective actions have been taken to address significant findings and recommendations in the preceding annual financial audit report pursuant to Rule 10.557(3)(b)2. If the audit findings in the preceding financial audit report are uncorrected, the auditor must identify those that were also included in the second preceding fiscal audit report. The Village has not taken corrective actions to address the material weaknesses and significant deficiencies and other findings in the preceding annual financial reports identified as 2011-01, 2011-02, 2011-03, and 2011-04 in the Letter to Management. Findings 2010-2, 2010-5, and 2009-1 were also included as findings in the second preceding fiscal year audit report.
2. The Village of Biscayne Park, Florida complied with Section 218.415, Florida Statutes, regarding the investment of public funds.
3. There were significant findings and recommendations to improve the Village's financial management, accounting procedures, and internal control for the fiscal year ended September 30, 2012, see items 2011-01, 2011-03, 2011-04, 2010-2, and 2010-5 in the Letter to Management.
4. There were violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or were likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential see items 2011-02 and 2009-01 in the accompanying letter to management.
5. Based on our professional judgment, we may report on the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (a) violations of provisions of contract or grant agreements, fraud, illegal acts, or abuse (b) deficiencies in internal control that are not significant deficiencies. We consider item 2012-01 in the Letter to Management to be deficiencies in internal control that are not significant deficiencies.
6. The Village of Biscayne Park, Florida was incorporated in accordance with the laws of the State of Florida 16319 in 1933. The Village operates under a Commission / Village Manager form of government. The Village is financially independent as evidenced by the authority to make and approve its own budget, the power to tax, the authority to buy and sell property, and the authority to incur debt. The Village has one component unit that was included in the financial statements which is disclosed in the notes to the financial statements.
7. The Village of Biscayne Park, Florida has not met one or more of the conditions described in Section 218.503(1), Florida Statutes.
8. The annual financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1) (a), Florida Statutes agrees with the September 30, 2012 financial audit report.

**LETTER TO MANAGEMENT  
(CONTINUED)**

**III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA (CONTINUED)**

9. We applied financial condition assessment procedures pursuant to Rule 10.556(7) to assess the financial condition of the Village. The Village currently had an “Unfavorable” results, however, does not meet any of the financial emergency conditions defined by Section 218.503, Florida Statutes. All three (3) critical factors of the Village’s financial condition assessments indicated unfavorable results, these critical factors measures the Village’s liquidity and equity fund level. Factors that contributed to these unfavorable results were the continuing decline of unassigned/unreserved fund balance in the general fund and the declining relationship between available cash and investment over the Village’s current liabilities. Significant drop in available fund balance over the years resulted from the Village’s capital projects such as the improvements on recreation building, construction of public works building and Stormwater drainage projects, though partially financed by capital grants from the State and Miami-Dade County, had to be initially funded by the Village, subject for reimbursements. The Village’s fund balance was also depleted by unexpected disbursements related to legal costs and settlement of old worker’s compensation claims in the past three years.

Management expects that the cost savings efforts and budgetary changes it implemented on fiscal year 2013-14 will strengthen these critical ratios for the coming fiscal years.